UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2012

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number:
1-6523

Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:
Delaware

IRS Employer Identification Number:
56-0906609

Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255

Registrant's telephone number, including area code:
(704) 386-5681

Former name, former address and former fiscal year, if changed since last report:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ✓ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer ✓	Accelerated filer	Non-accelerated filer (do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No ✓

On April 30, 2012, there were 10,776,690,824 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation
March 31, 2012
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Part I. Financial Information

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the potential impacts of the European Union sovereign debt crisis; completion of tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities; the charge to income for each one percent reduction in the U.K. corporate income tax rate; the programs expected to be developed pursuant to the settlement agreements with the state attorneys general and U.S. Department of Justice; that the financial impact of the settlements is not expected to cause any additional provision or reserves as of March 31, 2012 based on the expected impact of the borrower assistance program and operating costs; that certain amounts may be reduced by credits earned for principal reductions; that our payment obligations under the settlement agreements with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency would be deemed satisfied by payments and provisions of relief under the settlement agreements; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including estimated cost savings, including declines in certain noninterest expense categories; the impact of and costs associated with each of the agreements with the Bank of New York Mellon (as trustee for certain legacy Countrywide Financial Corporation (Countrywide) private-label securitization trusts), and each of the government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (collectively, the GSEs), to resolve bulk representations and warranties claims; our expectation that the $1.7 billion in claims from private-label securitization investors in the covered trusts under the private-label securitization settlement with the Bank of New York Mellon (the BNY Mellon Settlement) would be extinguished upon final court approval of the BNY Mellon Settlement; the belief that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation's non-GSE repurchase claims; the estimated range of possible loss for non-GSE representations and warranties exposure as of March 31, 2012 of up to $5 billion over existing accruals and the effect of adverse developments with respect to one or more of the assumptions underlying the liability for non-GSE representations and warranties and the corresponding estimated range of possible loss; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs and update its processes related to these changing GSE behaviors; our expressed intention not to pay compensatory fees under the new GSE servicing guides; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our beliefs regarding our ability to resolve rescissions before the expiration of the appeal period allowed by FNMA; our expectation that mortgage-related assessments, waivers and similar costs will remain elevated as additional loans are delayed in the foreclosure process; our expectation that higher costs related to resources necessary to implement new servicing standards mandated for the industry and to implement other operational changes, will continue; the expected repurchase claims on the 2004-2008 loan vintages, including the belief regarding reduced exposure related to loans originated after 2008; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process; the impact of delays in foreclosure sales in connection with the Corporation's continued process enhancements and any issues that may arise out of alleged irregularities in the Corporation's foreclosure process; continued cooperation with investigations; the potential materiality of liability with respect to potential servicing-related claims; net interest income continuing to be muted in 2012; our estimates regarding the percentages of loans expected to prepay, default or reset in 2012 and thereafter; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; the realizability of deferred tax assets prior to expiration of any carryforward periods; credit trends and conditions, including credit losses, credit reserves, the allowance for credit losses, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including continued expected reductions in the allowance for loan and lease losses in 2012; the role of non-core asset sales in our capital strategy; investment banking fees; consumer and commercial service charges, including the impact of changes in the Corporation's overdraft policy and the Corporation's ability to mitigate a decline in revenues; the effects of new accounting pronouncements; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America and with the requirements of various regulatory agencies, including our estimates of and ability to comply with any Basel capital and liquidity requirements endorsed by U.S. regulators within any applicable regulatory timelines; the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act), including, but not limited to, the Durbin Amendment; our expectations regarding the December 2011 amendment to the notice of proposed rulemaking on the Risk-based Capital Guidelines for Market Risk initially issued in December 2010; CRES's ceasing to deliver purchase money first mortgage products into FNMA mortgage-backed *securities pools and our expectation that this cessation will not have a material impact on CRES's business; our expectations regarding losses in the event of legitimate mortgage insurance rescissions related to loans held for investment; our expressed intended actions in the response to repurchase requests with which we do not agree; the continued reduction of our long-term debt as appropriate through 2013; our expressed intention to consider additional repurchases and exchanges of our debt depending on prevailing market conditions, liquidity and other factors; the estimated range of possible loss from and the impact of various legal proceedings discussed in "Litigation and Regulatory Matters" in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements; our management processes; credit protection maintained and the effects of certain events on those positions; our estimates of contributions to be made to pension plans; our expectations regarding probable losses related to unfunded lending commitments; our funding strategies including contingency plans; our trading risk management processes; our interest rate and mortgage banking risk management strategies and models; our expressed intention to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted or expected to be deducted under Basel III, from capital; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Bank of America's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.*

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation's resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs' remaining claims; the Corporation's ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; the Corporation's mortgage modification policies and related results; the timing and amount of any potential dividend increase, including any necessary approvals; adverse changes to the Corporation's credit ratings from the three major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the Corporation's ability to limit liabilities acquired as a result of the Merrill Lynch & Co., Inc. and Countrywide acquisitions; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation. Throughout the MD&A, the Corporation uses certain acronyms and abbreviations which are defined in the Glossary.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: *Consumer & Business Banking (CBB)*, *Consumer Real Estate Services (CRES)*, *Global Banking*, *Global Markets* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2012, the Corporation changed its basis of presentation from six to the above five segments. For more information on this realignment, see Business Segment Operations on page 26. At March 31, 2012, the Corporation had $2.2 trillion in assets and approximately 279,000 full-time equivalent employees.

As of March 31, 2012, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 57 million consumer and small business relationships with approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Table 1 provides selected consolidated financial data for the three months ended March 31, 2012 and 2011 and at March 31, 2012 and December 31, 2011.

Table 1

Selected Financial Data

	Three Months Ended March 31	
(Dollars in millions, except per share information)	**2012**	2011
Income statement		
Revenue, net of interest expense (FTE basis) (1)	**$ 22,485**	$ 27,095
Net income	**653**	2,049
Diluted earnings per common share	**0.03**	0.17
Dividends paid per common share	**0.01**	0.01
Performance ratios		
Return on average assets	**0.12%**	0.36%
Return on average tangible shareholders' equity (1)	**1.67**	5.54
Efficiency ratio (FTE basis) (1)	**85.13**	74.86
Asset quality		
Allowance for loan and lease losses at period end	**$ 32,211**	$ 39,843
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end (2)	**3.61%**	4.29%
Nonperforming loans, leases and foreclosed properties at period end (2)	**$ 27,790**	$ 31,643
Net charge-offs	**4,056**	6,028
Annualized net charge-offs as a percentage of average loans and leases outstanding (2)	**1.80%**	2.61%
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans (2)	**1.87**	2.71
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.97**	1.63
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans	**1.43**	1.31

	March 31 2012	December 31 2011
Balance sheet		
Total loans and leases	**$ 902,294**	$ 926,200
Total assets	**2,181,449**	2,129,046
Total deposits	**1,041,311**	1,033,041
Total common shareholders' equity	**213,711**	211,704
Total shareholders' equity	**232,499**	230,101
Capital ratios		
Tier 1 common capital	**10.78%**	9.86%
Tier 1 capital	**13.37**	12.40
Total capital	**17.49**	16.75
Tier 1 leverage	**7.79**	7.53

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

(2) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

First Quarter 2012 Economic and Business Environment

The economic and financial environment for banking showed signs of improvement in the first quarter, as labor market recovery and rising equity values combined to raise consumer and business confidence. However, many key indicators of sustainable economic growth remain under pressure. While still elevated, the unemployment rate continued its recent decline ending the quarter at 8.2 percent compared to 8.5 percent at December 31, 2011. The solid equity market performance, supported by less volatile European financial conditions, provided a boost to consumer confidence. Consumer spending categories rose modestly. Retail spending was soft at the beginning of the year but gathered momentum as the quarter progressed. Despite the improvements, economic growth remained moderate as households continued to reduce debt and spend cautiously, businesses held cash and state and local government purchases continued to decline. Export activity was solid. Real estate activity showed some encouraging signs of stability although home prices continued to decline in many parts of the U.S. during the quarter. Business spending gains were moderate, largely related to the expiration of tax incentives for equipment and software purchases at the end of 2011. Rising gasoline prices were a concern during the quarter but oil price gains remained relatively stable. Despite the overall improvements in U.S. economic performance in the past two quarters, anxiety that the economy will lose momentum near mid-year persists.

During the quarter, the Board of Governors of the Federal Reserve System (Federal Reserve) extended its guidance for the exceptionally low level of the federal funds rate at least through late 2014. It also continued its program of extending the maturity of its portfolio by buying longer term Treasury securities and selling short-term holdings, which is scheduled to be complete by mid-year. Market speculation about extending the maturity extension program or initiating further outright security purchases after the completion of the current program increased during the quarter, as the Federal Reserve acknowledged economic and labor market improvement while stressing that conditions have not normalized.

An agreement on a Greek debt restructuring and a large European Central Bank program establishing long-term lending to European banks helped stabilize European sovereign debt markets and improve worldwide financial conditions during the quarter. Nevertheless, a mild, but uneven economic recession continued in most European Union nations especially nations undertaking substantial fiscal and market reforms. Late in the first quarter, concern about Spain's contracting economy and large budget deficit, and renewed anxiety over Italy's economic reforms pushed European sovereign yields higher, offsetting a portion of earlier yield declines. This trend continued early in the second quarter, as concern about Europe continued, stemming from the negative impacts of the economic recession, resistance to implementing economic reforms and fiscal measures, as well as rising government debt-to-gross domestic product ratios. In response to rising bond yields, an enhanced financial support package was established by the International Monetary Fund in March 2012 to slow further deterioration in Europe.

Japan continued to recover moderately from the earthquake in early 2011. China's economic growth slowed during the quarter. Other Asian nations continued to expand during the quarter. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 96.

Recent Events

U.S. Department of Justice / Attorney General Matters

On March 12, 2012, the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD) and other federal agencies (together, the Federal Agencies) and 49 state attorneys general (the State AGs), caused a consent judgment (the Consent Judgment) concerning the terms of a global settlement resolving investigations into certain origination, servicing and foreclosure practices (the Global Settlement Agreement) to be filed in the U.S. District Court for the District of Columbia. The Global Settlement Agreement embodies the agreements related to the previously announced agreements in principle reached on February 9, 2012 with (1) the Federal Agencies and State AGs to resolve federal and state investigations into certain origination, servicing and foreclosure practices, and (2) the Federal Housing Administration (FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by legacy Countrywide prior to and for a period following the Corporation's acquisition of that company. The Consent Judgment was entered by the court on April 5, 2012, and separate settlement agreements with the Federal Reserve and the Office of the Comptroller of the Currency (OCC) relating to servicing and foreclosure practices also became effective. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K

Stress Test Results

On March 13, 2012, the Federal Reserve announced the results of its 2012 Comprehensive Capital Analysis and Review project (CCAR). The Federal Reserve's stress scenario projections for the Corporation estimated a minimum Tier 1 common capital ratio of 5.9 percent under severe adverse economic conditions with all proposed capital actions through the end of 2013, exceeding the 5 percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation to the Federal Reserve did not include a request to return capital to stockholders for 2012 above the current dividend rate. The Federal Reserve did not object to our planned capital actions. For additional information, see Capital Management – Regulatory Capital Changes on page 55.

Capital and Liquidity Related Matters

During the three months ended March 31, 2012, we entered into a series of transactions involving repurchases of our subordinated debt, and exchanges of preferred stock and trust preferred securities. In a tender offer and certain open market transactions, we repurchased subordinated debt with a carrying value of $4.8 billion for $3.8 billion in cash, and recorded gains of $1.0 billion. Also, we exchanged various series of our outstanding non-convertible perpetual preferred stock with a carrying value of $296 million and trust preferred securities issued by various unconsolidated trusts for approximately 50 million shares of the Corporation's common stock, with a fair value of $412 million, and $398 million in cash. The trust preferred securities were then exchanged with the unconsolidated trusts for an equal principal amount of junior subordinated debt that had a carrying value of $760 million, effectively retiring the debt. In connection with these exchanges, we recorded gains of $202 million and a $44 million reduction to preferred stock dividends. These transactions in the aggregate increased Tier 1 common capital by $1.7 billion or 13 basis points (bps) under Basel I.

As credit spreads for many financial institutions, including the Corporation, remain at wide levels, the market value of debt previously issued by financial institutions has decreased making it economically advantageous to repurchase and retire certain of our outstanding debt. On April 25, 2012, we commenced tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities for aggregate consideration payable in these transactions of up to $1.75 billion in cash (such aggregate consideration is subject to increase). The Federal Reserve Bank of Richmond, in consultation with the Board of Governors of the Federal Reserve System, has informed us that it has approved this capital action. We will consider additional repurchases and exchanges in the future depending on prevailing market conditions, liquidity and other factors. If the purchase of any debt instruments is at an amount less than the carrying value, such purchases would be accretive to earnings and capital.

Credit Ratings

On February 15, 2012, Moody's Investors Service, Inc. (Moody's) placed the Corporation's long-term debt rating and Bank of America, N.A.'s (BANA's) long-term and short-term debt ratings on review for possible downgrade as part of its review of 17 financial institutions with global capital markets operations. On April 13, 2012, Moody's indicated that the review is expected to conclude between early May and the end of June 2012. Any adjustment to our ratings will be determined based on Moody's review; however, the agency offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

The major rating agencies (Moody's, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch)) have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 65, *Note 3 – Derivatives* to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Performance Overview

Net income was $653 million for the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. After preferred stock dividends of $325 million and $310 million for the three months ended March 31, 2012 and 2011, net income applicable to common shareholders was $328 million, or $0.03 per diluted common share, compared to $1.7 billion, or $0.17 per diluted common share. Certain items that affected pre-tax income for the three months ended March 31, 2012 were the following: provision for credit losses of $2.4 billion which included a reserve reduction of $1.6 billion, gains of $1.2 billion on debt repurchases and exchanges of trust preferred securities, equity investment income of $765 million and $752 million of gains on sales of debt securities. These items were more than offset by negative fair value adjustments of $3.3 billion on structured liabilities related to tightening of our own credit spreads, DVA losses on derivatives of $1.5 billion, net of hedges, annual retirement-eligible incentive compensation costs of $892 million and litigation expense of $793 million.

Table 2
Summary Income Statement

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Net interest income (FTE basis) [1]	**$ 11,053**	$ 12,397
Noninterest income	**11,432**	14,698
Total revenue, net of interest expense (FTE basis) [1]	**22,485**	27,095
Provision for credit losses	**2,418**	3,814
All other noninterest expense	**19,141**	20,283
Income before income taxes	**926**	2,998
Income tax expense (FTE basis) [1]	**273**	949
Net income	**653**	2,049
Preferred stock dividends	**325**	310
Net income applicable to common shareholders	**$ 328**	$ 1,739
Per common share information		
Earnings	**$ 0.03**	$ 0.17
Diluted earnings	**0.03**	0.17

[1] FTE basis is a non-GAAP financial measure. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis was 2.51 percent and 2.67 percent for the three months ended March 31, 2012 and 2011.

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The most significant contributors to the decline were the negative fair value adjustments on structured liabilities, net DVA losses and a $710 million decrease in equity investment income. These declines were partially offset by gains on debt repurchases and exchanges of trust preferred securities and a $731 million decrease in representations and warranties provision. For additional information on the repurchases and exchanges, see Liquidity Risk on page 60.

The provision for credit losses decreased $1.4 billion to $2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was $1.6 billion lower than net charge-offs for the three months ended March 31, 2012, resulting in a reduction in the allowance for credit losses primarily driven by improvement in bankruptcies and delinquencies across the U.S. credit card and unsecured consumer lending portfolios, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio partially offset by additions to the consumer purchased credit-impaired (PCI) loan portfolio reserves. This compared to a $2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decline was driven by a decrease of $1.1 billion in other general operating expense which included declines of $464 million in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense.

Income tax expense on a FTE basis was $273 million on pre-tax income of $926 million for three months ended March 31, 2012 compared to $949 million on pre-tax income of $3.0 billion for same period in 2011. For more information, see Financial Highlights – Income Tax Expense on page 12.

Segment Results

Table 3
Business Segment Results

	Three Months Ended March 31			
	Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	**2012**	2011	**2012**	2011
Consumer & Business Banking (CBB)	**$ 7,420**	$ 8,464	**$ 1,454**	$ 2,041
Consumer Real Estate Services (CRES)	**2,674**	2,063	**(1,145)**	(2,400)
Global Banking	**4,451**	4,702	**1,590**	1,584
Global Markets	**4,193**	5,272	**798**	1,394
Global Wealth & Investment Management (GWIM)	**4,360**	4,496	**547**	542
All Other	**(613)**	2,098	**(2,591)**	(1,112)
Total FTE basis	**22,485**	27,095	**653**	2,049
FTE adjustment	**(207)**	(218)	**—**	—
Total Consolidated	**$ 22,278**	$ 26,877	**$ 653**	$ 2,049

[1] Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 16.

The following discussion provides an overview of the results of our business segments and *All Other* for the three months ended March 31, 2012 compared to the same period in 2011. For additional information on these results, see Business Segment Operations on page 26.

CBB net income decreased due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Revenue decreased driven by a decline in net interest income from lower average loans and yields and lower noninterest income from the impact of the Durbin Amendment. The provision for credit losses increased, primarily within the Card Services business, which included lower reserve reductions during the three months ended March 31, 2012. Noninterest expense declined due to lower Federal Deposit Insurance Corporation (FDIC), marketing and operating expenses.

CRES net loss, which was primarily driven by continued high costs of managing delinquent and defaulted loans in the servicing portfolio, decreased due to an increase in revenue and decreases in noninterest expense and provision for credit losses. Revenue rose due to increased mortgage banking income driven by a decrease in representations and warranties provision and higher core production income, partially offset by lower insurance income. Noninterest expense decreased due to a decline in litigation expense, lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures, lower production and insurance expenses. The decrease in insurance income and expense was driven by the sale of Balboa Insurance Company's lender-placed insurance business (Balboa) in June 2011.

Global Banking net income remained relatively unchanged as lower noninterest expense and provision for credit losses offset a decline in revenue. Revenue decreased driven by lower investment banking fees mainly from a decline in advisory and equity underwriting fees and lower accretion on acquired portfolios. Provision for credit losses improved due to improving asset quality in the commercial real estate portfolio. Noninterest expense decreased primarily due to lower personnel expenses.

Global Markets net income decreased driven by net DVA losses partially offset by an improved market environment. Net DVA losses increased due to significant tightening of our credit spreads. Sales and trading revenue, excluding net DVA losses, increased resulting from higher fixed income, currencies and commodities (FICC) sales and trading revenue partially offset by a decrease in equity sales and trading revenue.

GWIM net income remained relatively unchanged as lower noninterest expense was offset by lower revenue. Revenuedecreased primarily driven by lower transactional activity. Noninterest expense decreased driven by lower FDIC expense and volume-driven expenses, lower litigation expense and other reductions related to expense discipline, partially offset by expenses related to the continued investment in the business.

All Other net loss increased primarily due to an increase in negative fair value adjustments on structured liabilities and lower equity investment income, partially offset by gains on subordinated debt repurchases and exchanges of trust preferred securities. Equity investment income decreased as the year-ago quarter included a gain on an equity investment in connection with an initial public offering (IPO). Provision for credit losses decreased primarily driven by lower reserve additions to the PCI discontinued real estate and residential mortgage portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. credit card portfolio. Noninterest expense increased due to higher litigation expense.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis decreased 16 bps to 2.51 percent for the three months ended March 31, 2012 compared to the same period in 2011 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to continue to be muted in 2012 based on the current forward yield curve.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Card income	**$ 1,457**	$ 1,828
Service charges	**1,912**	2,032
Investment and brokerage services	**2,876**	3,101
Investment banking income	**1,217**	1,578
Equity investment income	**765**	1,475
Trading account profits	**2,075**	2,722
Mortgage banking income	**1,612**	630
Insurance income (loss)	**(60)**	613
Gains on sales of debt securities	**752**	546
Other income (loss)	**(1,134)**	261
Net impairment losses recognized in earnings on AFS debt securities	**(40)**	(88)
Total noninterest income	**$ 11,432**	$ 14,698

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The following highlights the significant changes.

- Card income decreased $371 million primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.
- Equity investment income decreased $710 million as the year-ago quarter included a $1.1 billion gain related to an IPO of an equity investment.
- Trading account profits decreased $647 million primarily driven by net DVA losses on derivatives of $1.5 billion compared to net DVA losses of $357 million for the same period in 2011 as a result of significant tightening of our credit spreads. The impact of the net DVA losses was partially offset by increased sales and trading results, particularly within our FICC businesses reflecting some stabilization of the European debt crisis and improved market sentiment during the quarter.

- Mortgage banking income increased $982 million primarily driven by a $731 million decrease in the representations and warranties provision and higher margins on production volume.
- Insurance income decreased $673 million primarily driven by the sale of Balboa in June 2011 and a $200 million provision related to payment protection insurance (PPI) claims in the U.K.
- Other income decreased $1.4 billion primarily driven by negative fair value adjustments on our structured liabilities of $3.3 billion compared to $586 million for the same period in 2011, partially offset by $1.2 billion of gains related to subordinated debt repurchases and exchanges of trust preferred securities during this quarter.

Provision for Credit Losses

The provision for credit losses decreased $1.4 billion to $2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was $1.6 billion lower than net charge-offs for three months ended March 31, 2012 resulting in a reduction in the allowance for credit losses. For the three months ended March 31, 2012, the reduction in the allowance for credit losses was primarily driven by improvement in delinquencies and bankruptcies across the U.S. credit card and unsecured consumer lending portfolios, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio, as evidenced by continued declines in reservable criticized and commercial nonperforming balances. The reduction in the allowance for credit losses was partially offset by additions to the consumer PCI loan portfolio reserves. This compared to a $2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

The provision for credit losses related to our consumer portfolio decreased $1.3 billion to $2.6 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $113 million to a benefit of $226 million.

Net charge-offs totaled $4.1 billion, or 1.80 percent of average loans and leases for the three months ended March 31, 2012 compared to $6.0 billion, or 2.61 percent for the same period in 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans, improved collection rates and lower bankruptcy filings across the U.S. credit card and unsecured consumer lending portfolios, as well as lower net charge-offs in the home equity and core commercial portfolios. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Personnel	**$ 10,188**	$ 10,168
Occupancy	**1,142**	1,189
Equipment	**611**	606
Marketing	**465**	564
Professional fees	**783**	646
Amortization of intangibles	**319**	385
Data processing	**856**	695
Telecommunications	**400**	371
Other general operating	**4,377**	5,457
Merger and restructuring charges	**—**	202
Total noninterest expense	**$ 19,141**	$ 20,283

Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was driven by a $1.1 billion decrease in other general operating expenses primarily as a result of a $464 million decrease in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and a decrease of $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense. Professional fees and data processing expenses both increased due to the build-out and continuing default management activities in Legacy Assets & Servicing within *CRES*.

We expect to achieve cost savings in certain noninterest expense categories as we continue to streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles as part of Project New BAC. Phase 1 implementation continued during the three months ended March 31, 2012 and we are nearing completion of Phase 2 evaluations. We anticipate that more than 20 percent of the $5 billion per year in Phase 1 cost savings could be achieved by the end of 2012 and that all aspects of Project New BAC will be fully implemented by the end of 2014. For additional information, see Recent Events – Project New BAC on page 30 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Income Tax Expense

Income tax expense was $66 million for the three months ended March 31, 2012 compared to $731 million for the same period in 2011 and resulted in an effective tax rate of 9.2 percent compared to 26.3 percent in the prior year.

The effective tax rate for the three months ended March 31, 2012 was primarily driven by $128 million of discrete tax benefits and by our recurring tax preference items. The percentage impact of the discrete benefits and tax preference items on the effective tax rate was due to the low level of pre-tax earnings. The effective tax rate for the three months ended March 31, 2011 was primarily driven by the impact of our recurring tax preference items.

The proposal to reduce the U.K. corporate income tax rate by two percent to 23 percent is expected to be enacted in July 2012. The first proposed one percent reduction would be effective on April 1, 2012 and the second on April 1, 2013. These reductions would favorably affect income tax expense on future U.K. earnings but also would require us to remeasure our U.K. net deferred tax assets using the lower tax rates. Upon enactment, we would record a charge to income tax expense of approximately $800 million for these reductions. If the corporate income tax rate were reduced to 22 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, we would record a charge to income tax expense of approximately $400 million in the period of enactment.

Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	March 31 2012	December 31 2011	Average Balance Three Months Ended March 31 2012	Average Balance Three Months Ended March 31 2011
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 225,784**	$ 211,183	**$ 233,061**	$ 227,379
Trading account assets	**209,775**	169,319	**175,778**	221,041
Debt securities	**331,245**	311,416	**327,758**	335,847
Loans and leases	**902,294**	926,200	**913,722**	938,966
Allowance for loan and lease losses	**(32,211)**	(33,783)	**(33,210)**	(40,760)
All other assets	**544,562**	544,711	**570,065**	656,065
Total assets	**$ 2,181,449**	$ 2,129,046	**$ 2,187,174**	$ 2,338,538
Liabilities				
Deposits	**$ 1,041,311**	$ 1,033,041	**$ 1,030,112**	$ 1,023,140
Federal funds purchased and securities loaned or sold under agreements to repurchase	**258,491**	214,864	**256,405**	306,415
Trading account liabilities	**70,414**	60,508	**71,872**	83,914
Commercial paper and other short-term borrowings	**39,254**	35,698	**36,651**	65,158
Long-term debt	**354,912**	372,265	**363,518**	440,511
All other liabilities	**184,568**	182,569	**196,050**	188,631
Total liabilities	**1,948,950**	1,898,945	**1,954,608**	2,107,769
Shareholders' equity	**232,499**	230,101	**232,566**	230,769
Total liabilities and shareholders' equity	**$ 2,181,449**	$ 2,129,046	**$ 2,187,174**	$ 2,338,538

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities, primarily involving our portfolios of highly liquid assets, that are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and our customers, and to position the balance sheet in accordance with the Corporation's risk appetite. The execution of these activities requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly within the market-making activities of our trading businesses. One of our key metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets.

Assets

At March 31, 2012, total assets were $2.2 trillion, an increase of $52.4 billion, or two percent, from December 31, 2011. This increase was driven by trading account assets due to increases in U.S. Treasuries and EMEA sovereign debt and hedges in leveraged credit trading; debt securities primarily driven by net purchases of agency mortgage-backed securities (MBS); federal funds sold and securities borrowed or purchased under agreements to resell to cover increases in client short positions; and customer financing activity through the match book and collateral requirements. These increases were partially offset by lower consumer loan balances primarily due to paydowns and charge-offs outpacing new originations.

Average total assets decreased $151.4 billion for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower consumer loan balances primarily due to a reduction in the home equity portfolio, run-off of non-core portfolios and divestitures; sales of strategic investments; lower cash balances held at the Federal Reserve and a decrease in our mortgage servicing rights (MSR) asset.

Liabilities and Shareholders' Equity

At March 31, 2012, total liabilities were $1.9 trillion, an increase of $50.0 billion, or three percent, from December 31, 2011 primarily driven by securities sold under agreement to repurchase due to funding trading inventory resulting from customer demand. Partially offsetting this increase were reductions in long-term debt primarily driven by maturities and buybacks outpacing issuances as part of the Corporation's strategy to reduce our long-term debt levels.

Average total liabilities decreased $153.2 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decreases were primarily driven by planned reductions in long-term debt due to the Corporation's strategy to reduce our long-term debt levels, reductions in our use of federal funds purchased and securities loaned or sold under agreements to repurchase, and a decrease in short-term borrowings due to the Corporation's reduced use of commercial paper and master notes.

At March 31, 2012, shareholders' equity was $232.5 billion, an increase of $2.4 billion, or one percent, from December 31, 2011 due to positive earnings, common stock issued under employee plans and in connection with exchanges of preferred and trust preferred securities, and adjustments to employee benefit plans driven by a curtailment of the Corporation's Qualified Pension Plans, offset by a decrease in unrealized gains on available-for-sale (AFS) debt securities in other comprehensive income (OCI).

Average shareholders' equity increased $1.8 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by the same factors as noted above, offset by a decrease in unrealized gains on AFS marketable equity securities in OCI.

Table 7

Selected Quarterly Financial Data

(In millions, except per share information)	2012 Quarter First	2011 Quarters Fourth	Third	Second	First
Income statement					
Net interest income	**$ 10,846**	$ 10,701	$ 10,490	$ 11,246	$ 12,179
Noninterest income	**11,432**	14,187	17,963	1,990	14,698
Total revenue, net of interest expense	**22,278**	24,888	28,453	13,236	26,877
Provision for credit losses	**2,418**	2,934	3,407	3,255	3,814
Goodwill impairment	**—**	581	—	2,603	—
Merger and restructuring charges	**—**	101	176	159	202
All other noninterest expense (1)	**19,141**	18,840	17,437	20,094	20,081
Income (loss) before income taxes	**719**	2,432	7,433	(12,875)	2,780
Income tax expense (benefit)	**66**	441	1,201	(4,049)	731
Net income (loss)	**653**	1,991	6,232	(8,826)	2,049
Net income (loss) applicable to common shareholders	**328**	1,584	5,889	(9,127)	1,739
Average common shares issued and outstanding	**10,651**	10,281	10,116	10,095	10,076
Average diluted common shares issued and outstanding (2)	**10,762**	11,125	10,464	10,095	10,181
Performance ratios					
Return on average assets	**0.12 %**	0.36%	1.07%	n/m	0.36%
Four quarter trailing return on average assets (3)	**n/m**	0.06	n/m	n/m	n/m
Return on average common shareholders' equity	**0.62**	3.00	11.40	n/m	3.29
Return on average tangible common shareholders' equity (4)	**0.95**	4.72	18.30	n/m	5.28
Return on average tangible shareholders' equity (4)	**1.67**	5.20	17.03	n/m	5.54
Total ending equity to total ending assets	**10.66**	10.81	10.37	9.83%	10.15
Total average equity to total average assets	**10.63**	10.34	9.66	10.05	9.87
Dividend payout	**34.97**	6.60	1.73	n/m	6.06
Per common share data					
Earnings (loss)	**$ 0.03**	$ 0.15	$ 0.58	$ (0.90)	$ 0.17
Diluted earnings (loss) (2)	**0.03**	0.15	0.56	(0.90)	0.17
Dividends paid	**0.01**	0.01	0.01	0.01	0.01
Book value	**19.83**	20.09	20.80	20.29	21.15
Tangible book value (4)	**12.87**	12.95	13.22	12.65	13.21
Market price per share of common stock					
Closing	**$ 9.57**	$ 5.56	$ 6.12	$ 10.96	$ 13.33
High closing	**9.93**	7.35	11.09	13.72	15.25
Low closing	**5.80**	4.99	6.06	10.50	13.33
Market capitalization	**$ 103,123**	$ 58,580	$ 62,023	$ 111,060	$ 135,057
Average balance sheet					
Total loans and leases	**$ 913,722**	$ 932,898	$ 942,032	$ 938,513	$ 938,966
Total assets	**2,187,174**	2,207,567	2,301,454	2,339,110	2,338,538
Total deposits	**1,030,112**	1,032,531	1,051,320	1,035,944	1,023,140
Long-term debt	**363,518**	389,557	420,273	435,144	440,511
Common shareholders' equity	**214,150**	209,324	204,928	218,505	214,206
Total shareholders' equity	**232,566**	228,235	222,410	235,067	230,769
Asset quality(5)					
Allowance for credit losses (6)	**$ 32,862**	$ 34,497	$ 35,872	$ 38,209	$ 40,804
Nonperforming loans, leases and foreclosed properties (7)	**27,790**	27,708	29,059	30,058	31,643
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (7)	**3.61 %**	3.68%	3.81%	4.00%	4.29%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (7)	**126**	135	133	135	135
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (6)	**91**	101	101	105	108
Amounts included in allowance that are excluded from nonperforming loans (8)	**$ 17,006**	$ 17,490	$ 18,317	$ 19,935	$ 22,110
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (8)	**60 %**	65%	63%	63%	60%
Net charge-offs	**$ 4,056**	$ 4,054	$ 5,086	$ 5,665	$ 6,028
Annualized net charge-offs as a percentage of average loans and leases outstanding (7)	**1.80 %**	1.74%	2.17%	2.44%	2.61%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (7)	**2.85**	2.74	2.87	2.96	3.19
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (7)	**3.10**	3.01	3.15	3.22	3.40
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.97**	2.10	1.74	1.64	1.63
Capital ratios (period end)					
Risk-based capital:					
Tier 1 common	**10.78 %**	9.86%	8.65%	8.23%	8.64%
Tier 1	**13.37**	12.40	11.48	11.00	11.32
Total	**17.49**	16.75	15.86	15.65	15.98

Tier 1 leverage	**7.79**	7.53	7.11	6.86	7.25
Tangible equity (4)	**7.48**	7.54	7.16	6.63	6.85
Tangible common equity (4)	**6.58**	6.64	6.25	5.87	6.10

(1) Excludes merger and restructuring charges and goodwill impairment charges.

(2) Due to a net loss applicable to common shareholders for the second quarter of 2011, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Calculated as total net income for four consecutive quarters divided by annualized average assets for four consecutive quarters.

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 16 and Table 8 on pages 17 through 20.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 67.

(6) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

(8) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in *CBB*, PCI loans and the non-U.S. credit card portfolio in *All Other*.

n/m = not meaningful

Supplemental Financial Data

We view net interest income and related ratios and analyses on a FTE basis, which are non-GAAP financial measures. We believe managing the business with net interest income on a FTE basis provides a more accurate picture of the interest margin for comparative purposes. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 35 percent. This measure ensures comparability of net interest income arising from taxable and tax-exempt sources.

As mentioned above, certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds.

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. These measures are used to evaluate our use of equity. In addition, profitability, relationship and investment models all use return on average tangible shareholders' equity (ROTE) as key measures to support our overall growth goals.

- Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of adjusted common shareholders' equity. The tangible common equity ratio represents adjusted common shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- ROTE measures our earnings contribution as a percentage of adjusted average total shareholders' equity. The tangible equity ratio represents adjusted total shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

In addition, we evaluate our business segment results based on measures that utilize return on economic capital, a non-GAAP financial measure, including the following:

- Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital.
- Economic capital represents allocated equity less goodwill and a percentage of intangible assets (excluding MSRs).

The aforementioned supplemental data and performance measures are presented in Tables 7 and 8. In addition, in Table 8 we have excluded the impact of goodwill impairment charges of $581 million and $2.6 billion recorded in the fourth and second quarters of 2011 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures. Table 8 provides reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2012 Quarter	2011 Quarters			
(Dollars in millions, except per share information)	**First**	Fourth	Third	Second	First
Fully taxable-equivalent basis data					
Net interest income	**$ 11,053**	$ 10,959	$ 10,739	$ 11,493	$ 12,397
Total revenue, net of interest expense	**22,485**	25,146	28,702	13,483	27,095
Net interest yield	**2.51%**	2.45%	2.32%	2.50%	2.67%
Efficiency ratio	**85.13**	77.64	61.37	n/m	74.86

Performance ratios, excluding goodwill impairment charges[1]					
Per common share information					
Earnings (loss)		$ 0.21		$ (0.65)	
Diluted earnings (loss)		0.20		(0.65)	
Efficiency ratio (FTE basis)		75.33%		n/m	
Return on average assets		0.46		n/m	
Four quarter trailing return on average assets[2]		0.20		n/m	
Return on average common shareholders' equity		4.10		n/m	
Return on average tangible common shareholders' equity		6.46		n/m	
Return on average tangible shareholders' equity		6.72		n/m	

(1) Performance ratios are calculated excluding the impact of the goodwill impairment charges of $581 million and $2.6 billion recorded during the fourth and second quarters of 2011.

(2) Calculated as total net income for four consecutive quarters divided by average assets for the period.

n/m = not meaningful

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarter	2011 Quarters			
(Dollars in millions)	**First**	Fourth	Third	Second	First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	**$ 10,846**	$ 10,701	$ 10,490	$ 11,246	$ 12,179
Fully taxable-equivalent adjustment	**207**	258	249	247	218
Net interest income on a fully taxable-equivalent basis	**$ 11,053**	$ 10,959	$ 10,739	$ 11,493	$ 12,397
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	**$ 22,278**	$ 24,888	$ 28,453	$ 13,236	$ 26,877
Fully taxable-equivalent adjustment	**207**	258	249	247	218
Total revenue, net of interest expense on a fully taxable-equivalent basis	**$ 22,485**	$ 25,146	$ 28,702	$ 13,483	$ 27,095
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	**$ 19,141**	$ 19,522	$ 17,613	$ 22,856	$ 20,283
Goodwill impairment charges	**—**	(581)	—	(2,603)	—
Total noninterest expense, excluding goodwill impairment charges	**$ 19,141**	$ 18,941	$ 17,613	$ 20,253	$ 20,283
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	**$ 66**	$ 441	$ 1,201	$ (4,049)	$ 731
Fully taxable-equivalent adjustment	**207**	258	249	247	218
Income tax expense (benefit) on a fully taxable-equivalent basis	**$ 273**	$ 699	$ 1,450	$ (3,802)	$ 949
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	**$ 653**	$ 1,991	$ 6,232	$ (8,826)	$ 2,049
Goodwill impairment charges	**—**	581	—	2,603	—
Net income (loss), excluding goodwill impairment charges	**$ 653**	$ 2,572	$ 6,232	$ (6,223)	$ 2,049
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	**$ 328**	$ 1,584	$ 5,889	$ (9,127)	$ 1,739
Goodwill impairment charges	**—**	581	—	2,603	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	**$ 328**	$ 2,165	$ 5,889	$ (6,524)	$ 1,739
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	**$ 214,150**	$ 209,324	$ 204,928	$ 218,505	$ 214,206
Goodwill	**(69,967)**	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	**(7,869)**	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	**2,700**	2,775	2,852	2,932	3,035
Tangible common shareholders' equity	**$ 139,014**	$ 132,886	$ 127,705	$ 138,295	$ 133,550
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	**$ 232,566**	$ 228,235	$ 222,410	$ 235,067	$ 230,769
Goodwill	**(69,967)**	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	**(7,869)**	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	**2,700**	2,775	2,852	2,932	3,035
Tangible shareholders' equity	**$ 157,430**	$ 151,797	$ 145,187	$ 154,857	$ 150,113
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	**$ 213,711**	$ 211,704	$ 210,772	$ 205,614	$ 214,314
Goodwill	**(69,976)**	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	**(7,696)**	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	**2,628**	2,702	2,777	2,853	2,933
Tangible common shareholders' equity	**$ 138,667**	$ 136,418	$ 133,953	$ 128,217	$ 133,818
Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	**$ 232,499**	$ 230,101	$ 230,252	$ 222,176	$ 230,876
Goodwill	**(69,976)**	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	**(7,696)**	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	**2,628**	2,702	2,777	2,853	2,933
Tangible shareholders' equity	**$ 157,455**	$ 154,815	$ 153,433	$ 144,779	$ 150,380
Reconciliation of period-end assets to period-end tangible assets					
Assets	**$ 2,181,449**	$ 2,129,046	$ 2,219,628	$ 2,261,319	$ 2,274,532
Goodwill	**(69,976)**	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	**(7,696)**	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	**2,628**	2,702	2,777	2,853	2,933
Tangible assets	**$ 2,106,405**	$ 2,053,760	$ 2,142,809	$ 2,183,922	$ 2,194,036

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarter	2011 Quarters			
(Dollars in millions)	**First**	Fourth	Third	Second	First
Consumer & Business Banking					
Reported net income	**$ 1,454**	$ 1,243	$ 1,666	$ 2,502	$ 2,041
Adjustment related to intangibles[1]	**3**	5	6	2	7
Adjusted net income	**$ 1,457**	$ 1,248	$ 1,672	$ 2,504	$ 2,048
Average allocated equity	**$ 52,947**	$ 53,005	$ 52,382	$ 52,559	$ 53,700
Adjustment related to goodwill and a percentage of intangibles	**(30,523)**	(30,587)	(30,601)	(30,655)	(30,698)
Average economic capital	**$ 22,424**	$ 22,418	$ 21,781	$ 21,904	$ 23,002
Consumer Real Estate Services					
Reported net loss	**$ (1,145)**	$ (1,444)	$ (1,123)	$ (14,506)	$ (2,400)
Adjustment related to intangibles[1]	**—**	—	—	—	—
Goodwill impairment charge	**—**	—	—	2,603	—
Adjusted net loss	**$ (1,145)**	$ (1,444)	$ (1,123)	$ (11,903)	$ (2,400)
Average allocated equity	**$ 14,791**	$ 14,757	$ 14,240	$ 17,139	$ 18,736
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	**—**	—	—	(2,702)	(2,742)
Average economic capital	**$ 14,791**	$ 14,757	$ 14,240	$ 14,437	$ 15,994
Global Banking					
Reported net income	**$ 1,590**	$ 1,337	$ 1,205	$ 1,921	$ 1,584
Adjustment related to intangibles[1]	**1**	1	2	1	2
Adjusted net income	**$ 1,591**	$ 1,338	$ 1,207	$ 1,922	$ 1,586
Average allocated equity	**$ 46,393**	$ 46,087	$ 47,681	$ 47,060	$ 48,732
Adjustment related to goodwill and a percentage of intangibles	**(25,536)**	(24,900)	(24,724)	(24,429)	(24,433)
Average economic capital	**$ 20,857**	$ 21,187	$ 22,957	$ 22,631	$ 24,299
Global Markets					
Reported net income (loss)	**$ 798**	$ (768)	$ (552)	$ 911	$ 1,394
Adjustment related to intangibles[1]	**2**	3	3	3	3
Adjusted net income (loss)	**$ 800**	$ (765)	$ (549)	$ 914	$ 1,397
Average allocated equity	**$ 17,642**	$ 19,805	$ 21,609	$ 22,990	$ 26,362
Adjustment related to goodwill and a percentage of intangibles	**(3,973)**	(4,651)	(4,655)	(4,645)	(4,548)
Average economic capital	**$ 13,669**	$ 15,154	$ 16,954	$ 18,345	$ 21,814
Global Wealth & Investment Management					
Reported net income	**$ 547**	$ 259	$ 358	$ 513	$ 542
Adjustment related to intangibles[1]	**6**	7	7	7	9
Adjusted net income	**$ 553**	$ 266	$ 365	$ 520	$ 551
Average allocated equity	**$ 17,228**	$ 17,845	$ 17,826	$ 17,560	$ 17,932
Adjustment related to goodwill and a percentage of intangibles	**(10,641)**	(10,663)	(10,691)	(10,706)	(10,728)
Average economic capital	**$ 6,587**	$ 7,182	$ 7,135	$ 6,854	$ 7,204

(1) Represents cost of funds, earnings credit and certain expenses related to intangibles.

Table 8

Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarter	2011 Quarters			
(Dollars in millions)	**First**	Fourth	Third	Second	First
Consumer & Business Banking					
Deposits					
Reported net income	**$ 310**	$ 149	$ 285	$ 432	$ 361
Adjustment related to intangibles[1]	**—**	1	1	—	1
Adjusted net income	**$ 310**	$ 150	$ 286	$ 432	$ 362
Average allocated equity	**$ 23,194**	$ 23,862	$ 23,820	$ 23,612	$ 23,641
Adjustment related to goodwill and a percentage of intangibles	**(17,932)**	(17,939)	(17,947)	(17,950)	(17,958)
Average economic capital	**$ 5,262**	$ 5,923	$ 5,873	$ 5,662	$ 5,683
Card Services					
Reported net income	**$ 1,038**	$ 1,029	$ 1,267	$ 1,944	$ 1,571
Adjustment related to intangibles[1]	**3**	4	5	2	6
Adjusted net income	**$ 1,041**	$ 1,033	$ 1,272	$ 1,946	$ 1,577
Average allocated equity	**$ 20,671**	$ 20,610	$ 20,755	$ 21,016	$ 22,149
Adjustment related to goodwill and a percentage of intangibles	**(10,492)**	(10,549)	(10,561)	(10,607)	(10,640)
Average economic capital	**$ 10,179**	$ 10,061	$ 10,194	$ 10,409	$ 11,509
Business Banking					
Reported net income	**$ 106**	$ 65	$ 114	$ 126	$ 109
Adjustment related to intangibles[1]	**—**	—	—	—	—
Adjusted net income	**$ 106**	$ 65	$ 114	$ 126	$ 109
Average allocated equity	**$ 9,082**	$ 8,533	$ 7,807	$ 7,931	$ 7,910
Adjustment related to goodwill and a percentage of intangibles	**(2,099)**	(2,099)	(2,093)	(2,098)	(2,100)
Average economic capital	**$ 6,983**	$ 6,434	$ 5,714	$ 5,833	$ 5,810

(1) Represents cost of funds, earnings credit and certain expenses related to intangibles.

Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the *Global Markets* business segment section on page 38, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *Global Markets*. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 9 provides additional clarity in assessing our results.

Table 9
Core Net Interest Income

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Net interest income (FTE basis)		
As reported [(1)]	**$ 11,053**	$ 12,397
Impact of market-based net interest income [(2)]	**(796)**	(1,020)
Core net interest income	**$ 10,257**	$ 11,377
Average earning assets		
As reported	**$ 1,768,105**	$ 1,869,863
Impact of market-based earning assets [(2)]	**(424,336)**	(465,255)
Core average earning assets	**$ 1,343,769**	$ 1,404,608
Net interest yield contribution (FTE basis) [(3)]		
As reported [(1)]	**2.51%**	2.67%
Impact of market-based activities [(2)]	**0.55**	0.59
Core net interest yield on earning assets	**3.06%**	3.26%

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $47 million and $63 million for the three months ended March 31, 2012 and 2011.

(2) Represents the impact of market-based amounts included in *Global Markets*.

(3) Calculated on an annualized basis.

For the three months ended March 31, 2012, core net interest income decreased $1.1 billion to $10.3 billion compared to the same period in the prior year. The decline was primarily driven by lower consumer loan balances and yields, lower yields on commercial loans and a decrease in loans held-for-sale (LHFS). These decreases were partially offset by reductions in long-term debt balances.

Core average earning assets for the three months ended March 31, 2012 decreased $60.8 billion to $1,343.8 billion compared to the same period in the prior year. The decrease was due to declines in consumer loans and LHFS, partially offset by increases in commercial loans.

For the three months ended March 31, 2012, core net interest yield decreased 20 bps to 3.06 percent compared to the same period in the prior year primarily due to the factors noted above. These impacts include a significant flattening of the yield curve driven by lower long-term rates throughout the quarter compared to the same period in the prior year.

Table 10

Quarterly Average Balances and Interest Rates – FTE Basis

	First Quarter 2012			Fourth Quarter 2011		
(Dollars in millions)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	**$ 31,404**	**$ 65**	**0.83%**	$ 27,688	$ 85	1.19%
Federal funds sold and securities borrowed or purchased under agreements to resell	**233,061**	**460**	**0.79**	237,453	449	0.75
Trading account assets	**175,778**	**1,399**	**3.19**	161,848	1,354	3.33
Debt securities [2]	**327,758**	**2,732**	**3.33**	332,990	2,245	2.69
Loans and leases [3]:						
Residential mortgage [4]	**260,573**	**2,489**	**3.82**	266,144	2,596	3.90
Home equity	**122,933**	**1,164**	**3.80**	126,251	1,207	3.80
Discontinued real estate	**12,082**	**103**	**3.42**	14,073	128	3.65
U.S. credit card	**98,334**	**2,459**	**10.06**	102,241	2,603	10.10
Non-U.S. credit card	**14,151**	**408**	**11.60**	15,981	420	10.41
Direct/Indirect consumer [5]	**88,321**	**801**	**3.65**	90,861	863	3.77
Other consumer [6]	**2,617**	**40**	**6.24**	2,751	41	6.14
Total consumer	**599,011**	**7,464**	**5.00**	618,302	7,858	5.06
U.S. commercial	**195,111**	**1,756**	**3.62**	196,778	1,798	3.63
Commercial real estate [7]	**39,190**	**339**	**3.48**	40,673	343	3.34
Commercial lease financing	**21,679**	**272**	**5.01**	21,278	204	3.84
Non-U.S. commercial	**58,731**	**391**	**2.68**	55,867	395	2.80
Total commercial	**314,711**	**2,758**	**3.52**	314,596	2,740	3.46
Total loans and leases	**913,722**	**10,222**	**4.49**	932,898	10,598	4.52
Other earning assets	**86,382**	**743**	**3.46**	91,109	904	3.95
Total earning assets [8]	**1,768,105**	**15,621**	**3.55**	1,783,986	15,635	3.49
Cash and cash equivalents [1]	**112,512**	**47**		94,287	36	
Other assets, less allowance for loan and lease losses	**306,557**			329,294		
Total assets	**$ 2,187,174**			$ 2,207,567		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on AFS debt securities are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

(3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cost recovery basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.

(4) Includes non-U.S. residential mortgage loans of $86 million in the first quarter of 2012 and $88 million, $91 million, $94 million and $92 million in the fourth, third, second and first quarters of 2011, respectively.

(5) Includes non-U.S. consumer loans of $7.5 billion in the first quarter of 2012 and $8.4 billion, $8.6 billion, $8.7 billion and $8.2 billion in the fourth, third, second and first quarters of 2011, respectively.

(6) Includes consumer finance loans of $1.6 billion in the first quarter of 2012 and $1.7 billion, $1.8 billion, $1.8 billion and $1.9 billion in the fourth, third, second and first quarters of 2011, respectively; other non-U.S. consumer loans of $903 million in the first quarter of 2012 and $959 million, $932 million, $840 million and $777 million in the fourth, third, second and first quarters of 2011, respectively; and consumer overdrafts of $90 million in the first quarter of 2012 and $107 million, $107 million, $79 million and $76 million in the fourth, third, second and first quarters of 2011, respectively.

(7) Includes U.S. commercial real estate loans of $37.4 billion in the first quarter of 2012 and $38.7 billion, $40.7 billion, $43.4 billion and $45.7 billion in the fourth, third, second and first quarters of 2011, respectively; and non-U.S. commercial real estate loans of $1.8 billion in the first quarter of 2012 and $1.9 billion, $2.2 billion, $2.3 billion and $2.7 billion in the fourth, third, second and first quarters of 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $106 million in the first quarter of 2012 and $427 million, $1.0 billion, $739 million and $388 million in the fourth, third, second and first quarters of 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $658 million in the first quarter of 2012 and $763 million, $631 million, $625 million and $621 million in the fourth, third, second and first quarters of 2011, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 108.

Table 10

Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2011			Second Quarter 2011			First Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$ 26,743	$ 87	1.31 %	$ 27,298	$ 106	1.56 %	$ 31,294	$ 88	1.14 %
Federal funds sold and securities borrowed or purchased under agreements to resell	256,143	584	0.90	259,069	597	0.92	227,379	517	0.92
Trading account assets	180,438	1,543	3.40	186,760	1,576	3.38	221,041	1,669	3.05
Debt securities [2]	344,327	1,744	2.02	335,269	2,696	3.22	335,847	2,917	3.49
Loans and leases [3]:									
Residential mortgage [4]	268,494	2,856	4.25	265,420	2,763	4.16	262,049	2,881	4.40
Home equity	129,125	1,238	3.81	131,786	1,261	3.83	136,089	1,335	3.96
Discontinued real estate	15,923	134	3.36	15,997	129	3.22	12,899	110	3.42
U.S. credit card	103,671	2,650	10.14	106,164	2,718	10.27	109,941	2,837	10.47
Non-U.S. credit card	25,434	697	10.88	27,259	760	11.18	27,633	779	11.43
Direct/Indirect consumer [5]	90,280	915	4.02	89,403	945	4.24	90,097	993	4.47
Other consumer [6]	2,795	43	6.07	2,745	47	6.76	2,753	45	6.58
Total consumer	635,722	8,533	5.34	638,774	8,623	5.41	641,461	8,980	5.65
U.S. commercial	191,439	1,809	3.75	190,479	1,827	3.85	191,353	1,926	4.08
Commercial real estate [7]	42,931	360	3.33	45,762	382	3.35	48,359	437	3.66
Commercial lease financing	21,342	240	4.51	21,284	235	4.41	21,634	322	5.95
Non-U.S. commercial	50,598	349	2.73	42,214	339	3.22	36,159	299	3.35
Total commercial	306,310	2,758	3.58	299,739	2,783	3.72	297,505	2,984	4.06
Total loans and leases	942,032	11,291	4.77	938,513	11,406	4.87	938,966	11,964	5.14
Other earning assets	91,452	814	3.54	97,616	866	3.56	115,336	922	3.24
Total earning assets [8]	1,841,135	16,063	3.47	1,844,525	17,247	3.75	1,869,863	18,077	3.92
Cash and cash equivalents [1]	102,573	38		115,956	49		138,241	63	
Other assets, less allowance for loan and lease losses	357,746			378,629			330,434		
Total assets	$ 2,301,454			$ 2,339,110			$ 2,338,538		

For footnotes see page22.

Table 10

Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	First Quarter 2012			Fourth Quarter 2011		
(Dollars in millions)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	**$ 40,543**	**$ 14**	**0.14%**	$ 39,609	$ 16	0.16%
NOW and money market deposit accounts	**458,649**	**186**	**0.16**	454,249	192	0.17
Consumer CDs and IRAs	**100,044**	**194**	**0.78**	103,488	220	0.84
Negotiable CDs, public funds and other time deposits	**22,586**	**36**	**0.64**	22,413	34	0.60
Total U.S. interest-bearing deposits	**621,822**	**430**	**0.28**	619,759	462	0.30
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	**18,170**	**28**	**0.62**	20,454	29	0.55
Governments and official institutions	**1,286**	**1**	**0.41**	1,466	1	0.36
Time, savings and other	**55,241**	**90**	**0.66**	57,814	124	0.85
Total non-U.S. interest-bearing deposits	**74,697**	**119**	**0.64**	79,734	154	0.77
Total interest-bearing deposits	**696,519**	**549**	**0.32**	699,493	616	0.35
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**293,056**	**881**	**1.21**	284,766	921	1.28
Trading account liabilities	**71,872**	**477**	**2.67**	70,999	411	2.29
Long-term debt	**363,518**	**2,708**	**2.99**	389,557	2,764	2.80
Total interest-bearing liabilities (8)	**1,424,965**	**4,615**	**1.30**	1,444,815	4,712	1.29
Noninterest-bearing sources:						
Noninterest-bearing deposits	**333,593**			333,038		
Other liabilities	**196,050**			201,479		
Shareholders' equity	**232,566**			228,235		
Total liabilities and shareholders' equity	**$ 2,187,174**			$ 2,207,567		
Net interest spread			**2.25%**			2.20%
Impact of noninterest-bearing sources			**0.25**			0.24
Net interest income/yield on earning assets (1)		**$ 11,006**	**2.50%**		$ 10,923	2.44%

For footnotes see page22.

Table 10

Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Third Quarter 2011 Average Balance	Third Quarter 2011 Interest Income/ Expense	Third Quarter 2011 Yield/ Rate	Second Quarter 2011 Average Balance	Second Quarter 2011 Interest Income/ Expense	Second Quarter 2011 Yield/ Rate	First Quarter 2011 Average Balance	First Quarter 2011 Interest Income/ Expense	First Quarter 2011 Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$ 41,256	$ 21	0.19%	$ 41,668	$ 31	0.30%	$ 38,905	$ 32	0.34%
NOW and money market deposit accounts	473,391	248	0.21	478,690	304	0.25	475,954	316	0.27
Consumer CDs and IRAs	108,359	244	0.89	113,728	281	0.99	118,306	300	1.03
Negotiable CDs, public funds and other time deposits	18,547	5	0.12	13,842	42	1.22	13,995	39	1.11
Total U.S. interest-bearing deposits	641,553	518	0.32	647,928	658	0.41	647,160	687	0.43
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	21,037	34	0.65	19,234	37	0.77	21,534	38	0.72
Governments and official institutions	2,043	2	0.32	2,131	2	0.38	2,307	2	0.35
Time, savings and other	64,271	150	0.93	64,889	146	0.90	60,432	112	0.76
Total non-U.S. interest-bearing deposits	87,351	186	0.85	86,254	185	0.86	84,273	152	0.73
Total interest-bearing deposits	728,904	704	0.38	734,182	843	0.46	731,433	839	0.46
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	303,234	1,152	1.51	338,692	1,342	1.59	371,573	1,184	1.29
Trading account liabilities	87,841	547	2.47	96,108	627	2.62	83,914	627	3.03
Long-term debt	420,273	2,959	2.82	435,144	2,991	2.75	440,511	3,093	2.84
Total interest-bearing liabilities (8)	1,540,252	5,362	1.39	1,604,126	5,803	1.45	1,627,431	5,743	1.43
Noninterest-bearing sources:									
Noninterest-bearing deposits	322,416			301,762			291,707		
Other liabilities	216,376			198,155			188,631		
Shareholders' equity	222,410			235,067			230,769		
Total liabilities and shareholders' equity	$ 2,301,454			$ 2,339,110			$ 2,338,538		
Net interest spread			2.08%			2.30%			2.49%
Impact of noninterest-bearing sources			0.23			0.19			0.17
Net interest income/yield on earning assets (1)		$ 10,701	2.31%		$ 11,444	2.49%		$ 12,334	2.66%

For footnotes see page22.

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: *CBB, CRES, Global Banking, Global Markets* and *GWIM*, with the remaining operations recorded in *All Other*. Effective January 1, 2012, we changed the basis of presentation from six to the above five segments. The former *Deposits* and *Card Services* segments, as well as Business Banking, which was included in the former *Global Commercial Banking* segment, are now reflected in *CBB*. The former *Global Commercial Banking* segment was combined with the Global Corporate and Investment Banking business, which was included in the former *Global Banking & Markets (GBAM)* segment, to form *Global Banking.* The remaining global markets business of *GBAM* is now reported as a separate *Global Markets* segment. In addition, certain management accounting methodologies and related allocations were refined. Prior period results have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 16.

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our asset and liability management (ALM) activities.

Our ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The majority of our ALM activities are allocated to the business segments and fluctuate based on performance. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies that reflect utilization.

The Corporation allocates economic capital to the business segments and related businesses using a risk-adjusted methodology incorporating each segment’s credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 53. A business segment's allocated equity includes this economic capital allocation and also includes the portion of goodwill and intangibles specifically assigned to the business segment. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The risk-adjusted methodology is periodically refined as such refinements are reflected as changes to allocated equity in each segment.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see *Note 19 – Business Segment Information* to the Consolidated Financial Statements.

Consumer & Business Banking

	Three Months Ended March 31								
	Deposits		Card Services		Business Banking		Total Consumer & Business Banking		
(Dollars in millions)	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	% Change
Net interest income (FTE basis)	**$ 2,119**	$ 2,205	**$ 2,616**	$ 3,013	**$ 344**	$ 382	**$ 5,079**	$ 5,600	(9)%
Noninterest income:									
Card income	**—**	—	**1,278**	1,577	**—**	—	**1,278**	1,577	(19)
Service charges	**968**	923	**—**	—	**95**	155	**1,063**	1,078	(1)
All other income (loss)	**60**	61	**(85)**	125	**25**	23	**—**	209	n/m
Total noninterest income	**1,028**	984	**1,193**	1,702	**120**	178	**2,341**	2,864	(18)
Total revenue, net of interest expense (FTE basis)	**3,147**	3,189	**3,809**	4,715	**464**	560	**7,420**	8,464	(12)
Provision for credit losses	**51**	33	**790**	595	**36**	33	**877**	661	33
Noninterest expense	**2,606**	2,583	**1,380**	1,624	**260**	354	**4,246**	4,561	(7)
Income before income taxes	**490**	573	**1,639**	2,496	**168**	173	**2,297**	3,242	(29)
Income tax expense (FTE basis)	**180**	212	**601**	925	**62**	64	**843**	1,201	(30)
Net income	**$ 310**	$ 361	**$ 1,038**	$ 1,571	**$ 106**	$ 109	**$ 1,454**	$ 2,041	(29)
Net interest yield (FTE basis)	**2.02%**	2.14%	**8.95%**	9.15%	**2.93%**	3.81%	**4.22%**	4.75%	
Return on average allocated equity	**5.37**	6.19	**20.19**	28.77	**4.73**	5.58	**11.05**	15.41	
Return on average economic capital	**23.71**	25.87	**41.14**	55.54	**6.14**	7.60	**26.15**	36.10	
Efficiency ratio (FTE basis)	**82.83**	80.98	**36.22**	34.44	**56.04**	63.34	**57.23**	53.89	
Balance Sheet									
Average									
Total loans and leases	**n/m**	n/m	**$ 116,267**	$ 132,472	**$ 24,603**	$ 27,864	**$ 141,578**	$ 160,976	(12)
Total earning assets [(1)]	**$ 421,551**	$ 417,218	**117,580**	133,538	**47,145**	40,690	**483,983**	478,468	1
Total assets [(1)]	**447,917**	443,461	**123,179**	134,043	**54,272**	49,103	**523,074**	513,629	2
Total deposits	**424,023**	418,298	**n/m**	n/m	**41,908**	38,462	**466,239**	457,037	2
Allocated equity	**23,194**	23,641	**20,671**	22,149	**9,082**	7,910	**52,947**	53,700	(1)
Economic capital	**5,262**	5,683	**10,179**	11,509	**6,983**	5,810	**22,424**	23,002	(3)
Period end	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	
Total loans and leases	**n/m**	n/m	**$ 113,861**	$ 120,668	**$ 24,376**	$ 25,006	**$ 138,909**	$ 146,378	(5)
Total earning assets [(1)]	**$ 440,491**	$ 418,622	**115,177**	121,991	**47,325**	46,515	**502,124**	480,378	5
Total assets [(1)]	**467,058**	445,680	**121,425**	127,623	**55,575**	53,949	**543,189**	520,503	4
Total deposits	**443,129**	421,871	**n/m**	n/m	**42,221**	41,518	**486,160**	464,263	5

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, we allocate assets to match liabilities. As a result, total earning assets and total assets of the businesses may not equal total *CBB*.

n/m = not meaningful

CBB, which is comprised of our Deposits, Card Services and Business Banking businesses, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 32 states and the District of Columbia. The franchise network includes approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and online and mobile platforms.

CBB recorded net income of $1.5 billion during the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. The decrease was due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $521 million to $5.1 billion with the decline primarily in Card Services driven by lower average loan balances and yields. Noninterest income decreased $523 million to $2.3 billion primarily due to a decline of $509 million in Card Services. The provision for credit losses increased $216 million to $877 million reflecting a reduced pace of improvements in delinquencies, collections and bankruptcies as evidenced by lower reserve reductions in the first quarter of 2012. Noninterest expense declined $315 million to $4.2 billion primarily due to lower FDIC, marketing and operating expenses.

The return on average economic capital decreased due to lower net income, partially offset by a decrease in average economic capital primarily within Card Services. The decline in average economic capital was largely due to lower levels of credit risk from a decline in loan balances as well as an improvement in credit quality. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Deposits

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. Deposit products provide a relatively stable source of funding and liquidity for the Corporation. We earn net interest spread revenue from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and implied maturity of the deposits.

Deposits also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at clients with less than $250,000 in total assets. Merrill Edge provides team-based investment advice and guidance, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation’s network of banking centers and ATMs. Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and other client-managed businesses.

Net income for Deposits decreased $51 million, or 14 percent, to $310 million primarily driven by lower net interest income, partially offset by higher noninterest income. Net interest income declined $86 million driven by compressed deposits spreads due to the lower rate environment, partially offset by a customer shift to higher-yielding liquid products, continued pricing discipline and ALM activities. Noninterest income increased $44 million, or four percent, to $1.0 billion primarily due to an increase in service charges. Noninterest expense of $2.6 billion remained relatively unchanged as lower FDIC expense was offset by higher operating expense.

Average deposits increased $5.7 billion driven by a customer shift to more liquid products in a low interest rate environment as checking, traditional savings and money market savings grew $18.4 billion. Growth in liquid products was partially offset by a decline in average time deposits of $12.7 billion. As a result of the shift in the mix of deposits and our continued pricing discipline, rates paid on average deposits declined by 11 bps to 21 bps.

Key Statistics

	Three Months Ended March 31	
	2012	2011
Total deposit spreads (excludes noninterest costs)	**1.96%**	2.20%
Client brokerage assets (in millions)	**$ 73,422**	$ 66,703
At period end		
Online banking active accounts (units in thousands)	**30,439**	30,065
Mobile banking active accounts (units in thousands)	**9,702**	6,970
Banking centers	**5,651**	5,805
ATMs	**17,255**	17,886

Our online banking customers increased 374,000 and mobile banking customers increased 2.7 million compared to the same period in 2011 reflecting our customers' change in their banking preference. The number of banking centers declined 154 and ATMs declined 631 as we continue to improve our cost-to-serve and optimize our consumer banking network.

Card Services

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses. In addition to earning net interest spread revenue on its lending activities, Card Services generates interchange revenue from credit and debit card transactions as well as annual credit card fees and other miscellaneous fees.

Effective October 1, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment that established the maximum allowable interchange fees a bank can receive for a debit card transaction. For more information on the final interchange rules, see Regulatory Matters on page 66 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which became effective on April 1, 2012. The interchange fee rules are expected to result in a reduction of debit card revenue by approximately $400 million to $450 million for each of the quarters in 2012, or a full-year impact of approximately $1.8 billion.

Net income for Card Services decreased $533 million, or 34 percent, to $1.0 billion primarily due to a decrease in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense.

Net interest income decreased $397 million, or 13 percent, to $2.6 billion driven by lower average loan balances and yields. The net interest yield decreased 20 bps to 8.95 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $509 million, or 30 percent, to $1.2 billion primarily due to lower interchange fees as a result of the Durbin Amendment, coupled with lower revenue from our customer protection products.

The provision for credit losses increased $195 million, or 33 percent, to $790 million reflecting a reduced pace of improvements in delinquencies, collections and bankruptcies as evidenced by lower reserve reductions in the first quarter of 2012. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Average loans decreased $16.2 billion, or 12 percent, driven by higher payments, charge-offs, continued run-off of non-core portfolios and the impact of portfolio divestitures during 2011.

Key Statistics

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
U.S. credit card		
Gross interest yield	**10.06%**	10.47%
Risk-adjusted margin	**6.55**	4.25
New accounts (in thousands)	**782**	657
Purchase volumes	**$ 44,797**	$ 43,936
Debit card purchase volumes	**$ 62,941**	$ 59,996

The U.S. credit card risk-adjusted margin increased 230 bps compared to the same period in 2011, reflecting improvement in credit quality in the portfolio. U.S. credit card new accounts grew by 125,000 accounts, or 19 percent, to 782,000 and purchase volumes increased $861 million, or two percent, to $44.8 billion. Debit card purchase volume increased $2.9 billion, or five percent, to $62.9 billion reflecting higher consumer spending.

Business Banking

Business Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include U.S. based companies generally with annual sales of $1 million to $50 million. Our lending products and services include commercial loans, lines of credit and real estate lending. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Business Banking also includes the results of our merchant processing joint venture.

Net income for Business Banking of $106 million was relatively unchanged. Revenue decreased $96 million, or 17 percent, to $464 million offset by a decrease in noninterest expense. Net interest income decreased $38 million, or 10 percent, to $344 million driven by lower average loan balances. Noninterest income decreased $58 million, or 33 percent, to $120 million primarily due to the transfer of certain processing activities to our merchant services joint venture. Noninterest expense decreased $94 million, or 27 percent, to $260 million driven by lower merchant processing expenses and a reduction in operating expenses.

Average loans decreased $3.3 billion, or 12 percent, primarily driven by higher prepayments and portfolio run-off. Average deposits increased $3.4 billion, or nine percent, due to the net transfer of certain deposits from other businesses and the current client preference for liquidity.

Consumer Real Estate Services

	Three Months Ended March 31						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	**2012**	2011	**2012**	2011	**2012**	2011	% Change
Net interest income (FTE basis)	**$ 347**	$ 548	**$ 428**	$ 348	**$ 775**	$ 896	(14)%
Noninterest income:							
Mortgage banking income	**736**	567	**1,095**	128	**1,831**	695	163
Insurance income	**6**	431	**—**	—	**6**	431	(99)
All other income	**22**	31	**40**	10	**62**	41	51
Total noninterest income	**764**	1,029	**1,135**	138	**1,899**	1,167	63
Total revenue, net of interest expense (FTE basis)	**1,111**	1,577	**1,563**	486	**2,674**	2,063	30
Provision for credit losses	**53**	—	**454**	1,098	**507**	1,098	(54)
Noninterest expense	**877**	1,479	**3,028**	3,298	**3,905**	4,777	(18)
Income (loss) before income taxes	**181**	98	**(1,919)**	(3,910)	**(1,738)**	(3,812)	(54)
Income tax expense (benefit) (FTE basis)	**66**	36	**(659)**	(1,448)	**(593)**	(1,412)	(58)
Net income (loss)	**$ 115**	$ 62	**$ (1,260)**	$ (2,462)	**$ (1,145)**	$ (2,400)	(52)
Net interest yield (FTE basis)	**2.43%**	2.84%	**2.37%**	1.50%	**2.39%**	2.11%	
Efficiency ratio (FTE basis)	**78.94**	93.79	**n/m**	n/m	**n/m**	n/m	
Balance Sheet							
Average							
Total loans and leases	**$ 51,663**	$ 54,763	**$ 59,092**	$ 65,797	**$ 110,755**	$ 120,560	(8)
Total earning assets	**57,479**	78,250	**72,722**	94,089	**130,201**	172,339	(24)
Total assets	**58,362**	78,256	**100,743**	131,072	**159,105**	209,328	(24)
Allocated equity	**n/a**	n/a	**n/a**	n/a	**14,791**	18,736	(21)
Economic capital	**n/a**	n/a	**n/a**	n/a	**14,791**	15,994	(8)
Period end	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	
Total loans and leases	**$ 51,002**	$ 52,371	**$ 58,262**	$ 59,988	**$ 109,264**	$ 112,359	(3)
Total earning assets	**57,728**	58,823	**72,692**	73,558	**130,420**	132,381	(1)
Total assets	**58,694**	59,660	**99,513**	104,052	**158,207**	163,712	(3)

n/m = not meaningful
n/a = not applicable

CRES operations include Home Loans and Legacy Assets & Servicing. This alignment allows *CRES* management to lead the ongoing home loan business while also providing greater focus on legacy mortgage issues and servicing activities. Effective January 1, 2012, servicing activities previously recorded in Home Loans were moved to Legacy Assets & Servicing, and results of MSR activities, including net hedge results, and goodwill were moved from what was formerly referred to as Other within *CRES* to Legacy Assets & Servicing. Prior period amounts have been reclassified to conform to the current period presentation.

CRES generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *CRES* products offered by Home Loans include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOC) and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while we retain MSRs and the Bank of America customer relationships, or are held on our balance sheet in *All Other* for ALM purposes. HELOC and home equity loans are retained on the *CRES* balance sheet in Home Loans and Legacy Assets & Servicing. *CRES*, through Legacy Assets & Servicing, services mortgage loans, including those loans it owns, loans owned by other business segments and *All Other*, and loans owned by outside investors.

The financial results of the on-balance sheet loans are reported in the business segment that owns the loans or *All Other*. *CRES* is not impacted by the Corporation's first mortgage production retention decisions as *CRES* is compensated for loans held for ALM purposes on a management accounting basis, with a corresponding offset recorded in *All Other*, and is also compensated for servicing loans owned by other business segments and *All Other*.

CRES includes the impact of transferring customers and their related loan balances between *GWIM* and *CRES* based on client segmentation thresholds. For more information on the migration of customer balances, see *GWIM* on page 40.

Home Loans

Home Loans products are available to our customers through our retail network of approximately 5,700 banking centers, mortgage loan officers in 444 locations and a sales force offering our customers direct telephone and online access to our products. These products were also offered through our correspondent lending channel; however, we exited this channel and the reverse mortgage origination business in 2011. These strategic changes were made to allow greater focus on our direct-to-consumer channels, deepen relationships with existing customers and use mortgage products to acquire new relationships.

Home Loans includes ongoing loan production activities and the *CRES* home equity portfolio not originally selected for inclusion in the Legacy Assets & Servicing portfolio. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to *CBB* following the sale of Balboa.

The composition of the Home Loans loan portfolio, which excludes the Legacy Assets & Servicing portfolio established as of January 1, 2011, does not currently reflect a normalized level of credit losses which we expect will develop over time.

Home Loans net income increased $53 million for the three months ended March 31, 2012 compared to the same period in the prior year. Net interest income decreased $201 million primarily driven by lower warehouse loan volumes. Noninterest income decreased $265 million primarily due to a decrease in insurance income as a result of the sale of Balboa in June 2011, partially offset by an increase in mortgage banking income. Noninterest expense decreased $602 million primarily due to lower production expense driven by lower retail production and our exit from the correspondent channel in 2011, and decreased insurance expenses.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for servicing the residential, home equity and discontinued real estate loan portfolios, including owned loans and loans serviced for others. Legacy Assets & Servicing is also responsible for managing mortgage-related legacy exposures, including exposures related to selected owned residential mortgage, home equity and discontinued real estate loan portfolios (collectively, the Legacy Assets & Servicing portfolio). For additional information, see Legacy Assets & Servicing Portfolio below.

Legacy Assets & Servicing results reflect the net cost of legacy exposures that are included in the results of *CRES*, including representations and warranties provision, litigation costs, financial results of the *CRES* home equity portfolio selected as part of the Legacy Assets & Servicing portfolio, the financial results of the servicing operations and the results of MSR activities, including net hedge results, together with any related assets or liabilities used as economic hedges. The financial results of the servicing operations reflect certain revenues and expenses on loans serviced for others, including owned loans serviced for Home Loans and *All Other*. Legacy Assets & Servicing is compensated for servicing such loans on a management accounting basis with a corresponding offset recorded in Home Loans and *All Other*.

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervising foreclosures and property dispositions. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. Although we have resumed foreclosure proceedings in nearly all states, there continues to be a backlog of foreclosure inventory. For additional information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51 and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 63 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Goodwill that was assigned to *CRES* totaling $2.6 billion was included in Legacy Assets & Servicing and was written off in its entirety in 2011.

Legacy Assets & Servicing net loss decreased $1.2 billion for the three months ended March 31, 2012 compared to the same period in the prior year due to a decrease of $731 million in representations and warranties provision, a $496 million decline in litigation expense and $464 million lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures.

Legacy Assets & Servicing Portfolio

The Legacy Assets & Servicing portfolio includes owned residential mortgage loans, home equity loans and discontinued real estate loans that would not have been originated under our underwriting standards at December 31, 2010. The Countrywide PCI portfolio as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011 are also included in the Legacy Assets & Servicing portfolio. The residential mortgage and discontinued real estate loans are held primarily on the balance sheet of *All Other* and the home equity loans are held in Legacy Assets & Servicing. Since determining the pool of owned loans to be included in the Legacy Assets & Servicing portfolio as of January 1, 2011, the criteria have not changed for this portfolio. However, the criteria for inclusion of certain assets and liabilities in the Legacy Assets & Servicing portfolio will continue to be evaluated over time.

The total owned loans in the Legacy Assets & Servicing portfolio decreased $5.1 billion from paydowns and charge-offs to $149.8 billion at March 31, 2012 compared to December 31, 2011, of which $58.3 billion are reflected on the balance sheet of Legacy Assets & Servicing within *CRES* and the remainder are held on the balance sheet of *All Other*.

***CRES* Results**

The *CRES* net loss decreased $1.3 billion to $1.1 billion for the three months ended March 31, 2012 compared to the same period in the prior year primarily due to higher mortgage banking income, lower provision for credit losses and a decline in expenses, partially offset by lower insurance revenue due to the sale of Balboa. The net loss is driven by the continued high costs of managing delinquent and defaulted loans in the Legacy Assets & Servicing portfolio combined with litigation expense and provision for representations and warranties.

Net interest income declined $121 million, or 14 percent, primarily due to a decrease in LHFS reflecting lower production volumes.

Noninterest income increased $732 million to $1.9 billion primarily due to an increase of $1.1 billion in mortgage banking income driven by a decrease of $731 million in representations and warranties provision, a $261 million increase in core production revenue and a $144 million increase in net servicing income. These improvements were partially offset by a decrease of $425 million in insurance income due to the sale of Balboa.

Provision for credit losses decreased $591 million to $507 million for the three months ended March 31, 2012 compared to the same period in the prior year driven by lower reserve additions related to the Countrywide PCI home equity portfolio and improved portfolio trends.

Noninterest expense decreased $872 million to $3.9 billion for the three months ended March 31, 2012 primarily due to a $472 million decline in litigation expense, $464 million lower mortgage-related assessments and waivers costs, lower direct production expense due to lower retail production and our exit from correspondent lending, and lower insurance expense, partially offset by higher default-related servicing expenses. We recorded $410 million of mortgage-related assessments, waivers and similar costs related to delayed foreclosures for the three months ended March 31, 2012. We expect higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and delayed foreclosures.

Average total earning assets for the three months ended March 31, 2012 declined $42.1 billion compared to the same period in the prior year primarily due to a decrease in LHFS reflecting lower production volumes, as well as a decline in MSR hedge portfolio assets due to hedge positions.

Average economic capital decreased eight percent for the three months ended March 31, 2012 compared to the same period in the prior year due to a reduction in credit risk driven by lower loan balances. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production income is comprised of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and LHFS, the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing income includes income earned in connection with servicing activities and MSR valuation adjustments, net of economic hedge activities. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Production income (loss):		
Core production revenue	**$ 929**	$ 668
Representations and warranties provision	**(282)**	(1,013)
Total production income (loss)	**647**	(345)
Servicing income:		
Servicing fees	**1,332**	1,606
Impact of customer payments [1]	**(521)**	(706)
Fair value changes of MSRs, net of economic hedge results [2]	**194**	3
Other servicing-related revenue	**179**	137
Total net servicing income	**1,184**	1,040
Total *CRES* mortgage banking income	**1,831**	695
Eliminations [3]	**(219)**	(65)
Total consolidated mortgage banking income	**$ 1,612**	$ 630

[1] Represents the change in the market value of the MSR asset due to the impact of customer payments received during the period.

[2] Includes sale of MSRs.

[3] Includes the effect of transfers of mortgage loans from *CRES* to the ALM portfolio in *All Other*.

Core production revenue of $929 million for the three months ended March 31, 2012 increased $261 million compared to the same period in the prior year primarily due to higher margins on direct originations. New first mortgage loan originations declined $41.5 billion, or 73 percent, primarily due to our exit from the correspondent channel and from a loss in retail market share. The decrease in retail market share and higher margins reflect decisions to price loan products in order to manage demand. In addition, our exit from the low margin correspondent channel contributed to higher margins.

The representations and warranties provision decreased $731 million to $282 million primarily due to a higher provision in the prior-year period attributable to the government-sponsored enterprises (GSEs) and a monoline.

Net servicing income increased $144 million primarily due to improved MSR results, net of hedges, partially offset by the impact of lower servicing revenues driven primarily by a decline in the servicing portfolio.

Key Statistics

(Dollars in millions, except as noted)	Three Months Ended March 31 2012	2011
Loan production		
CRES:		
First mortgage	**$ 12,185**	$ 52,519
Home equity	**597**	1,575
Total Corporation [(1)]:		
First mortgage	**$ 15,238**	$ 56,734
Home equity	**760**	1,728

Period end	**March 31 2012**	December 31 2011
Mortgage servicing portfolio (in billions) [(2)]	**$ 1,687**	$ 1,763
Mortgage loans serviced for investors (in billions)	**1,313**	1,379
Mortgage servicing rights:		
Balance	**7,589**	7,378
Capitalized mortgage servicing rights (% of loans serviced for investors)	**58 bps**	54 bps

(1) In addition to loan production in *CRES*, the remaining first mortgage and home equity loan production is primarily in *GWIM*.

(2) Servicing of residential mortgage loans, home equity lines of credit, home equity loans and discontinued real estate mortgage loans.

First mortgage production was $15.2 billion for the three months ended March 31, 2012 compared to $56.7 billion for the same period in the prior year. The decrease of $41.5 billion was primarily due to a $27.1 billion decline caused by our exit from the correspondent channel in 2011 and a $14.4 billion reduction in retail originations as discussed on page 33.

Home equity production was $760 million for the three months ended March 31, 2012 compared to $1.7 billion for the same period in the prior year primarily due to our decision to exit the reverse mortgage originations business in February 2011.

At March 31, 2012, the consumer MSR balance was $7.6 billion, which represented 58 bps of the related unpaid principal balance compared to $7.4 billion, or 54 bps, of the related unpaid principal balance at December 31, 2011. The increase in the consumer MSR balance was primarily driven by higher forecasted mortgage rates, which resulted in lower forecasted prepayment speeds. The increase was also due to the addition of new MSRs recorded in connection with sales of loans partially offset by the change in the market value of the MSR asset due to the impact of customer payments received during the period combined with the impact of elevated expected costs to service delinquent loans. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51.

Global Banking

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	**$ 2,399**	$ 2,482	(3)%
Noninterest income:			
Service charges	**809**	915	(12)
Investment banking fees	**652**	868	(25)
All other income	**591**	437	35
Total noninterest income	**2,052**	2,220	(8)
Total revenue, net of interest expense (FTE basis)	**4,451**	4,702	(5)
Provision for credit losses	**(238)**	(123)	93
Noninterest expense	**2,178**	2,309	(6)
Income before income taxes	**2,511**	2,516	—
Income tax expense (FTE basis)	**921**	932	(1)
Net income	**$ 1,590**	$ 1,584	—
Net interest yield (FTE basis)	**3.17%**	3.66%	
Return on average allocated equity	**13.79**	13.18	
Return on average economic capital	**30.68**	26.46	
Efficiency ratio (FTE basis)	**48.93**	49.11	

Balance Sheet

Average			
Total loans and leases	**$ 277,096**	$ 256,846	8
Total earning assets	**304,522**	275,424	11
Total assets	**350,526**	322,682	9
Total deposits	**237,532**	225,785	5
Allocated equity	**46,393**	48,732	(5)
Economic capital	**20,857**	24,299	(14)
Period end	**March 31 2012**	December 31 2011	
Total loans and leases	**$ 272,224**	$ 278,177	(2)
Total earning assets	**294,752**	302,353	(3)
Total assets	**341,984**	349,473	(2)
Total deposits	**237,608**	246,466	(4)

Global Banking, which includes Global Corporate and Commercial Banking, and Investment Banking,provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending, asset-based lending and indirect consumer loans. Our treasury solutions business includes treasury management, foreign exchange and short-term investing options. We also work with our clients to provide investment banking products such as debt and equity underwriting and distribution, merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. Within*Global Banking,* Global Commercial Banking clients are generally defined as companies with annual sales up to $2 billion, which include middle-market companies, commercial real estate firms, federal and state governments and municipalities, and Global Corporate Banking clients include large corporations, generally defined as companies with annual sales greater than $2 billion.

Global Banking net income of $1.6 billion for the three months ended March 31, 2012 was relatively unchanged compared to the same period in 2011. Revenue decreased $251 million, or five percent, primarily driven by lower investment banking fees, lower accretion on acquired portfolios due to the impact of prepayments in prior periods and a decline in net interest income related to ALM activities partially offset by the impact of higher average loan and deposit balances.

The provision for credit losses was a benefit of $238 million compared to a benefit of $123 million in the same period in 2011 with the increased benefit primarily due to continued improvement in asset quality in the commercial real estate portfolio.

Noninterest expense decreased $131 million to $2.2 billion primarily due to lower personnel expenses.

The return on average economic capital increased due to a 14 percent decrease in average economic capital from reductions in credit risk. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Global Corporate and Commercial Banking

Global Corporate and Commercial Banking includes Global Treasury Services and Business Lending activities. Global Treasury Services includes the corporate deposit and transaction services portfolio and provides treasury management and solutions including foreign exchange and short-term investing options to our clients. Business Lending provides various loan-related products and services including commercial loans, leases, commitment facilities, trade financing, real estate lending, asset-based lending and indirect consumer loans. The table below presents total net revenue, total average and ending deposits, and total average and ending loans and leases for Global Corporate and Commercial Banking.

Global Corporate and Commercial Banking

	Three Months Ended March 31					
	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	**2012**	2011	**2012**	2011	**2012**	2011
Global Treasury Services	**$ 645**	$ 621	**$ 943**	$ 855	**$ 1,588**	$ 1,476
Business Lending	**881**	987	**1,148**	1,238	**2,029**	2,225
Total revenue, net of interest expense	**$ 1,526**	$ 1,608	**$ 2,091**	$ 2,093	**$ 3,617**	$ 3,701
Average						
Total loans and leases	**$ 112,931**	$ 90,972	**$ 163,245**	$ 164,573	**$ 276,176**	$ 255,545
Total deposits	**105,693**	103,983	**131,809**	121,756	**237,502**	225,739
Period end						
Total loans and leases	**$ 109,261**	$ 93,112	**$ 162,059**	$ 163,258	**$ 271,320**	$ 256,370
Total deposits	**108,118**	107,258	**129,458**	121,891	**237,576**	229,149

Global Corporate and Commercial Banking revenue decreased $84 million to $3.6 billion for the three months ended March 31, 2012 compared to the same period in 2011. Global Treasury Services revenue increased $24 million in Global Corporate Banking and $88 million in Global Commercial Banking as growth in U.S. and non-U.S. deposit volumes was partially offset by a challenging interest rate environment. Business Lending revenue in Global Corporate Banking declined $106 million as growth in loans was offset by a low interest rate environment and lower accretion on acquired portfolios due to the impact of prepayments in prior periods. Business Lending revenue declined $90 million in Global Commercial Banking primarily from a reduction in the size of the commercial real estate portfolio and lower accretion on acquired portfolios.

Average loans and leases in Global Corporate and Commercial Banking increased eight percent for the three months ended March 31, 2012 compared to the same period in 2011 as growth in Global Corporate Banking balances from increases in commercial and non-U.S. trade finance portfolios driven by continued international demand and improved domestic momentum was partially offset by declines in Global Commercial Banking primarily due to a decrease in the commercial real estate portfolio due to pay downs which outpaced new originations and renewals. Average deposits in Global Corporate and Commercial Banking increased five percent as balances continued to grow due to excess market liquidity and limited alternative investment options.

Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and other loan products, provide advisory services and tailored risk management solutions. The economics of certain investment banking and underwriting activities are shared primarily between *Global Banking* and *Global Markets* based on the activities performed by each segment. To provide a complete discussion of our consolidated investment banking income, the table below presents total Corporation investment banking income as well as the portion attributable to *Global Banking.*

Investment Banking Fees

	Three Months Ended March 31			
	Global Banking		Total Corporation	
(Dollars in millions)	**2012**	2011	**2012**	2011
Products				
Advisory [1]	**$ 190**	$ 301	**$ 204**	$ 320
Debt issuance	**347**	389	**777**	845
Equity issuance	**115**	178	**305**	448
Gross investment banking fees	**652**	868	**1,286**	1,613
Self-led	**(23)**	(6)	**(69)**	(35)
Total investment banking fees	**$ 629**	$ 862	**$ 1,217**	$ 1,578

[1] Advisory includes fees on debt and equity advisory services and mergers and acquisitions.

Total Corporation investment banking fees, excluding self-led deals, decreased $361 million, or 23 percent, in the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by lower advisory and equity underwriting fees due to a decrease in our market share and an overall decline in equity capital markets and merger and acquisition fee pools. Investment banking fees may be adversely affected in 2012 by lower client activity and challenging market conditions as a result of, among other things, the European sovereign debt crisis and continued market volatility.

Global Markets

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	$ **798**	$ 1,020	(22)%
Noninterest income:			
Investment and brokerage services	**510**	647	(21)
Investment banking fees	**556**	651	(15)
Trading account profits	**2,038**	2,616	(22)
All other income	**291**	338	(14)
Total noninterest income	**3,395**	4,252	(20)
Total revenue, net of interest expense (FTE basis)	**4,193**	5,272	(20)
Provision for credit losses	**(20)**	(33)	(39)
Noninterest expense	**3,076**	3,114	(1)
Income before income taxes	**1,137**	2,191	(48)
Income tax expense (FTE basis)	**339**	797	(57)
Net income	$ **798**	$ 1,394	(43)
Return on average allocated equity	**18.19**%	21.45%	
Return on average economic capital	**23.54**	25.99	
Efficiency ratio (FTE basis)	**73.36**	59.06	

Balance Sheet

Average			
Total trading-related assets (1)	$ **448,731**	$ 456,966	(2)
Total earning assets (1)	**424,336**	465,255	(9)
Total assets	**557,911**	581,749	(4)
Allocated equity	**17,642**	26,362	(33)
Economic capital	**13,669**	21,814	(37)

Period end	**March 31 2012**	December 31 2011	
Total trading-related assets (1)	$ **440,091**	$ 397,876	11
Total earning assets (1)	**417,634**	372,852	12
Total assets	**548,612**	501,825	9

(1) Trading-related assets include assets which are not considered earning assets (i.e., derivative assets).

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. *Global Markets* product coverage includes securities and derivative products in both the primary and secondary markets. *Global Markets* provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS, commodities and asset-backed securities (ABS). In addition, the economics of certain investment banking and underwriting activities are shared primarily between *Global Markets* and *Global Banking* based on the activities performed by each segment. *Global Banking* originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by *Global Markets.* For additional information on investment banking fees on a consolidated basis, see page 37.

Net income decreased $596 million to $798 million for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by net DVA losses, partially offset by an improved market environment. Net DVA losses were $1.4 billion compared to $357 million due to significant tightening of our credit spreads. Investment banking fees decreased $95 million primarily driven by lower equity underwriting fees and an overall decline in the available pool of equity capital markets fees.

The return on average economic capital decreased due to lower net income partially offset by a 37 percent decrease in average economic capital due to lower counterparty credit risk and a decline in market risk-related trading exposures. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Average earning assets decreased $40.9 billion to $424.3 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by balance sheet management activities and the movement of certain equity securities to non-earning trading-related assets. At March 31, 2012, period-end earning assets were $417.6 billion, an increase of $44.8 billion from December 31, 2011 primarily due to client activity resulting in increases in trading-related assets and securities borrowed transactions.

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. The following table and related discussion present total sales and trading revenue, substantially all of which is in *Global Markets* with the remainder in *Global Banking*. Sales and trading revenue is segregated into fixed income (investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities, residential mortgage-backed securities and collateralized debt obligations (CDOs)), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equity income from equity-linked derivatives and cash equity activity.

Sales and Trading Revenue *(1, 2)*

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Sales and trading revenue		
Fixed income, currencies and commodities	**$ 2,844**	$ 3,390
Equity income	**907**	1,239
Total sales and trading revenue	**$ 3,751**	$ 4,629
Sales and trading revenue, excluding DVA		
Fixed income, currencies and commodities	**$ 4,131**	$ 3,699
Equity income	**1,054**	1,287
Total sales and trading revenue, excluding DVA	**$ 5,185**	$ 4,986

(1) Includes a FTE adjustment of $49 million and $55 million for the three months ended March 31, 2012 and 2011 . For additional information on sales and trading revenue, see *Note 3 – Derivatives* to the Consolidated Financial Statements.

(2) Includes *Global Banking* sales and trading revenue of $205 million and $104 million for the three months ended March 31, 2012 and 2011.

FICC revenue decreased $546 million, or 16 percent, to $2.8 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily due to net DVA losses. Excluding net DVA losses, FICC revenue increased $432 million, or 12 percent, to $4.1 billion, primarily driven by our rates and currencies, and commodities businesses as a result of increased new deal activity and stronger client flows which reflect the improved market sentiment in the current quarter. A second long-term ECB financing program and the Greek debt restructuring and bailout package eased concerns over the health of the financial system and solvency of systemically important banks. However, the lack of a clear resolution to the crisis and fears of contagion continue to contribute to volatility in credit spreads. Equity income decreased $332 million, or 27 percent, to $907 million primarily due to lower market volumes and commissions. Sales and trading revenue included total commissions and brokerage fee revenue of $510 million ($496 million from equities and $14 million from FICC) for the three months ended March 31, 2012 compared to $647 million ($618 million from equities and $29 million from FICC) for the same period in 2011. The $137 million decrease in commissions and brokerage fee revenue was primarily due to lower market volumes.

Sales and trading revenue may be adversely affected in 2012 by lower client activity and challenging market conditions as a result of, among other things, the European sovereign debt crisis, uncertainty regarding the outcome of the evolving domestic regulatory landscape, our credit ratings and market volatility.

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we exited our stand-alone proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. There was no proprietary trading revenue for the three months ended March 31, 2012 compared to $203 million for the same period in 2011. For additional information on restrictions on proprietary trading, see Regulatory Matters – Limitations on Proprietary Trading on page 66 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	**$ 1,578**	$ 1,571	— %
Noninterest income:			
Investment and brokerage services	**2,296**	2,378	(3)
All other income	**486**	547	(11)
Total noninterest income	**2,782**	2,925	(5)
Total revenue, net of interest expense (FTE basis)	**4,360**	4,496	(3)
Provision for credit losses	**46**	46	—
Noninterest expense	**3,450**	3,589	(4)
Income before income taxes	**864**	861	—
Income tax expense (FTE basis)	**317**	319	(1)
Net income	**$ 547**	$ 542	1
Net interest yield (FTE basis)	**2.39%**	2.30%	
Return on average allocated equity	**12.78**	12.26	
Return on average economic capital	**33.81**	30.98	
Efficiency ratio (FTE basis)	**79.11**	79.83	

Balance Sheet

Average			
Total loans and leases	**$ 103,036**	$ 100,852	2
Total earning assets	**265,362**	277,222	(4)
Total assets	**284,926**	297,531	(4)
Total deposits	**252,705**	258,719	(2)
Allocated equity	**17,228**	17,932	(4)
Economic capital	**6,587**	7,204	(9)

Period end	**March 31 2012**	December 31 2011	
Total loans and leases	**$ 102,903**	$ 103,460	(1)
Total earning assets	**258,733**	263,586	(2)
Total assets	**278,185**	284,062	(2)
Total deposits	**252,755**	253,264	—

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust).

MLGWM's advisory business provides a high-touch client experience through a network of financial advisors focused on clients with over $250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of brokerage, banking and retirement products in both domestic and international locations. MLGWM also includes our Retirement Services business, which previously had been classified as a separate business within *GWIM*.

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted to wealthy and ultra-wealthy clients with investable assets of more than $5 million, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.

GWIM net income increased $5 million, or one percent, to $547 million for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower noninterest expense, partially offset by lower revenue. Revenue decreased $136 million, or three percent, to $4.4 billion primarily due to lower transactional activity. Noninterest expense decreased $139 million, or four percent, to $3.5 billion driven by lower FDIC expense and volume-driven expenses, lower litigation expense and other reductions related to expense discipline, partially offset by expenses related to the continued investment in the business.

The return on average economic capital increased due to the nine percent decrease in average economic capital and higher net income. Average economic capital decreased due to reductions in operational and certain other risk-related model parameters, while credit risk remained relatively unchanged. For more information regarding economic capital, see Supplemental Financial Data on page 16.

For the three months ended March 31, 2012, revenue from MLGWM was $3.7 billion, down three percent compared to the same period in 2011 driven by lower transactional activity. Revenue from U.S. Trust was $653 million, down four percent, primarily driven by lower net interest income.

GWIM results are impacted by the migration of clients and their related deposit and loan balances to or from *CBB*, *CRES* and the ALM portfolio, as presented in the table below. Migration in 2011 included the movement of balances to Merrill Edge, which is in *CBB*. Subsequent to the date of the migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

Migration Summary

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Average		
Total deposits — *GWIM* from / (to) *CBB*	**$ (89)**	$ (1,317)
Total loans — *GWIM* to *CRES* and the ALM portfolio	**(95)**	—
Period end		
Total deposits — *GWIM* from / (to) *CBB*	**$ (87)**	$ (3,887)
Total loans — *GWIM* to *CRES* and the ALM portfolio	**(144)**	—

Client Balances

The table below presents client balances which consist of assets under management (AUM), client brokerage assets, assets in custody, client deposits, and loans and leases.

Client Balances by Type

(Dollars in millions)	**March 31 2012**	December 31 2011
Assets under management	**$ 692,959**	$ 647,126
Brokerage assets	**1,074,454**	1,024,193
Assets in custody	**114,938**	107,989
Deposits	**252,755**	253,264
Loans and leases [(1)]	**106,185**	106,672
Total client balances	**$ 2,241,291**	$ 2,139,244

(1) Includes margin receivables which are classified in other assets on the Consolidated Balance Sheet.

The increase in client balances of $102.0 billion, or five percent, was largely in AUM and brokerage assets. These increases were driven by higher broad-based market levels and inflows into long-term AUM.

All Other

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	$ 424	$ 828	(49)%
Noninterest income:			
Card income	87	154	(44)
Equity investment income	417	1,415	(71)
Gains on sales of debt securities	712	468	52
All other loss	(2,253)	(767)	n/m
Total noninterest income	(1,037)	1,270	n/m
Total revenue, net of interest expense (FTE basis)	(613)	2,098	n/m
Provision for credit losses	1,246	2,165	(42)
Merger and restructuring charges	—	202	n/m
All other noninterest expense	2,286	1,731	32
Loss before income taxes	(4,145)	(2,000)	n/m
Income tax benefit (FTE basis)	(1,554)	(888)	75
Net loss	$ (2,591)	$ (1,112)	n/m

Balance Sheet

Average			
Loans and leases:			
Residential Mortgage	$ 222,027	$ 225,746	(2)
Non-U.S. credit card	14,151	27,633	(49)
Discontinued real estate	10,778	12,899	(16)
Other	17,157	22,023	(22)
Total loans and leases	264,113	288,301	(8)
Total assets [(1)]	311,632	413,619	(25)
Total deposits	39,774	50,107	(21)
Allocated equity [(2)]	83,565	65,307	28

Period end	March 31 2012	December 31 2011	
Loans and leases:			
Residential Mortgage	$ 218,589	$ 224,654	(3)
Non-U.S. credit card	13,914	14,418	(3)
Discontinued real estate	10,453	11,095	(6)
Other	17,050	17,454	(2)
Total loans and leases	260,006	267,621	(3)
Total assets [(1)]	311,272	309,471	1
Total deposits	30,146	32,729	(8)

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to those segments to match liabilities (i.e., deposits) and allocated equity. Such allocated assets were $512.6 billion and $486.0 billion for the three months ended March 31, 2012 and 2011 , and $519.9 billion and $495.4 billion at March 31, 2012 and December 31, 2011.

(2) Represents the economic capital assigned to *All Other* as well as the remaining portion of equity not specifically allocated to the business segments. Allocated equity increased due to the disposition of certain assets previously disclosed.

n/m = not meaningful

All Other consists of two broad groupings, *Equity Investments* and *Other*. *Equity Investments* includes Global Principal Investments (GPI) which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. *Equity Investments* also includes Strategic investments which include our investment in China Construction Bank (CCB) in which we currently hold approximately one percent of the outstanding common shares, and certain other investments. For additional information on our investment in CCB, see *Note 4 – Securities* to the Consolidated Financial Statements. *Other* includes liquidating businesses, ALM activities such as the residential mortgage portfolio and investment securities, and activities including economic hedges, gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. *Other* also includes certain residential mortgage and discontinued real estate loans that are managed by Legacy Assets & Servicing within *CRES*.

All Other reported a loss of $2.6 billion for the three months ended March 31, 2012 compared to a loss of $1.1 billion for the same period in 2011 primarily due to negative fair value adjustments related to tightening of our credit spreads of $3.3 billion on structured liabilities compared to $586 million of negative fair value adjustments for the same period in 2011, partially offset by $1.2 billion of gains resulting from subordinated debt repurchases and exchanges of trust preferred securities. Equity investment income decreased $998 million primarily due to a $1.1 billion gain related to an IPO of an equity investment in the prior year period. All other income (loss) for the current quarter included a $200 million provision related to PPI claims in the U.K.

Noninterest expense increased $555 million due to higher litigation expense. There were no merger and restructuring expenses for the three months ended March 31, 2012 compared to $202 million for the same period in 2011.

Provision for credit losses decreased $919 million to $1.2 billion primarily driven by lower reserve additions to the Countrywide PCI discontinued real estate and residential mortgage portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. credit card portfolio.

The income tax benefit was $1.6 billion for the three months ended March 31, 2012 compared to a benefit of $888 million for the same period in 2011. The increase was primarily attributable to the larger pre-tax loss in *All Other*.

Equity Investment Activity

The tables below present the components of equity investments in *All Other* at March 31, 2012 and December 31, 2011, and also a reconciliation to the total consolidated equity investment income for the three months ended March 31, 2012 and 2011.

Equity Investments

(Dollars in millions)	**March 31 2012**	December 31 2011
Global Principal Investments	**$ 4,723**	$ 5,659
Strategic and other investments	**1,357**	1,343
Total equity investments included in *All Other*	**$ 6,080**	$ 7,002

Equity Investment Income

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Global Principal Investments	**$ 403**	$ 1,367
Strategic and other investments	**14**	48
Total equity investment income included in *All Other*	**417**	1,415
Total equity investment income included in the business segments [(1)]	**348**	60
Total consolidated equity investment income	**$ 765**	$ 1,475

(1) In the three months ended March 31, 2012, primarily includes $264 million of gains in *Global Markets.*

Equity investments included in *All Other* decreased $922 million at March 31, 2012 compared to December 31, 2011, with substantially all of the decrease due to sales in the GPI portfolio. GPI had unfunded equity commitments of $431 million and $710 million at March 31, 2012 and December 31, 2011 related to certain investments. In connection with the Corporation's strategy to reduce risk-weighted assets, we sold certain investments, including related commitments.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For additional information on our obligations and commitments, see *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 56 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K, as well as *Note 13 – Long-term Debt* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of MBS guaranteed by the GSEs or by Government National Mortgage Association (GNMA) in the case of the FHA-insured, U.S. Department of Veterans Affairs (VA)-guaranteed and Rural Housing Service-guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities), or in the form of whole loans. In connection with these transactions, we or our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, HUD with respect to FHA-insured loans, VA, whole-loan buyers, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In such cases, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance or mortgage guaranty payments that we may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan buyer, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor at any time. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, in the loan, or of the monoline insurer or other financial guarantor (as applicable). Contracts with the GSEs do not contain equivalent language, while GNMA generally limits repurchases to loans that are not insured or guaranteed, as required.

For additional information about accounting for representations and warranties and our representations and warranties claims and exposures, see Complex Accounting Estimates – Representations and Warranties, *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Representations and Warranties Bulk Settlement Actions

We have settled, or entered into agreements to settle, certain bulk representations and warranties claims with a trustee (the Trustee) for certain legacy Countrywide private-label securitization trusts (the BNY Mellon Settlement), a monoline insurer (the Assured Guaranty Settlement) and with each of the GSEs (the GSE Agreements). We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which are material, with the above-referenced counterparties in lieu of a loan-by-loan review process. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. For a summary of the larger bulk settlement actions we have taken in 2010 and 2011 and the related impact on the representations and warranties provision and liability, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. These bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

Recent Developments Related to the BNY Mellon Settlement

The BNY Mellon Settlement is subject to final court approval and certain other conditions. Under an order entered by the state court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline; three of those groups or entities have subsequently withdrawn from the proceeding and one motion to intervene was denied. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both filed notices of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware.

Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement. These include challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (the Covered Trusts), while other motions do not make substantive objections but state that they need more information about the settlement. Parties who filed notices stating that they wished to obtain more information about the settlement include the FDIC and the Federal Housing Finance Agency.

An investor opposed to the settlement removed the proceeding to federal district court, and the federal district court denied the Trustee's motion to remand the proceeding to state court. On February 27, 2012, the U.S. Court of Appeals issued an opinion reversing the district court denial of the Trustee's motion to remand the proceeding to state court and ordering that the proceeding be remanded to state court. On April 24, 2012, a hearing was held on threshold issues, at which the court denied the objectors' motion to convert the proceeding to a plenary proceeding. A hearing on discovery matters was set for May 8, 2012. We are not a party to the proceeding.

It is not currently possible to predict how many of the parties who have appeared in the court proceeding will ultimately object to the BNY Mellon Settlement, whether the objections will prevent receipt of final court approval or the ultimate outcome of the court approval process, which can include appeals and could take a substantial period of time. In particular, conduct of discovery and the resolution of the objections to the settlement and any appeals could take a substantial period of time and these factors could materially delay the timing of final court approval. Accordingly, it is not possible to predict when the court approval process will be completed.

If final court approval is not obtained by December 31, 2015, we and legacy Countrywide may withdraw from the BNY Mellon Settlement, if the Trustee consents. The BNY Mellon Settlement also provides that if Covered Trusts representing unpaid principal balance exceeding a specified amount are excluded from the final BNY Mellon Settlement, based on investor objections or otherwise, we and legacy Countrywide have the option to withdraw from the BNY Mellon Settlement pursuant to the terms of the BNY Mellon Settlement agreement.

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if we and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals described under Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 49. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K

Unresolved Claims Status

Unresolved Repurchase Claims

At March 31, 2012, our total unresolved repurchase claims were approximately $16.1 billion compared to $12.6 billion at December 31, 2011. These repurchase claims do not include any repurchase claims related to the Covered Trusts. During the three months ended March 31, 2012, we received $4.7 billion in new repurchase claims, including $3.0 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $1.7 billion in repurchase claims related to non-GSE transactions. During the three months ended March 31, 2012, $1.3 billion in claims were resolved primarily with the GSEs. Of the claims resolved, $773 million were resolved through rescissions and $480 million were resolved through mortgage repurchase and make-whole payments. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. For additional information concerning FHA-insured loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51. For information regarding GSEs' repurchase requests and outstanding claims, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

In addition and not included in total unresolved repurchase claims in the paragraph above, we have received repurchase demands from private-label securitization investors and a master servicer where we believe the claimant has not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts outstanding of such demands were $3.1 billion and $1.7 billion as of March 31, 2012 and December 31, 2011. During the three months ended March 31, 2012 we received an additional $1.4 billion in such demands. We do not believe that the $1.4 billion in additional demands received are valid claims, and therefore it is not possible to predict the resolution with respect to such demands. Of the demands outstanding at March 31, 2012 and December 31, 2011, $1.7 billion relate to loans underlying securitizations included in the BNY Mellon Settlement and a claimant has filed litigation against us relating to $1.4 billion of these demands. If the BNY Mellon Settlement is approved by the court, demands related to loans underlying securitizations included in the BNY Mellon Settlement will be resolved by the settlement.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the amount of such notices have remained elevated. At March 31, 2012, we had approximately 99,000 open MI rescission notices compared to 90,000 at December 31, 2011. Through March 31, 2012, 27 percent of the MI rescission notices received have been resolved. Of those resolved, 22 percent were resolved through our acceptance of the MI rescission, 46 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 32 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of March 31, 2012, 73 percent of the MI rescission notices we have received have not yet been resolved. Of those not yet resolved, 45 percent are implicated by ongoing litigation where no loan-level review is currently contemplated (nor required to preserve our legal rights). In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. We are in the process of reviewing 34 percent of the remaining open MI rescission notices, and we have reviewed and are contesting the MI rescission with respect to 66 percent of these MI rescission notices. Of the remaining open MI rescission notices, 25 percent are also the subject of ongoing litigation; although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation. For additional information, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income. The estimate of the liability for representations and warranties is based on currently available information, significant judgment and a number of other factors that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on our results of operations for any particular period. For additional information, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures does not consider any losses related to litigation matters disclosed in *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements or *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any possible losses related to potential claims for breaches of performance of servicing obligations except as such losses are included as potential costs of the BNY Mellon Settlement, potential securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements, however, such loss could be material.

At March 31, 2012 and December 31, 2011, the liability was $15.7 billion and $15.9 billion. For the three months ended March 31, 2012 and 2011, the provision for representations and warranties and corporate guarantees was $282 million and $1.0 billion. The representations and warranties provision of $282 million related primarily to the GSEs. The decrease in the provision from the prior-year period was primarily due to a higher provision in the prior-year period attributable to the GSEs and a monoline. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties Liability on page 58 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Estimated Range of Possible Loss

Government-sponsored Enterprises

Our estimated liability as of March 31, 2012 for obligations under representations and warranties with respect to GSE exposures is necessarily dependent on, and limited by, our historical claims experience with the GSEs. It includes our understanding of our agreements with the GSEs and projections of future defaults as well as certain other assumptions, and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties made to the GSEs may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions. The GSEs' repurchase requests, standards for rescission of repurchase requests and resolution processes have become inconsistent with the GSEs' own past conduct and the Corporation's interpretation of its contractual obligations. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, is subject to significant uncertainty.

It is reasonably possible that future representations and warranties losses with respect to GSE exposures may occur in excess of the amounts recorded for the GSE exposures, and the amount of any such additional liability could be material. Due to the significant uncertainty related to our continued differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, it is not possible to reasonably estimate what the outcome or range of such additional possible loss may be. See Complex Accounting Estimates – Representations and Warranties on page 115 for information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties.

Non-Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated between 2004 and 2008. For the remainder of the population of private-label securitizations, we believe it is probable that other claimants in certain types of securitizations may come forward with claims that meet the requirements of the terms of the securitizations. We have also seen and continue to see an increased trend for both requests for loan files and repurchase claims from private-label securitization trustees. We believe that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of our non-GSE representations and warranties exposure. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole loan and other private-label securitization exposures. We currently estimate that the range of possible loss related to non-GSE representations and warranties exposure as of March 31, 2012 could be up to $5 billion over existing accruals. The estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change. For additional information about the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our predictive models, including, without limitation, those regarding ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and this estimated range of possible loss. For example, if courts were to disagree with our interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. Additionally, if recent court rulings related to monoline litigation, including one related to us, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative compared to a loan-by-loan review. For additional information regarding these issues, see MBIA litigation in Litigation and Regulatory Matters in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K Finally, although we believe that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, we do not have significant loan-level experience in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

Government-sponsored Enterprises Experience

Our current repurchase claims experience with the GSEs is concentrated in the2004 through 2008 vintages where we believe that our exposure to representations and warranties liability is most significant. Our repurchase claims experience related to loans originated prior to 2004 has not been significant and we believe that the changes made to our operations and underwriting policies have reduced our exposure related to loans originated after 2008.

Bank of America and legacy Countrywide sold approximately $1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of March 31, 2012, 12 percent of the loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 65 percent of severely delinquent or defaulted loans. Through March 31, 2012, we have received $35.6 billion in repurchase claims associated with these vintages, representing approximatelythree percent of the loans sold to the GSEs in these vintages. We have resolved $27.1 billion of these claims with a net loss experience of approximately 31 percent, after considering the effect of collateral. Our collateral loss severity rate on approved repurchases has averaged approximately 45 to 55 percent.

Table 11 highlights our experience with the GSEs related to loans originated from2004 through 2008.

Table 11
Overview of GSE Balances - 2004-2008 Originations

	Legacy Originator			
(Dollars in billions)	Countrywide	Other	Total	Percent of Total
Original funded balance	$ 846	$ 272	**$ 1,118**	
Principal payments	(463)	(158)	**(621)**	
Defaults	(61)	(10)	**(71)**	
Total outstanding balance at March 31, 2012	**$ 322**	**$ 104**	**$ 426**	
Outstanding principal balance 180 days or more past due (severely delinquent)	$ 47	$ 11	**$ 58**	
Defaults plus severely delinquent	108	21	**129**	
Payments made by borrower:				
Less than 13			**$ 15**	**12%**
13-24			**30**	**23**
25-36			**33**	**26**
More than 36			**51**	**39**
Total payments made by borrower			**$ 129**	**100%**
Outstanding GSE representations and warranties claims (all vintages)				
As of December 31, 2011			**$ 6.3**	
As of March 31, 2012			**8.1**	
Cumulative GSE representations and warranties losses (2004-2008 vintages)			**$ 9.5**	

We continue to experience elevated levels of new claims from the GSEs, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than18 months prior to the repurchase request, in each case, in numbers that were not expected based on past practices. Also, the criteria and the processes by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to us. These developments have resulted in an increase in claims outstanding from the GSEs to $8.1 billion at March 31, 2012. We intend to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, is subject to significant uncertainty.

Beginning in February 2012, we are no longer delivering purchase money and non-making home affordable (MHA) refinance first-lien residential mortgage products into Fannie Mae (FNMA) MBS pools because of the expiration and mutual non-renewal of certain contractual delivery commitments and variances that permit efficient delivery of such loans to FNMA. While we continue to have a valid agreement with FNMA permitting the delivery of purchase money and non-MHA refinance first-lien residential mortgage products without such contractual variances, the delivery of such products without contractual delivery commitments and variances would involve time and expense to implement the necessary operational and systems changes and otherwise presents practical operational issues. The non-renewal of these variances was influenced, in part, by our ongoing differences with FNMA in other contexts, including repurchase claims, as discussed above. We do not expect this change to have a material impact on our *CRES* business, as we expect to rely on other sources of liquidity to actively extend mortgage credit to our customers including continuing to deliver such products into Freddie Mac (FHLMC) MBS pools. Additionally, we continue to deliver MHA refinancing products into FNMA MBS pools and continue to engage in dialogue to attempt to address our ongoing differences with FNMA.

In 2011, FNMA issued an announcement requiring servicers to report all MI rescission notices with respect to loans sold to FNMA and confirmed FNMA's view of its position that a mortgage insurance company's issuance of a MI rescission notice constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. According to FNMA's announcement, through June 30, 2012, lenders have 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. This announcement could result in more repurchase requests from FNMA than the assumptions in our estimated liability contemplate. We also expect that in many cases, particularly in the context of individual or bulk rescissions being contested through litigation, we will not be able to resolve MI rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the FNMA announcement. We have informed FNMA that we do not believe that the new policy is valid under our contracts with FNMA, and that we do not intend to repurchase loans under the terms set forth in the new policy. Our pipeline of outstanding repurchase claims from the GSEs resulting solely on MI rescission notices has increased to$1.4 billion at March 31, 2012 from $1.2 billion at December 31, 2011. If we are required to abide by the terms of the new FNMA policy, our representations and warranties liability will likely increase. For additional information on the FNMA announcement, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements and Off-Balance Sheet Arrangements and Contractual Obligations – Government-sponsored Enterprises Experience on page 60 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Experience with Investors Other than Government-sponsored Enterprises

As detailed in Table 12, legacy companies and certain subsidiaries sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans originated from 2004 through 2008 with an original principal balance of$963 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which approximately $512 billion in principal has been paid and$241 billion has defaulted or are severely delinquent atMarch 31, 2012. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 61 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Table 12 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of March 31, 2012. As shown in Table 12, at least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan's default. As of March 31, 2012, approximately 25 percent of the loans sold to non-GSEs that were originated between2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement and $111 billion is defaulted or severely delinquent atMarch 31, 2012.

Table 12

Overview of Non-Agency Securitization and Whole Loan Balances

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
By Entity	Original Principal Balance	Outstanding Principal Balance March 31, 2012	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
Bank of America	$ 100	$ 27	$ 4	$ 5	$ 9	$ 1	$ 2	$ 2	$ 4
Countrywide	716	238	77	110	187	24	44	46	73
Merrill Lynch	65	18	5	12	17	3	4	3	7
First Franklin	82	20	7	21	28	5	6	5	12
Total (1, 2)	**$ 963**	**$ 303**	**$ 93**	**$ 148**	**$ 241**	**$ 33**	**$ 56**	**$ 56**	**$ 96**

By Product									
Prime	$ 302	$ 97	$ 16	$ 17	$ 33	$ 2	$ 6	$ 7	$ 18
Alt-A	172	67	18	31	49	7	12	12	18
Pay option	150	52	26	31	57	5	14	16	22
Subprime	245	71	31	52	83	16	19	17	31
Home equity	88	14	1	16	17	2	5	4	6
Other	6	2	1	1	2	1	—	—	1
Total	**$ 963**	**$ 303**	**$ 93**	**$ 148**	**$ 241**	**$ 33**	**$ 56**	**$ 56**	**$ 96**

(1) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were made.

(2) Includes exposures on third-party sponsored transactions related to legacy entity originations.

Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 12, including $103.9 billion of first-lien mortgages and $80.6 billion of second-lien mortgages. Of these balances, $47.2 billion of the first-lien mortgages and $50.7 billion of the second-lien mortgages have been paid in full and $34.8 billion of the first-lien mortgages and $17.0 billion of the second-lien mortgages have defaulted or are severely delinquent at March 31, 2012. At least 25 payments have been made on approximately 59 percent of the defaulted and severely delinquent loans. Of the first-lien mortgages sold, $39.1 billion, or 38 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines typically insured one or more securities. Through March 31, 2012, we have received $6.1 billion of representations and warranties claims related to the monoline-insured transactions. Of these repurchase claims, $2.0 billion were resolved through the Assured Guaranty Settlement, $813 million were resolved through repurchase or indemnification with losses of $704 million, and $140 million were rescinded by the investor or paid in full. The majority of these resolved claims related to second-lien mortgages. Our limited experience with most of the monoline insurers has varied in terms of process, and experience with these counterparties has not been predictable. Our limited experience with the monoline insurers, other than Assured Guaranty, in the repurchase process is a result of these monoline insurers having instituted litigation against legacy Countrywide and/or Bank of America, which limits our ability to enter into constructive dialogue with these monolines to resolve the open claims. For additional information, see *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements.

At March 31, 2012, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.1 billion, substantially all of which we have reviewed and declined to repurchase based on an assessment of whether a material breach exists. At March 31, 2012, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $6.1 billion, excluding loans that had been paid in full and file requests for loans included in the trusts settled with Assured Guaranty. There will likely be additional requests for loan files in the future leading to repurchase claims.

It is not possible at this time to reasonably estimate probable future repurchase obligations with respect to those monolines with whom we have limited repurchase experience and, therefore, no representations and warranties liability has been recorded in connection with these monolines, other than a liability for repurchase claims where we have determined that there are valid loan defects. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of March 31, 2012 included possible losses related to these monoline insurers.

Whole Loans and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold loans to investors as whole loans or via private-label securitizations. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. The loans sold with total principal balance of $778.2 billion, included in Table 12, were originated between 2004 and 2008, of which $413.9 billion have been paid in full and $189.2 billion are defaulted or severely delinquent at March 31, 2012. In connection with these transactions, we provided representations and warranties, and the whole-loan investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately $10.8 billion of representations and warranties claims from whole-loan investors and private-label securitization investors and trustees related to these vintages, including $6.2 billion from whole-loan investors, $3.8 billion from private-label securitization trustees and $819 million from one private-label securitization counterparty which were submitted prior to 2008. In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Historically, the majority of the claims that we have received outside of those from the GSEs and monolines are from third-party whole-loan investors. However, the amount of claims received from private-label securitization trustees has been increasing. There have been and continue to be an increase in requests for loan files from private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statutes of limitation relating to representations and warranties claims, and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims.

We have resolved $6.1 billion of the claims received from whole-loan investors and private-label securitization investors and trustees with losses of $1.4 billion. Approximately $2.8 billion of these claims were resolved through repurchase or indemnification and $3.3 billion were rescinded by the investor. Claims outstanding related to these vintages totaled $4.7 billion, including $1.5 billion that have been reviewed where it is believed a valid defect has not been identified which would constitute an actionable breach of representations and warranties and $3.2 billion that are in the process of review.

Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement led to the determination that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations. However, the BNY Mellon Settlement did not provide sufficient experience related to certain private-label securitizations sponsored by third-party whole-loan investors. As it relates to certain private-label securitizations sponsored by third-party whole-loan investors and certain other whole loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of March 31, 2012 included possible losses related to these whole loan sales and private-label securitizations sponsored by third-party whole-loan investors.

Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files. Prior to 2011, we received demands totaling $1.7 billion from private-label securitization investors in the Covered Trusts. For additional information, see Unresolved Claim Status on page45.

Servicing Matters and Foreclosure Processes

We service a large portion of the loans we or our subsidiaries have securitized and also service loans on behalf of third-party securitization vehicles and other investors. Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically claims the right to demand that the servicer repurchase loans that breach the seller's representations and warranties made in connection with the initial sale of the loans even if the servicer was not the seller. The GSEs also claim that they have the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, the GSEs' first mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of compensatory fees if those deadlines are not satisfied except for reasons beyond the control of the servicer, although we believe that the governing contracts, our course of dealing, and collective past practices and understandings should inform resolution of these matters. In addition, many non-agency residential mortgage-backed securities and whole-loan servicing agreements require the servicer to indemnify the trustee or other investor for or against failures by the servicer to perform its servicing obligations or acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer's duties. It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 63 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current servicing and foreclosure activities, including those claims not covered by the Global Settlement Agreement. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. The current environment of heightened regulatory scrutiny may subject us to inquiries or investigations that could significantly adversely affect our reputation and result in material costs to us.

Servicing Resolution Agreements

The Global Settlement Agreement reached on March 12, 2012 between the Corporation, the State AGs and the Federal Agencies was entered by the court on April 5, 2012. The Global Settlement Agreement provides for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, credits earned for principal reduction, short sales, deeds-in-lieu of foreclosure, and approximately $1.0 billion of credits earned for interest rate reduction modifications. We will also be obligated to provide additional cash payments of up to $850 million if we fail to earn an additional $850 million of credits stemming from incremental principal reductions over a three-year period. In addition, the settlement with the FHA provides for an upfront cash payment of $500 million to settle certain claims related to FHA-insured loans. The liability for upfront payments totaling $2.4 billion was included in our litigation reserves at March 31, 2012 and these upfront payments were subsequently paid in April 2012.

The borrower assistance program is not expected to result in any incremental credit provision, as the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs. The modification program will consist of interest rate reductions on first-lien loans originated prior to January 1, 2009 that have a current loan-to-value (LTV) ratio greater than 100 percent and that meet certain eligibility criteria, including the requirement that all payments due for the last twelve months have been made in a timely manner. This program commits us to forego future interest payments that we may not otherwise have agreed to forego, and no loss has been recognized in the financial statements related to such forgone interest. The interest rate modification program is expected to include approximately 20,000 to 25,000 loans with an aggregate unpaid principal balance of $5.4 billion to $6.8 billion. Assuming an average interest rate reduction of approximately two percent, the modifications are expected to result in a reduction of annual interest income of approximately $100 million to $130 million when the program is complete. Assuming a weighted-average loan life of approximately eight years, the fair value of loans in the program is expected to decrease by approximately $700 million to $900 million as a result of the interest rate reductions. The financial impact will vary depending on final terms of modifications offered and the rate of borrower acceptance. We do not expect loans modified under the program to be accounted for as troubled debt restructurings (TDRs).

If the program is expanded to include loans that do not meet specified underwriting criteria, such as verification of income or minimum FICO scores, the modifications of such loans will be accounted for as TDRs.

We could be required to make additional payments if we fail to meet our borrower assistance and rate reduction modification commitments over a three-year period, in an amount equal to 125 percent to 140 percent of the shortfall, dependent on the two- and three-year commitment target. We also entered into agreements with several states under which we committed to perform certain minimum levels of principal reduction and related activities within those states as part of the Global Settlement Agreement, and under which we could be required to make additional payments if we fail to meet such minimum levels.

We believe it is unlikely that we will fail to meet all borrower assistance, rate reduction modification and principal reduction commitments and, therefore, do not expect to be required to make additional cash payments. Although it is reasonably possible that the cost of fulfilling the commitments could increase, leading to an incremental credit provision, the amount of any such incremental provision is not reasonably estimable. Although we may incur additional operating costs (e.g., servicing costs) to implement parts of the Global Settlement Agreement in future periods, we do not expect that those costs will be material.

Under the terms of the Global Settlement Agreement, the federal and participating state governments agreed to release us from further liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies. In settling origination issues related to FHA guaranteed loans originated on or before April 30, 2009, the FHA provides us and our affiliates with a release from further liability for all claims with respect to such loans if an insurance claim had been submitted to the FHA prior to January 1, 2012 and a release of multiple damages and penalties, but not single damages, if no such claim had been submitted.

The Global Settlement Agreement does not cover claims arising out of securitization (including representations made to investors with respect to MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items. For additional information on MERS, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage Electronic Registration Systems, Inc. on page 65 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Impact of Foreclosure Delays

In the three months ended March 31, 2012, we recorded $410 million of mortgage-related assessments, waivers and similar costs related to delayed foreclosures. We expect higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and delayed foreclosures. This will likely result in continued higher noninterest expense, including higher default servicing costs and legal expenses in *CRES*, and has impacted and may continue to impact the value of our MSRs related to these serviced loans. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. In addition, required process changes, including those required under the consent orders with federal bank regulators and the Consent Judgment with the Federal Agencies, are likely to result in further increases in our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our continued process enhancements, including those required under the OCC and Federal Reserve consent orders and the Consent Judgment, and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Mortgage-related Settlements – Servicing Matters

In connection with the BNY Mellon Settlement, BANA has agreed to implement certain servicing changes. The Trustee and BANA have agreed to clarify and conform certain servicing standards related to loss mitigation. In particular, the BNY Mellon Settlement clarifies that it is permissible to apply the same loss-mitigation strategies to the Covered Trusts as are applied to BANA affiliates' held-for investment (HFI) portfolios. This portion of the agreement was effective in the second quarter of 2011 and is not conditioned on final court approval. In connection with the Global Settlement Agreement, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the Global Settlement Agreement are broadly consistent with the residential mortgage servicing practices imposed by the OCC consent order; however, they are more prescriptive and cover a broader range of our residential mortgage servicing activities. Implementation of these uniform servicing standards is expected to incrementally increase costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage-related Settlements – Servicing Matters on page 65 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Regulatory Matters

For information regarding significant regulatory matters, see Item 1A. Risk Factors, *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements herein and Regulatory Matters on page 66 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Managing Risk

Overview

Risk is inherent in every material business activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risk. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings.

We take a comprehensive approach to risk management. We have a defined risk framework and clearly articulated risk appetite which is approved annually by the Corporation's Board of Directors (the Board). Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities. For a more detailed discussion of our risk management activities, see pages 68 through 120 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Strategic Risk Management

Strategic risk is embedded in every business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution and/or other inherent risks of the business including reputational and operational risk. In the financial services industry, strategic risk is elevated due to changing customer, competitive and regulatory environments. Our appetite for strategic risk is assessed within the context of the strategic plan, with strategic risks selectively and carefully considered in the context of the evolving marketplace. Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Chief Executive Officer and executive management team. Significant strategic actions, such as material acquisitions or capital actions, require review and approval of the Board.

For more information on our Strategic Risk Management activities, see page 71 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Capital Management

Bank of America manages its capital position to ensure capital is sufficient to support our business activities and that capital, risk and risk appetite are commensurate with one another, ensure safety and soundness under adverse scenarios, take advantage of growth and strategic opportunities, maintain ready access to financial markets, remain a source of strength for its subsidiaries, and satisfy current and future regulatory capital requirements.

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from investors, rating agencies and regulators. Based upon this analysis, we set capital guidelines for Tier 1 common capital and Tier 1 capital to ensure we can maintain an adequate capital position in a severe adverse economic scenario. We also target to maintain capital in excess of the capital required per our economic capital measurement process. For additional information, see Economic Capital on page 58. Management and the Board annually approve a comprehensive Capital Plan which documents the ICAAP and related results, analysis and support for the capital guidelines, and planned capital actions and capital adequacy assessment.

Capital management is integrated into the risk and governance processes, as capital is a key consideration in the development of the strategic plan, risk appetite and risk limits. Economic capital is allocated to each business unit and used to perform risk-adjusted return analysis at the business unit, client relationship and transaction levels.

Regulatory Capital

As a financial services holding company, we are subject to the risk-based capital guidelines (Basel I) issued by federal banking regulators. AtMarch 31, 2012, we operated banking activities primarily under two charters: BANA and FIA Card Services, N.A. (FIA). Under these guidelines, the Corporation and its affiliated banking entities measure capital adequacy based on Tier 1 common capital, Tier 1 capital and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio.

The Corporation has issued notes to certain unconsolidated corporate-sponsored trust companies which issued qualifying trust preferred securities (Trust Securities) and hybrid securities. In accordance with Federal Reserve guidance, Trust Securities continue to qualify as Tier 1 capital with revised quantitative limits. As a result, at March 31, 2012, the Corporation included qualifying Trust Securities in the aggregate amount of $15.4 billion (approximately 126 bps of Tier 1 capital) in Tier 1 capital. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) includes a provision under which outstanding Trust Securities will be excluded from Tier 1 capital, with the exclusion to be phased in incrementally over a three-year period beginning January 1, 2013. The treatment of Trust Securities during the phase-in period is subject to future rulemaking. For additional information on trust preferred exchanges, see Recent Events – Capital and Liquidity Related Matters on page 7.

For additional information on these and other regulatory requirements, seeCapital Management – Regulatory Capital on page 72 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K and *Note 18 – Regulatory Requirements and Restrictions* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Capital Composition and Ratios

Tier 1 common capital was $131.6 billion at March 31, 2012, an increase of $4.9 billion from December 31, 2011. The increase was primarily driven by earnings and other items eligible to be included in capital, which positively impacted the Tier 1 common capital ratio by approximately 20 bps, as well as 13 bps related to subordinated debt repurchases and exchanges of preferred stock and trust preferred securities. The Tier 1 common capital ratio also benefited seven bps from the issuance of common stock in lieu of cash for a portion of employee incentive compensation. Total capital decreased $1.6 billion at March 31, 2012 compared to December 31, 2011 primarily due to a reduction in subordinated debt from repurchases.

Risk-weighted assets decreased $63.6 billion to $1,221 billion at March 31, 2012 compared to December 31, 2011. The decrease was primarily driven by lower loan levels and a strategic reduction in off-balance sheet assets which in the aggregate increased the Tier 1 common, Tier 1 and Total capital ratios 52 bps, 65 bps and 87 bps, respectively. The Tier 1 leverage ratio increased 26 bps at March 31, 2012 compared to December 31, 2011 reflecting a reduction in adjusted quarterly average total assets.

Table 13 presents Bank of America Corporation's capital ratios and related information atMarch 31, 2012 and December 31, 2011.

Table 13

Bank of America Corporation Regulatory Capital

	March 31, 2012			December 31, 2011		
	Actual			Actual		
(Dollars in millions)	**Ratio**	**Amount**	**Minimum Required** [1]	Ratio	Amount	Minimum Required [1]
Tier 1 common capital ratio	**10.78%**	**$ 131,602**	**n/a**	9.86%	$ 126,690	n/a
Tier 1 capital ratio	**13.37**	**163,199**	**$ 48,833**	12.40	159,232	$ 51,379
Total capital ratio	**17.49**	**213,480**	**97,666**	16.75	215,101	102,757
Tier 1 leverage ratio	**7.79**	**163,199**	**83,842**	7.53	159,232	84,557

	March 31 2012	December 31 2011
Risk-weighted assets (in billions)	**$ 1,221**	$ 1,284
Adjusted quarterly average total assets (in billions) [2]	**2,096**	2,114

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.

[2] Reflects adjusted average total assets for the three months ended March 31, 2012 and December 31, 2011.

n/a = not applicable

Table 14 presents the capital composition at March 31, 2012 and December 31, 2011.

Table 14
Capital Composition

(Dollars in millions)	March 31 2012	December 31 2011
Total common shareholders' equity	**$ 213,711**	$ 211,704
Goodwill	**(69,976)**	(69,967)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	**(5,644)**	(5,848)
Net unrealized gains on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	**1,224**	682
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	**3,439**	4,391
Fair value adjustment related to structured liabilities [1]	**3,031**	944
Disallowed deferred tax asset	**(15,703)**	(16,799)
Other	**1,520**	1,583
Total Tier 1 common capital	**131,602**	126,690
Qualifying preferred stock	**15,871**	15,479
Trust preferred securities	**15,400**	16,737
Noncontrolling interests	**326**	326
Total Tier 1 capital	**163,199**	159,232
Long-term debt qualifying as Tier 2 capital	**33,381**	38,165
Allowance for loan and lease losses	**32,211**	33,783
Reserve for unfunded lending commitments	**651**	714
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	**(17,346)**	(18,159)
Other	**1,384**	1,366
Total capital	**$ 213,480**	$ 215,101

(1) Represents loss on structured liabilities, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and Total capital for regulatory capital purposes.

Regulatory Capital Changes

We manage regulatory capital to adhere to regulatory standards of capital adequacy based on our current understanding of the rules and the application of such rules to our business as currently conducted. The regulatory capital rules as written by the Basel Committee on Banking Supervision (Basel Committee) continue to evolve.

We currently measure and report our capital ratios and related information in accordance with Basel I. SeeCapital Management on page 53 for additional information. Basel I has been subject to revisions, which include final Basel II rules (Basel II) published in December 2007 by U.S banking regulators and proposed Basel III rules (Basel III) published by the Basel Committee in December 2010, and further amended in July 2011. We are currently in the Basel II parallel period. Additionally, on December 29, 2011, U.S. regulators issued an amended notice of proposed rulemaking (NPR) on the Market Risk Rules. This NPR is expected to increase the capital requirements for our trading assets and liabilities. We continue to evaluate the capital impact of the proposed rules and currently anticipate that we will be in compliance with any final rules by the projected implementation date in late 2012.

If implemented by U.S. banking regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of Trust Securities from Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital in 20 percent increments from 2014 through 2018 (deferred tax assets, MSRs, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of additional accumulated OCI in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. For additional information on MSRs and deferred tax assets, see *Note 18 – Mortgage Servicing Rights* to the Consolidated Financial Statements and *Note 21 – Income Taxes* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K An increase in capital requirements for counterparty credit risk is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. banking regulators have not yet issued proposed regulations that will implement these requirements.

Additionally, measures for global, systemically important financial institutions including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer), and the arrangements by which they will be phased in were proposed by the Basel Committee in 2011. As proposed, the SIFI buffer would be met with additional Tier 1 common equity ranging from one percent to 2.5 percent, and in certain circumstances, 3.5 percent. This will be phased in from 2016 through 2018. U.S. banking regulators have not yet provided similar rules for U.S. implementation of a SIFI buffer.

Given that the U.S. regulatory agencies have issued neither proposed rulemaking nor supervisory guidance on Basel III, significant uncertainty exists regarding the eventual impacts of Basel III on U.S. financial institutions, including us. These regulatory changes also require approval by the U.S. regulatory agencies of analytical models used as part of capital measurement and assessment, especially in the case of more complex models. If these more complex models are not approved, it could require financial institutions to hold additional capital, which in some cases could be significant.

Based on the assumed approval of these models and our current assessment of Basel III, continued focus on capital management, expectations of future performance and continued efforts to build a fortress balance sheet, we currently anticipate that our Tier 1 common equity ratio will be above 7.50 percent by the end of 2012. This also assumes the phase-in per the regulations at that time, of all deductions scheduled to occur between 2013 and 2019.

Preparing for the implementation of the new capital rules is a top strategic priority, and we expect to comply with the final rules when issued and effective. We intend to continue to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from capital. We expect non-core asset sales to play a less prominent role in our capital strategy in future periods.

On December 20, 2011, the Federal Reserve issued proposed rules to implement enhanced supervisory and prudential requirements and the early remediation requirements established under the Financial Reform Act. The enhanced standards include risk-based capital and leverage requirements, liquidity standards, requirements for overall risk management, single-counterparty credit limits, stress test requirements and a debt-to-equity limit for certain companies determined to pose a threat to financial stability. The final rules are likely to influence our regulatory capital and liquidity planning process, and may impose additional operational and compliance costs on us.

On January 5, 2012, we submitted a capital plan to the Federal Reserve consistent with the CCAR rules and received results on March 13, 2012. The CCAR is the central element to the Federal Reserve's approach to ensuring large bank holding companies have thorough and robust processes for managing their capital. The submitted capital plan included the ICAAP and related results, analysis and support for the capital guidelines and planned capital actions. The Federal Reserve's stress scenario projections for the Corporation estimated a minimum Tier 1 common capital ratio of 5.9 percent under severe adverse economic conditions with all proposed capital actions through the end of 2013, exceeding the 5 percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation to the Federal Reserve did not include a request to return capital to stockholders for 2012 above the current dividend rate. The Federal Reserve did not object to our planned capital actions.

For additional information regarding Basel II, Basel III, Market Risk Rules and other proposed regulatory capital changes, see *Note 18 – Regulatory Requirements and Restrictions* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

Table 15 presents regulatory capital information for BANA and FIA at March 31, 2012 and December 31, 2011.

Table 15
Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	March 31, 2012			December 31, 2011		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required [1]	Ratio	Amount	Minimum Required [1]
Tier 1						
Bank of America, N.A.	**12.28%**	**$ 118,694**	**$ 38,662**	11.74%	$ 119,881	$ 40,830
FIA Card Services, N.A.	**17.00**	**22,724**	**5,346**	17.63	24,660	5,596
Total						
Bank of America, N.A.	**15.78**	**152,556**	**77,324**	15.17	154,885	81,661
FIA Card Services, N.A.	**18.38**	**24,570**	**10,693**	19.01	26,594	11,191
Tier 1 leverage						
Bank of America, N.A.	**8.57**	**118,694**	**55,373**	8.65	119,881	55,454
FIA Card Services, N.A.	**13.87**	**22,724**	**6,552**	14.22	24,660	6,935

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.

BANA's Tier 1 capital ratio increased 54 bps to 12.28 percent and the Total capital ratio increased 61 bps to 15.78 percent at March 31, 2012 compared to December 31, 2011. The increase in the ratios was driven by a decrease in risk-weighted assets of $54.2 billion compared to December 31, 2011 and earnings eligible to be included in capital of $3.2 billion during the three months ended March 31, 2012, partially offset by dividends paid to Bank of America Corporation of $4.5 billion during the quarter.

FIA's Tier 1 capital and Total capital ratios decreased 63 bps to 17.00 percent and 18.38 percent at March 31, 2012 compared to December 31, 2011. The Tier 1 leverage ratio decreased 35 bps to 13.87 percent at March 31, 2012 compared to December 31, 2011. The decrease in the Tier 1 capital and Total capital ratios was driven by a return of capital of $3.0 billion to Bank of America Corporation during the three months ended March 31, 2012, partially offset by $1.0 billion of earnings eligible to be included in capital. The decrease in the Tier 1 leverage ratio was driven by the decrease in Tier 1 capital, partially offset by a decrease in adjusted quarterly average total assets of $9.6 billion.

Broker/Dealer Regulatory Capital

The Corporation’s principal U.S. broker/dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith (MLPF&S) and Merrill Lynch Professional Clearing Corp (MLPCC). MLPCC is a fully-guaranteed subsidiary of MLPF&S that provides clearing and settlement services. Both entities are subject to the net capital requirements of Securities and Exchange Commission (SEC) Rule 15c3-1. Both entities are also registered as futures commission merchants and are subject to the Commodity Futures Trading Commission Regulation 1.17.

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At March 31, 2012, MLPF&S’s regulatory net capital as defined by Rule 15c3-1 was $10.8 billion and exceeded the minimum requirement of $704 million by $10.1 billion. MLPCC’s net capital of $1.8 billion exceeded the minimum requirement of $206 million by approximately $1.6 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1.0 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5.0 billion. At March 31, 2012, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Economic Capital

Our economic capital measurement process provides a risk-based measurement of the capital required for unexpected credit, market and operational losses over a one-year time horizon at a 99.97 percent confidence level. Economic capital is allocated to each business unit based upon its risk positions and contribution to enterprise risk, and is used for capital adequacy, performance measurement and risk management purposes. The strategic planning process utilizes economic capital with the goal of allocating risk appropriately and measuring returns consistently across all businesses and activities. Economic capital allocation plans are incorporated into the Corporation's financial plan which is approved by the Board on an annual basis. For additional information regarding economic capital, credit risk capital, market risk capital and operational risk capital, see page 75 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Common Stock Dividends

Table 16 is a summary of our declared quarterly cash dividends on common stock during2012 and through May 3, 2012.

Table 16

Common Stock Cash Dividend Summary

Declaration Date	**Record Date**	**Payment Date**	**Dividend Per Share**
April 11, 2012	June 1, 2012	June 22, 2012	$ 0.01
January 11, 2012	March 2, 2012	March 23, 2012	0.01

Preferred Stock Dividends

Table 17 is a summary of our cash dividend declarations on preferred stock during2012 and through May 3, 2012. For additional information on preferred stock, see *Note 15 – Shareholders' Equity* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Table 17

Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B [1]	$ 1	January 11, 2012	April 11, 2012	April 25, 2012	7.00 %	$ 1.75
		April 11, 2012	July 11, 2012	July 25, 2012	7.00	1.75
Series D [2]	$ 654	January 4, 2012	February 29, 2012	March 14, 2012	6.204 %	$ 0.38775
		April 3, 2012	May 31, 2012	June 14, 2012	6.204	0.38775
Series E [2]	$ 340	January 4, 2012	January 31, 2012	February 15, 2012	Floating	$ 0.25556
	317	April 3, 2012	April 30, 2012	May 15, 2012	Floating	0.25000
Series F	$ 141	April 3, 2012	May 31, 2012	June 15, 2012	Floating	$ 1,022.22
Series G	$ 493	April 3, 2012	May 31, 2012	June 15, 2012	Adjustable	$ 1,022.22
Series H [2]	$ 2,862	January 4, 2012	January 15, 2012	February 1, 2012	8.20 %	$ 0.51250
		April 3, 2012	April 15, 2012	May 1, 2012	8.20	0.51250
Series I [2]	$ 365	January 4, 2012	March 15, 2012	April 2, 2012	6.625 %	$ 0.41406
		April 3, 2012	June 15, 2012	July 2, 2012	6.625	0.41406
Series J [2]	$ 951	January 4, 2012	January 15, 2012	February 1, 2012	7.25 %	$ 0.45312
		April 3, 2012	April 15, 2012	May 1, 2012	7.25	0.45312
Series K [3, 4]	$ 1,544	January 4, 2012	January 15, 2012	January 30, 2012	Fixed-to-floating	$ 40.00
Series L	$ 3,080	March 16, 2012	April 1, 2012	April 30, 2012	7.25 %	$ 18.125
Series M [3, 4]	$ 1,310	April 3, 2012	April 30, 2012	May 15, 2012	Fixed-to-floating	$ 40.625
Series T [1]	$ 5,000	March 16, 2012	March 26, 2012	April 10, 2012	6.00 %	$ 1,500.00
Series 1 [5]	$ 109	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.19167
	98	April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.18750
Series 2 [5]	$ 363	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.19167
	299	April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.18750
Series 3 [5]	$ 653	January 4, 2012	February 15, 2012	February 28, 2012	6.375 %	$ 0.39843
		April 3, 2012	May 15, 2012	May 29, 2012	6.375	0.39843
Series 4 [5]	$ 323	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.25556
	210	April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.25000
Series 5 [5]	$ 507	January 4, 2012	February 1, 2012	February 21, 2012	Floating	$ 0.25556
	422	April 3, 2012	May 1, 2012	May 21, 2012	Floating	0.25000
Series 6 [6]	$ 60	January 4, 2012	March 15, 2012	March 30, 2012	6.70 %	$ 0.41875
	59	April 3, 2012	June 15, 2012	June 29, 2012	6.70	0.41875
Series 7 [6]	$ 17	January 4, 2012	March 15, 2012	March 30, 2012	6.25 %	$ 0.39062
		April 3, 2012	June 15, 2012	June 29, 2012	6.25	0.39062
Series 8 [5]	$ 2,673	January 4, 2012	February 15, 2012	February 28, 2012	8.625 %	$ 0.53906
		April 3, 2012	May 15, 2012	May 29, 2012	8.625	0.53906

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.

(3) Initially pays dividends semi-annually.

(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

(5) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.

(6) Dividends per depositary share, each representing a 1/40th interest in a share of preferred stock.

Enterprise-wide Stress Testing

As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand balance sheet, earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts from our risk profile on our balance sheet, earnings, capital and liquidity and serve as a key component of our capital and risk management practices. Scenarios are selected by a group comprised of senior business, risk and finance executives. Impacts to each business from each scenario are then determined and analyzed, primarily by leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our Chief Financial Officer Risk Committee (CFORC), Asset Liability and Market Risk Committee (ALMRC) and the Board's Enterprise Risk Committee (ERC) and serves to inform decision making by management and the Board. We have made substantial investments to establish stress testing capabilities as a core business process.

Liquidity Risk

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to ensure adequate funding for our businesses throughout market cycles, including periods of financial stress. To achieve that objective, we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our funding requirements as those obligations arise.

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For additional information regarding global funding and liquidity risk management, see Funding and Liquidity Risk Management on page 76 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, or the parent company, and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities. These assets, which we call our Global Excess Liquidity Sources, serve as our primary means of liquidity risk mitigation. Our cash is primarily on deposit with central banks, such as the Federal Reserve. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed market conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities.

Our Global Excess Liquidity Sources increased $28 billion to $406 billion at March 31, 2012 compared to December 31, 2011 and were maintained as presented in Table 18. This increase was primarily due to liquidity generated by our bank subsidiaries through deposit growth, reduced loan balances and other factors. Partially offsetting the increase were the results of our ongoing reductions of our long-term debt.

Table 18
Global Excess Liquidity Sources

(Dollars in billions)	**March 31 2012**	December 31 2011	**Average for Three Months Ended March 31, 2012**
Parent company	**$ 129**	$ 125	**$ 122**
Bank subsidiaries	**250**	222	**235**
Broker/dealers	**27**	31	**31**
Total global excess liquidity sources	**$ 406**	$ 378	**$ 388**

As shown in Table 18, parent company Global Excess Liquidity Sources totaled $129 billion and $125 billion at March 31, 2012 and December 31, 2011. This increase in parent company liquidity was primarily due to unsecured debt issuance and dividends from subsidiaries, partially offset by debt maturities and repurchases. Typically, parent company cash is deposited overnight with BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled $250 billion and $222 billion at March 31, 2012 and December 31, 2011. These amounts are distinct from the cash deposited by the parent company presented in Table 18. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold significant amounts of other unencumbered securities that we believe could also be used to generate liquidity, primarily investment-grade MBS. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $193 billion and $189 billion at March 31, 2012 and December 31, 2011. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our broker/dealer subsidiaries at March 31, 2012 and December 31, 2011 totaled $27 billion and $31 billion. Our broker/dealers also held significant amounts of other unencumbered securities that we believe could also be used to generate additional liquidity, including investment-grade securities and equities. Liquidity held in a broker/dealer subsidiary is available to meet the obligations of that entity and can only be transferred to the parent company or to any other subsidiary with prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 19 presents the composition of Global Excess Liquidity Sources at March 31, 2012 and December 31, 2011.

Table 19

Global Excess Liquidity Sources Composition

(Dollars in billions)	**March 31 2012**	December 31 2011
Cash on deposit	**$ 88**	$ 79
U.S. treasuries	**41**	48
U.S. agency securities and mortgage-backed securities	**254**	228
Non-U.S. government and supranational securities	**23**	23
Total global excess liquidity sources	**$ 406**	$ 378

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is “Time to Required Funding.” This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation or Merrill Lynch & Co., Inc. (Merrill Lynch). These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity and issuances under the FDIC’s Temporary Liquidity Guarantee Program (TLGP), all of which will mature by June 30, 2012. The Corporation has established a target minimum for Time to Required Funding of 21 months. Our Time to Required Funding was 31 months at March 31, 2012. For purposes of calculating Time to Required Funding at March 31, 2012, we have also included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement and payments related to the Global Settlement Agreement made during April 2012. The BNY Mellon Settlement is subject to final court approval and certain other conditions, and the timing of payment is not certain.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. These scenarios incorporate market-wide and Corporation-specific events, including potential credit ratings downgrades for the parent company and our subsidiaries. We consider and utilize scenarios, including potential credit rating downgrades based on historical experience, regulatory guidance, and both expected and unexpected future events.

The types of potential contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to, upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access to secured financing markets; potential deposit withdrawals and reduced rollover of maturing term deposits by customers; increased draws on loan commitments, liquidity facilities and letters of credit, including Variable Rate Demand Notes; additional collateral that counterparties could call if our credit ratings were further downgraded; collateral, margin and subsidiary capital requirements arising from losses; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors, including but not limited to credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

For additional information on Time to Required Funding and liquidity stress modeling, see page77 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Basel III Liquidity Standards

In December 2010, the Basel Committee proposed two measures of liquidity risk which are considered part of Basel III. The first proposed liquidity measure is the Liquidity Coverage Ratio (LCR), which is calculated as the amount of a financial institution’s unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under an acute 30-day stress scenario. The second proposed liquidity measure is the Net Stable Funding Ratio (NSFR), which measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations over a one-year period. The Basel Committee expects the LCR requirement to be implemented in January 2015 and the NSFR requirement to be implemented in January 2018, following an observation period that began in 2011. We continue to monitor the development and the potential impact of these proposals, and assuming adoption by U.S. banking regulators, we expect to meet the final standards within the regulatory timelines.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a globally coordinated funding strategy. We diversify our funding globally across products, programs, markets, currencies and investor groups.

We fund a substantial portion of our lending activities through our deposits, which were $1.04 trillion and $1.03 trillion at March 31, 2012 and December 31, 2011. Deposits are primarily generated by our *CBB, GWIM* and *Global Banking* segments. These deposits are diversified by clients, product type and geography and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

Our trading activities in broker/dealer subsidiaries are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions. We believe funding these activities in the secured financing markets is more cost efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate.

We reduced unsecured short-term borrowings at the parent company and broker/dealer subsidiaries, including commercial paper and master notes, to relatively insignificant amounts in 2011. During the three months ended March 31, 2012, securities loaned or sold under agreements to repurchase increased due to an increase in trading account assets as a result of customer demand. For average and period-end balance discussions, see Balance Sheet Overview on page 13. For more information, see *Note 12 – Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Table 20 presents information on short-term borrowings.

Table 20
Short-term borrowings

	Three Months Ended March 31			
	Amount		Rate	
(Dollars in millions)	**2012**	2011	**2012**	2011
Average during period				
Federal funds purchased	**$ 261**	$ 2,940	**0.05%**	0.11%
Securities loaned or sold under agreements to repurchase	**256,144**	303,475	**1.10**	1.17
Commercial paper	**12**	18,467	**2.13**	0.73
Other short-term borrowings	**36,639**	46,691	**1.99**	2.39
Total	**$ 293,056**	$ 371,573	**1.21**	1.29
Maximum month-end balance during period				
Federal funds purchased	**$ 331**	$ 4,133		
Securities loaned or sold under agreements to repurchase	**276,403**	293,519		
Commercial paper	**172**	21,212		
Other short-term borrowings	**39,327**	46,267		

	March 31, 2012		December 31, 2011	
	Amount	**Rate**	Amount	Rate
Period-end balance				
Federal funds purchased	**$ 223**	**0.05%**	$ 243	0.06%
Securities loaned or sold under agreements to repurchase	**258,268**	**1.06**	214,621	1.08
Commercial paper	**12**	**2.36**	23	1.70
Other short-term borrowings	**39,242**	**2.11**	35,675	2.35
Total	**$ 297,745**	**1.22**	$ 250,562	1.36

We issue the majority of our long-term unsecured debt at the parent company. During the three months ended March 31, 2012, the parent company issued $8.3 billion of long-term unsecured debt, including structured liabilities of $2.4 billion. We may also issue long-term unsecured debt at BANA, although there were no new issuances during the three months ended March 31, 2012. We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

The primary benefits of our centralized funding strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 108.

We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivative positions and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a book value of $54.5 billion and $50.9 billion at March 31, 2012 and December 31, 2011.

Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

Prior to 2010, we participated in the TLGP, which allowed us to issue senior unsecured debt guaranteed by the FDIC in return for a fee based on the amount and maturity of the debt. At March 31, 2012, we had $23.9 billion outstanding under the program. We no longer issue debt under this program and all of our debt issued under TLGP will mature by June 30, 2012. TLGP issuances are included in the unsecured contractual obligations for the Time to Required Funding metric. Under this program, our debt received the highest long-term ratings from the major credit rating agencies which resulted in a lower total cost of issuance than if we had issued non-FDIC guaranteed long-term debt.

Table 21 represents the carrying value of aggregate annual maturities of long-term debt atMarch 31, 2012.

Table 21

Long-term Debt By Maturity

(Dollars in millions)	2012	2013	2014	2015	2016	Thereafter	Total
Bank of America Corporation	$ 39,573	$ 10,599	$ 19,945	$ 14,326	$ 20,504	$ 77,365	**$ 182,312**
Merrill Lynch & Co., Inc. and subsidiaries	16,079	17,199	18,466	4,756	3,483	38,676	**98,659**
Bank of America, N.A. and subsidiaries	5,347	—	23	—	1,050	7,237	**13,657**
Other debt	6,675	4,877	1,777	496	25	2,167	**16,017**
Total long-term debt excluding consolidated VIEs	67,674	32,675	40,211	19,578	25,062	125,445	**310,645**
Long-term debt of consolidated VIEs	7,170	13,935	8,720	1,341	2,943	10,158	**44,267**
Total long-term debt	**$ 74,844**	**$ 46,610**	**$ 48,931**	**$ 20,919**	**$ 28,005**	**$ 135,603**	**$ 354,912**

Table 22 presents our long-term debt in the following currencies atMarch 31, 2012 and December 31, 2011.

Table 22

Long-term Debt By Major Currency

(Dollars in millions)	**March 31 2012**	December 31 2011
U.S. Dollar	**$ 246,821**	$ 255,262
Euro	**64,755**	68,799
Japanese Yen	**18,223**	19,568
British Pound	**12,251**	12,554
Canadian Dollar	**3,536**	4,621
Australian Dollar	**3,079**	4,900
Swiss Franc	**2,077**	2,268
Other	**4,170**	4,293
Total long-term debt	**$ 354,912**	$ 372,265

Total long-term debt decreased $17.4 billion or five percent at March 31, 2012 compared to December 31, 2011. This decrease reflects our ongoing initiative to reduce our debt balances over time, and we anticipate that debt levels will continue to decline, as appropriate, through 2013. We may, from time to time, purchase outstanding debt securities in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our broker/dealer subsidiaries may make markets in our debt instruments to provide liquidity for investors. For additional information on long-term debt funding, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. For additional information regarding funding and liquidity risk management, see pages76 through 80 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

During the three months ended March 31, 2012, we repurchased $4.2 billion of subordinated debt and $730 million of trust preferred securities, using both cash and common stock, that in total resulted in a gain of $1.2 billion.

Contingency Planning

We maintain contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies and communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

Our U.S. bank subsidiaries can access contingency funding through the Federal Reserve Discount Window. Certain non-U.S. subsidiaries have access to central bank facilities in the jurisdictions in which they operate. While we do not rely on these sources in our liquidity modeling, we maintain the policies, procedures and governance processes that would enable us to access these sources if necessary.

Credit Ratings

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including over-the-counter (OTC) derivatives. Thus, it is our objective to maintain high-quality credit ratings.

Credit ratings and outlooks are opinions on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the rating agencies which consider a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control. The rating agencies could make adjustments to our ratings at any time and they provide no assurances that they will maintain our ratings at current levels.

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, our mortgage exposures, our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices, and current or future regulatory and legislative initiatives.

Each of the three major rating agencies, Moody's, S&P and Fitch, downgraded the ratings of the Corporation and its subsidiaries in late 2011. On February 15, 2012, Moody's placed the Corporation's long-term debt rating and BANA's long-term and short-term debt ratings on review for possible downgrade as part of its review of 17 financial institutions with global capital markets operations. On April 13, 2012, Moody's indicated that the review is expected to conclude between early May and the end of June 2012. Any adjustment to our ratings will be determined based on Moody's review; however, Moody's offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

The major rating agencies have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For additional information, see Liquidity Risk – Credit Ratings on page 79 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa1/P-2 (review for downgrade) by Moody's; A-/A-2 (negative) by S&P; and A/F1 (stable) by Fitch. BANA's long-term/short-term senior debt ratings and outlooks currently are as follows: A2/P-1 (review for downgrade) by Moody's; A/A-1 (negative) by S&P; and A/F1 (stable) by Fitch. The credit ratings of Merrill Lynch from the three major credit rating agencies are the same as those of Bank of America Corporation. The major credit rating agencies have indicated that the primary drivers of Merrill Lynch's credit ratings are Bank of America Corporation's credit ratings. MLPF&S's long-term/short-term senior debt ratings and outlooks are A/A-1 (negative) by S&P and A/F1 (stable) by Fitch. Merrill Lynch International's long-term/short-term senior debt ratings are A/A-1 (negative) by S&P. The rating agencies could make further adjustments to our ratings at any time and they provide no assurances that they will maintain our ratings at current levels.

A further reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations may have a material adverse effect on our liquidity, potential loss of access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, under the terms of certain OTC derivative contracts and other trading agreements, the counterparties to those agreements may require us to provide additional collateral, or to terminate these contracts or agreements, which could cause us to sustain losses and/or adversely impact our liquidity. If the short-term credit ratings of our parent company, bank or broker/dealer subsidiaries were downgraded by one or more levels, the potential loss of access to short-term funding sources such as repo financing, and the effect on our incremental cost of funds could be material.

At March 31, 2012, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $2.7 billion comprised of $2.1 billion for BANA and approximately $539 million for Merrill Lynch and certain of its subsidiaries. If the agencies had downgraded their long-term senior debt ratings for these entities by a second incremental notch, an incremental $2.4 billion in additional collateral comprised of $1.8 billion for BANA and $646 million for Merrill Lynch and certain of its subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was $3.3 billion, against which $2.5 billion of collateral had been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was an incremental $5.0 billion, against which $4.7 billion of collateral had been posted.

While certain potential impacts are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade to a financial institution are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For additional information on potential impacts of credit ratings downgrades, see Time to Required Funding and Stress Modeling on page 61.

For information regarding the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit ratings downgrade, see *Note 3 – Derivatives* to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

All three rating agencies have indicated that they will continue to assess fiscal projections and consolidation measures, as well as the medium-term economic outlook for the U.S. For additional information, see Liquidity Risk – Credit Ratings on page 79 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Credit Risk Management

Credit quality continued to show improvement during the first quarter of 2012. Continued economic stability and our proactive credit risk management initiatives positively impacted the credit portfolio as charge-offs and delinquencies continued to improve across most portfolios and risk ratings improved in the commercial portfolios. However, global and national economic uncertainty, home price declines and regulatory reform continued to weigh on the credit portfolios through March 31, 2012. For more information, see Executive Summary – First Quarter 2012 Economic and Business Environment on page 6.

We proactively refine our underwriting and credit management practices as well as credit standards to meet the changing economic environment. To actively mitigate losses and enhance customer support in our consumer businesses, we have in place collection programs and loan modification and customer assistance infrastructures. We utilize a number of actions to mitigate losses in the commercial businesses including increasing the frequency and intensity of portfolio monitoring, hedging activity and our practice of transferring management of deteriorating commercial exposures to independent special asset officers as credits enter criticized categories.

Since January 2008, and through the first quarter of 2012, Bank of America and Countrywide have completed over one million loan modifications with customers. During the first quarter of 2012, we completed nearly 37,000 customer loan modifications with a total unpaid principal balance of approximately $8 billion, including approximately 14,000 permanent modifications under the government's Making Home Affordable Program. Of the loan modifications completed in the three months ended March 31, 2012, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications include a combination of rate reduction and capitalization of past due amounts which represent 55 percent of the volume of modifications completed during the three months ended March 31, 2012, while principal forbearance represented 26 percent, capitalization of past due amounts represented seven percent and principal reductions and forgiveness represented four percent. For modified loans on our balance sheet, these modification types are generally considered TDRs. For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continue to experience varying degrees of financial stress. During thefirst quarter of 2012, S&P, Fitch and Moody's downgraded the credit ratings of several European countries, and S&P downgraded the credit rating of the European Financial Stability Facility, adding to concerns about investor appetite for continued support in stabilizing the affected countries. Market sentiment improved during the three months ended March 31, 2012 driven by a second long-term ECB financing program and the successful Greek debt restructuring and bailout package that reinforced confidence in the financial system and solvency of systemically important banks. However, the lack of a clear resolution to the crisis and fears of contagion continue to contribute to volatility in credit spreads. For additional information on our direct sovereign and non-sovereign exposures in non-U.S. countries, see Non-U.S. Portfolio on page 96 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Consumer Portfolio Credit Risk Management

Credit risk management for the consumer portfolio begins with initial underwriting and continues throughout a borrower's credit cycle. Statistical techniques in conjunction with experiential judgment are used in all aspects of portfolio management including underwriting, product pricing, risk appetite, setting credit limits, and establishing operating processes and metrics to quantify and balance risks and returns. Statistical models are built using detailed behavioral information from external sources such as credit bureaus and/or internal historical experience. These models are a component of our consumer credit risk management process and are used in part to help make both new and existing credit decisions, as well as portfolio management strategies, including authorizations and line management, collection practices and strategies, determination of the allowance for loan and lease losses, and economic capital allocations for credit risk.

During the first quarter of 2012, the bank regulatory agencies jointly issued interagency supervisory guidance on nonaccrual status for junior-lien consumer real estate loans. In accordance with this regulatory interagency guidance, we classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing, and as a result, we reclassified $1.9 billion of performing home equity loans to nonperforming. The regulatory interagency guidance had no impact on our allowance for loan and lease losses or provision expense as the delinquency status of the underlying first-lien was already considered in our reserving process.

For further information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see*Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Consumer Credit Portfolio

Improvement in the U.S. economy and labor markets throughout most of2011 and into the first quarter of 2012 resulted in lower credit losses in most consumer portfolios compared to the first quarter of 2011. However, continued stress in the housing market, including declines in home prices, continued to adversely impact the home loans portfolio.

Table 23 presents our outstanding consumer loans and the Countrywide PCI loan portfolio. Loans that were acquired from Countrywide and considered credit-impaired were recorded at fair value upon acquisition. In addition to being included in the "Outstandings" columns in Table 23, these loans are also shown separately, net of purchase accounting adjustments, in the "Countrywide Purchased Credit-impaired Loan Portfolio" column. For additional information, see *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements. The impact of the Countrywide PCI loan portfolio on certain credit statistics is reported where appropriate. See Countrywide Purchased Credit-impaired Loan Portfolio on page 77 for more information. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified from pay option or subprime loans into loans with more conventional terms and are now included in the residential mortgage portfolio, but continue to be classified as PCI loans as shown in Table 23.

Table 23

Consumer Loans

	Outstandings		Countrywide Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Residential mortgage [1]	**$ 256,431**	$ 262,290	**$ 9,748**	$ 9,966
Home equity	**121,246**	124,699	**11,818**	11,978
Discontinued real estate [2]	**10,453**	11,095	**9,281**	9,857
U.S. credit card	**96,433**	102,291	**n/a**	n/a
Non-U.S. credit card	**13,914**	14,418	**n/a**	n/a
Direct/Indirect consumer [3]	**86,128**	89,713	**n/a**	n/a
Other consumer [4]	**2,607**	2,688	**n/a**	n/a
Consumer loans excluding loans accounted for under the fair value option	**587,212**	607,194	**30,847**	31,801
Loans accounted for under the fair value option [5]	**2,204**	2,190	**n/a**	n/a
Total consumer loans	**$ 589,416**	$ 609,384	**$ 30,847**	$ 31,801

(1) Outstandings includes non-U.S. residential mortgages of $87 million and $85 million at March 31, 2012 and December 31, 2011.

(2) Outstandings includes $9.3 billion and $9.9 billion of pay option loans and $1.1 billion and $1.2 billion of subprime loans at March 31, 2012 and December 31, 2011. We no longer originate these products.

(3) Outstandings includes dealer financial services loans of $40.2 billion and $43.0 billion, consumer lending loans of $7.1 billion and $8.0 billion, U.S. securities-based lending margin loans of $24.0 billion and $23.6 billion, student loans of $5.7 billion and $6.0 billion, non-U.S. consumer loans of $7.6 billion and $7.6 billion and other consumer loans of $1.5 billion and $1.5 billion at March 31, 2012 and December 31, 2011.

(4) Outstandings includes consumer finance loans of $1.6 billion and $1.7 billion, other non-U.S. consumer loans of $951 million and $929 million and consumer overdrafts of $58 million and $103 million at March 31, 2012 and December 31, 2011.

(5) Consumer loans accounted for under the fair value option include residential mortgage loans of $881 million and $906 million and discontinued real estate loans of $1.3 billion and $1.3 billion at March 31, 2012 and December 31, 2011. See Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 81 and *Note 16 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

n/a = not applicable

Table 24 presents accruing consumer loans past due 90 days or more and consumer nonperforming loans. Nonperforming loans do not include past due consumer credit card loans, consumer non-real estate-secured loans or unsecured consumer loans as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans, which include loans insured by the FHA and individually insured under long-term stand-by agreements with FNMA and FHLMC (fully-insured loan portfolio), are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily related to our purchases of delinquent FHA loans pursuant to our servicing agreements. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due. For additional information on FHA loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Claims Status on page 45.

Table 24

Consumer Credit Quality

	Accruing Past Due 90 Days or More		Nonperforming [(1)]	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Residential mortgage [(2)]	**$ 21,176**	$ 21,164	**$ 15,049**	$ 15,970
Home equity	**—**	—	**4,360**	2,453
Discontinued real estate	**—**	—	**269**	290
U.S. credit card	**1,866**	2,070	**n/a**	n/a
Non-U.S. credit card	**294**	342	**n/a**	n/a
Direct/Indirect consumer	**697**	746	**41**	40
Other consumer	**2**	2	**5**	15
Total [(3)]	**$ 24,035**	$ 24,324	**$ 19,724**	$ 18,768
Consumer loans as a percentage of outstanding consumer loans [(3)]	**4.09%**	4.01%	**3.36%**	3.09%
Consumer loans as a percentage of outstanding loans excluding Countrywide PCI and fully-insured loan portfolios [(3)]	**0.62**	0.66	**4.27**	3.90

(1) At March 31, 2012, nonperforming home equity loans include $1.9 billion of loans that were reclassified to nonperforming loans in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 67.

(2) Balances accruing past due 90 days or more are fully-insured loans. These balances include $17.0 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured and $4.2 billion of loans on which interest was still accruing at both March 31, 2012 and December 31, 2011.

(3) Balances exclude consumer loans accounted for under the fair value option. At March 31, 2012 and December 31, 2011, $718 million and $713 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table 25 presents net charge-offs and related ratios for consumer loans and leases for thethree months ended March 31, 2012 and 2011.

Table 25

Consumer Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios [(1)]	
(Dollars in millions)	**2012**	2011	**2012**	2011
Residential mortgage	**$ 898**	$ 905	**1.39%**	1.40%
Home equity	**957**	1,179	**3.13**	3.51
Discontinued real estate	**16**	20	**0.59**	0.61
U.S. credit card	**1,331**	2,274	**5.44**	8.39
Non-U.S. credit card	**203**	402	**5.78**	5.91
Direct/Indirect consumer	**226**	525	**1.03**	2.36
Other consumer	**56**	40	**8.59**	5.93
Total	**$ 3,687**	$ 5,345	**2.48**	3.38

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

Net charge-off ratios excluding the Countrywide PCI and fully-insured loan portfolios were 2.31 percent and 2.08 percent for residential mortgage, 3.47 percent and 3.87 percent for home equity, 5.24 percent and 5.57 percent for discontinued real estate and 3.14 percent and 4.08 percent for the total consumer portfolio for the three months ended March 31, 2012 and 2011. These are the only product classifications materially impacted by the Countrywide PCI and fully-insured loan portfolios for the three months ended March 31, 2012 and 2011.

Legacy Assets & Servicing within *CRES* manages our exposures to certain residential mortgage, home equity and discontinued real estate products. Legacy Assets & Servicing manages both our owned loans, as well as loans serviced for others, that meet certain criteria. The criteria generally represent home lending standards which we do not consider as part of our continuing core business. The Legacy Assets & Servicing portfolio includes the following:

- Discontinued real estate loans including subprime and pay option
- Residential mortgage loans and home equity loans for products we no longer originate including reduced document loans and interest-only loans not underwritten to fully amortizing payment
- Loans that would not have been originated under our underwriting standards at December 31, 2010 including conventional loans with an original LTV greater than 95 percent and government-insured loans for which the borrower has a FICO score less than 620
- Countrywide PCI loan portfolios
- Certain loans that met a pre-defined delinquency and probability of default threshold as of January 1, 2011

For more information on Legacy Assets & Servicing within *CRES*, see page 30.

Table 26 presents outstandings, nonperforming balances and net charge-offs for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio.

Table 26
Home Loans Portfolio

	Outstandings		Nonperforming [1]		Net Charge-offs	
					Three Months Ended March 31	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**2012**	2011
Core portfolio						
Residential mortgage	**$ 175,322**	$ 178,337	**$ 2,433**	$ 2,414	**$ 143**	$ 23
Home equity	**65,261**	67,055	**1,042**	439	**184**	48
Legacy Assets & Servicing portfolio						
Residential mortgage [2]	**81,109**	83,953	**12,616**	13,556	**755**	882
Home equity	**55,985**	57,644	**3,318**	2,014	**773**	1,131
Discontinued real estate [2]	**10,453**	11,095	**269**	290	**16**	20
Home loans portfolio						
Residential mortgage	**256,431**	262,290	**15,049**	15,970	**898**	905
Home equity	**121,246**	124,699	**4,360**	2,453	**957**	1,179
Discontinued real estate	**10,453**	11,095	**269**	290	**16**	20
Total home loans portfolio	**$ 388,130**	$ 398,084	**$ 19,678**	$ 18,713	**$ 1,871**	$ 2,104

(1) At March 31, 2012, nonperforming home equity loans in the Core portfolio and the Legacy Assets & Servicing portfolio include $547 million and $1.3 billion of loans that were reclassified to nonperforming loans in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 67.

(2) Balances exclude consumer loans accounted for under the fair value option of $881 million and $906 million of residential mortgage loans and $1.3 billion and $1.3 billion of discontinued real estate loans at March 31, 2012 and December 31, 2011. See *Note 16 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

We believe that the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home equity and discontinued real estate portfolios, we provide information that excludes the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the Countrywide PCI loan portfolios on page 77.

Residential Mortgage

The residential mortgage portfolio, which for purposes of the consumer credit portfolio discussion and related tables excludes the discontinued real estate portfolio acquired from Countrywide, makes up the largest percentage of our consumer loan portfolio at 44 percent of consumer loans at March 31, 2012. Approximately 15 percent of the residential mortgage portfolio is in *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is primarily in *All Other* and is comprised of both originated loans as well as purchased loans used in our overall ALM activities.

Outstanding balances in the residential mortgage portfolio, excluding $881 million of loans accounted for under the fair value option, decreased $5.9 billion at March 31, 2012 compared to December 31, 2011 as paydowns, charge-offs and transfers to foreclosed properties more than offset new origination volume.

At March 31, 2012 and December 31, 2011, the residential mortgage portfolio included $94.0 billion and $93.9 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term stand-by agreements with FNMA and FHLMC. At March 31, 2012 and December 31, 2011, $68.0 billion and $69.5 billion had FHA insurance and $26.0 billion and $24.4 billion were protected by long-term stand-by agreements. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses.

At March 31, 2012 and December 31, 2011, $23.4 billion and $24.0 billion of the FHA-insured loan population were related to repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

In addition to the abovementioned purchased long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

At March 31, 2012 and December 31, 2011, the synthetic securitization vehicles referenced principal balances of $22.3 billion and $23.9 billion of residential mortgage loans and provided loss protection up to $697 million and $783 million. At March 31, 2012 and December 31, 2011, the Corporation had a receivable of $368 million and $359 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio, excluding the Countrywide PCI and fully-insured loan portfolios, for the three months ended March 31, 2012 would have been reduced by seven bps compared to 15 bps for the same period in 2011.

Synthetic securitizations and the long-term stand-by agreements with FNMA and FHLMC together reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At March 31, 2012 and December 31, 2011, these programs had the cumulative effect of reducing our risk-weighted assets by $8.3 billion and $7.9 billion, and increasing our Tier 1 capital ratio by nine bps and eight bps, and our Tier 1 common capital ratio by seven bps and six bps.

Table 27 presents certain residential mortgage key credit statistics on both a reported basis, excluding loans accounted for under the fair value option, and excluding the Countrywide PCI loan portfolio, fully-insured loan portfolio and loans accounted for under the fair value option. We believe the presentation of information adjusted to exclude these loan portfolios is more representative of the credit risk in the residential mortgage loan portfolio. As such, the following discussion presents the residential mortgage portfolio excluding the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the Countrywide PCI loan portfolio, see page 77.

Table 27
Residential Mortgage – Key Credit Statistics

	Reported Basis (1)		Excluding Countrywide Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Outstandings	**$ 256,431**	$ 262,290	**$ 152,645**	$ 158,470
Accruing past due 30 days or more	**27,390**	28,688	**3,296**	3,950
Accruing past due 90 days or more	**21,176**	21,164	**n/a**	n/a
Nonperforming loans	**15,049**	15,970	**15,049**	15,970
Percent of portfolio				
Refreshed LTV greater than 90 but less than 100	**14%**	15%	**11%**	11%
Refreshed LTV greater than 100	**34**	33	**25**	26
Refreshed FICO below 620	**21**	21	**15**	15
2006 and 2007 vintages (2)	**26**	27	**37**	37

	Three Months Ended March 31			
	2012	2011	**2012**	2011
Net charge-off ratio (3)	**1.39%**	1.40%	**2.31%**	2.08%

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were $881 million and $906 million of residential mortgage loans accounted for under the fair value option at March 31, 2012 and December 31, 2011. See *Note 16 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

(2) These vintages of loans account for 62 percent and 63 percent of nonperforming residential mortgage loans at March 31, 2012 and December 31, 2011, and 73 percent and 74 percent of residential mortgage net charge-offs for the three months ended March 31, 2012 and 2011 .

(3) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

n/a = not applicable

Nonperforming residential mortgage loans decreased $921 million compared to December 31, 2011 as outflows outpaced new inflows, which continued to slow in thethree months ended March 31, 2012 due to favorable delinquency trends and lower repurchases of delinquent loans. Accruing loans past due 30 days or more decreased $654 million compared to December 31, 2011. At March 31, 2012, $10.4 billion, or 69 percent, of the nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less estimated costs to sell. Net charge-offs were $898 million in the first quarter of 2012, relatively unchanged compared to the same period in the prior year, or 2.31 percent of total average residential mortgage loans compared to2.08 percent for the same period in 2011. Favorable delinquency trends were offset by further deterioration in home prices on loans greater than 180 days past due. Net charge-off ratios were further impacted by lower loan balances primarily due to paydowns and charge-offs outpacing new originations.

Loans in the residential mortgage portfolio with certain characteristics have greater risk of loss than others. These characteristics include loans with a high refreshed LTV, loans originated at the peak of home prices in 2006 and 2007, interest-only loans and loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices have been experienced. Although the following disclosures address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised six percent of the residential mortgage portfolio at both March 31, 2012 and December 31, 2011, and accounted for 22 percent and 23 percent of the residential mortgage net charge-offs during the three months ended March 31, 2012 and 2011.

Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented11 percent of the residential mortgage portfolio at both March 31, 2012 and December 31, 2011. Loans with a refreshed LTV greater than 100 percent represented25 percent and 26 percent of the residential mortgage loan portfolio at March 31, 2012 and December 31, 2011. Of the loans with a refreshed LTV greater than 100 percent, 93 percent and 92 percent were performing at March 31, 2012 and December 31, 2011. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration over the past several years. Loans to borrowers with refreshed FICO scores below 620 represented 15 percent of the residential mortgage portfolio at both March 31, 2012 and December 31, 2011.

Of the $152.6 billion and $158.5 billion in total residential mortgage loans outstanding at March 31, 2012 and December 31, 2011, as shown in Table 27, 40 percent were originated as interest-only loans for both periods. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $13.8 billion, or 22 percent, at March 31, 2012. Residential mortgage loans that have entered the amortization period have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. As of March 31, 2012, $402 million, or three percent, of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $3.3 billion, or two percent, of accruing past due 30 days or more for the entire residential mortgage portfolio. In addition, at March 31, 2012, $2.1 billion, or 16 percent, of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to $15.0 billion, or 10 percent, of nonperforming loans for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to 10 years and more than 80 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Table 28 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent of outstandings at both March 31, 2012 and December 31, 2011. Loans within this MSA comprised only nine percent and six percent of net charge-offs for the three months ended March 31, 2012 and 2011.

Table 28
Residential Mortgage State Concentrations

	Outstandings (1)		Nonperforming (1)		Net Charge-offs	
					Three Months Ended March 31	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**2012**	2011
California	**$ 52,024**	$ 54,203	**$ 5,207**	$ 5,606	**$ 332**	$ 308
Florida	**11,837**	12,338	**1,752**	1,900	**86**	156
New York	**11,302**	11,539	**825**	838	**20**	19
Texas	**7,251**	7,525	**406**	425	**18**	12
Virginia	**5,498**	5,709	**389**	399	**16**	14
Other U.S./Non-U.S.	**64,733**	67,156	**6,470**	6,802	**426**	396
Residential mortgage loans (2)	**$ 152,645**	$ 158,470	**$ 15,049**	$ 15,970	**$ 898**	$ 905
Fully-insured loan portfolio	**94,038**	93,854				
Countrywide purchased credit-impaired residential mortgage loan portfolio	**9,748**	9,966				
Total residential mortgage loan portfolio	**$ 256,431**	$ 262,290				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $881 million and $906 million of residential mortgage loans accounted for under the fair value option at March 31, 2012 and December 31, 2011. See *Note 16 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

(2) Amount excludes the Countrywide PCI residential mortgage and fully-insured loan portfolios.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At March 31, 2012 and December 31, 2011, our CRA portfolio was $11.8 billion and $12.5 billion, or eight percent, of the residential mortgage loan balances for both periods. The CRA portfolio included $2.3 billion and $2.5 billion of nonperforming loans at March 31, 2012 and December 31, 2011 representing 15 percent of total nonperforming residential mortgage loans for both periods. Net charge-offs related to the CRA portfolio were $187 million and $208 million for the three months ended March 31, 2012 and 2011, or 21 percent and 23 percent, of total net charge-offs for the residential mortgage portfolio.

For information on representations and warranties related to our residential mortgage portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Home Equity

The home equity portfolio makes up21 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages. As ofMarch 31, 2012, our HELOC portfolio had an outstanding balance of $100.7 billion, or 83 percent, of the home equity portfolio. HELOCs generally have an initial draw period of 10 years with approximately 12 percent of the portfolio having a draw period of five years with a five-year renewal option. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

As of March 31, 2012, our home equity loan portfolio had an outstanding balance of $19.3 billion, or 16 percent of the total home equity portfolio. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and approximately 52 percent of these loans have 25- to 30-year terms.

As of March 31, 2012, our reverse mortgage portfolio had an outstanding balance of $1.2 billion, or one percent of the total home equity portfolio. In 2011, we exited the reverse mortgage origination business.

At March 31, 2012, approximately 88 percent of the home equity portfolio was included in*CRES* while the remainder of the portfolio was primarily in*GWIM.* Outstanding balances in the home equity portfolio decreased $3.5 billion at March 31, 2012 compared to December 31, 2011 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at March 31, 2012 and December 31, 2011, $23.6 billion, or 19 percent, and $24.5 billion, or 20 percent, were in first-lien positions (21 percent and 22 percent excluding the Countrywide PCI home equity portfolio at March 31, 2012 and December 31, 2011). As of March 31, 2012, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled $35.6 billion, or 33 percent of our total home equity portfolio excluding the Countrywide PCI loan portfolio.

Unused HELOCs totaled $66.1 billion at March 31, 2012 compared to $67.5 billion at December 31, 2011. This decrease was primarily due to customers choosing to close accounts as well as line management initiatives on deteriorating accounts, which more than offset new production. The HELOC utilization rate was 60 percent at March 31, 2012 compared to 61 percent at December 31, 2011.

Table 29 presents certain home equity portfolio key credit statistics on both a reported basis as well as excluding the Countrywide PCI loan portfolio. We believe the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio is more representative of the credit risk in this portfolio.

Table 29

Home Equity – Key Credit Statistics

	Reported Basis		Excluding Countrywide Purchased Credit-impaired Loans	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Outstandings	**$ 121,246**	$ 124,699	**$ 109,428**	$ 112,721
Accruing past due 30 days or more (1)	**1,294**	1,658	**1,294**	1,658
Nonperforming loans (1)	**4,360**	2,453	**4,360**	2,453
Percent of portfolio				
Refreshed combined LTV greater than 90 but less than 100	**10%**	10%	**11%**	11%
Refreshed combined LTV greater than 100	**37**	36	**33**	32
Refreshed FICO below 620 (2)	**10**	10	**9**	9
2006 and 2007 vintages (3)	**50**	50	**46**	46
	Three Months Ended March 31			
	2012	2011	**2012**	2011
Net charge-off ratio (4)	**3.13%**	3.51%	**3.47%**	3.87%

(1) Accruing past due 30 days or more includes $439 million and $609 million and nonperforming loans includes $1.3 billion and $703 million of loans where we serviced the underlying first-lien at March 31, 2012 and December 31, 2011.

(2) As of March 31, 2012, home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 55 percent and 54 percent of nonperforming home equity loans at March 31, 2012 and December 31, 2011 and accounted for 65 percent and 67 percent of net charge-offs for the three months ended March 31, 2012 and 2011 .

(4) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

The following discussion presents the home equity portfolio excluding the Countrywide PCI loan portfolio.

Nonperforming outstanding balances in the home equity portfolio increased $1.9 billion compared to December 31, 2011 driven by the reclassification to nonperforming of junior-lien loans in accordance with regulatory interagency guidance. Excluding the impact of this change, nonperforming loans increased $55 million, or two percent, compared to December 31, 2011 as delinquency inflows, which continued to slow during the three months ended March 31, 2012 due to favorable early stage delinquency trends, outpaced charge-offs and paydowns. Outstanding balances accruing past due 30 days or more decreased $364 million at March 31, 2012 primarily driven by the reclassification of junior-lien home equity loans to nonperforming in accordance with regulatory interagency guidance. Excluding the impact of this change, accruing outstanding balances past due 30 days or more decreased $100 million. At March 31, 2012, $1.1 billion, or 25 percent, of the nonperforming home equity portfolio was 180 days or more past due and had been written down to their respective fair values. For more information on the change as a result of the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 67.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio in which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans in which the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first mortgage pertains to the same property for which we hold a junior-lien loan. At March 31, 2012, we estimate that $3.1 billion of current and $756 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $1.6 billion of these combined amounts, with the remaining $2.3 billion serviced by third parties. Of the $3.9 billion current to 89 days past due junior-lien loans, based on available credit bureau data, we estimate that approximately $1.9 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $222 million to $957 million, or 3.47 percent of the total average home equity portfolio, for the three months ended March 31, 2012 compared to $1.2 billion, or 3.87 percent, for the same period in the prior year primarily driven by favorable portfolio trends due in part to improvement in the U.S. economy. Net charge-off ratios were further impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

There are certain characteristics of the outstanding loan balances in the home equity portfolio that have contributed to higher losses including those loans with a high refreshed combined loan-to-value (CLTV), loans that were originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity outstandings are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised 10 percent of the total home equity portfolio at both March 31, 2012 and December 31, 2011, and accounted for 26 percent and 27 percent of the home equity net charge-offs for the three months ended March 31, 2012 and 2011.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 11 percent of the home equity portfolio at both March 31, 2012 and December 31, 2011. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 33 percent and 32 percent of the home equity portfolio at March 31, 2012 and December 31, 2011. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration over the past several years has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 94 percent of the customers were current at March 31, 2012. For second-lien loans with a refreshed CLTV greater than 100 percent that are current, 92 percent were also current on the underlying first-lien loans at March 31, 2012. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented nine percent of the home equity portfolio at both March 31, 2012 and December 31, 2011.

Of the $109.4 billion and $112.7 billion in total home equity portfolio outstandings at March 31, 2012 and December 31, 2011, 78 percent at both periods were originated as interest-only loans, almost all of which were HELOCs. The outstanding balance of these HELOCs that have entered the amortization period was $1.8 billion, or two percent of total HELOCs, at March 31, 2012. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. As of March 31, 2012, $50 million, or three percent, of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $1.1 billion, or one percent, of outstanding accruing past due 30 days or more for the entire HELOC portfolio. In addition, at March 31, 2012, $94 million, or five percent, of outstanding HELOCs that had entered the amortization period were nonperforming compared to $3.8 billion, or four percent, of outstandings that were nonperforming for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended March 31, 2012, approximately 63 percent of these customers did not pay any principal on their HELOCs.

Table 30 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of the outstanding home equity portfolio at both March 31, 2012 and December 31, 2011. This MSA comprised eight percent and seven percent of net charge-offs for the three months ended March 31, 2012 and 2011. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2012 and December 31, 2011. This MSA comprised 12 percent and 10 percent of net charge-offs for the three months ended March 31, 2012 and 2011.

For information on representations and warranties related to our home equity portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Table 30
Home Equity State Concentrations

	Outstandings		Nonperforming		Net Charge-offs	
					Three Months Ended March 31	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**2012**	2011
California	**$ 31,516**	$ 32,398	**$ 1,193**	$ 627	**$ 316**	$ 368
Florida	**13,082**	13,450	**784**	411	**164**	239
New Jersey	**7,297**	7,483	**306**	175	**43**	42
New York	**7,244**	7,423	**405**	242	**48**	53
Massachusetts	**4,755**	4,919	**127**	67	**14**	20
Other U.S./Non-U.S.	**45,534**	47,048	**1,545**	931	**372**	457
Home equity loans [(1)]	**$ 109,428**	$ 112,721	**$ 4,360**	$ 2,453	**$ 957**	$ 1,179
Countrywide purchased credit-impaired home equity portfolio	**11,818**	11,978				
Total home equity loan portfolio	**$ 121,246**	$ 124,699				

(1) Amount excludes the Countrywide PCI home equity portfolio.

Discontinued Real Estate

The discontinued real estate portfolio, excluding $1.3 billion of loans accounted for under the fair value option, totaled $10.5 billion at March 31, 2012 and consists of pay option and subprime loans acquired in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered credit-impaired and written down to fair value. At March 31, 2012, the Countrywide PCI loan portfolio was $9.3 billion, or 89 percent, of the total discontinued real estate portfolio. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See Countrywide Purchased Credit-impaired Loan Portfolio on page 77 for more information on the discontinued real estate portfolio.

At March 31, 2012, the purchased discontinued real estate portfolio that was not credit-impaired was $1.2 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 29 percent of the portfolio and those with refreshed FICO scores below 620 represented 43 percent of the portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 16 percent of outstanding discontinued real estate loans at March 31, 2012.

Pay option adjustable-rate mortgages (ARMs), which are included in the discontinued real estate portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually, subject to resetting if minimum payments are made and deferred interest limits are reached. Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully-amortizing loan payment amount is re-established after the initial five- or 10-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause a loan's principal balance to reach a certain level within the first 10 years of the life of the loan, the payment is reset to the interest-only payment; then at the 10-year point, the fully-amortizing payment is required.

The difference between the frequency of changes in a loan's interest rates and payments along with a limitation on changes in the minimum monthly payments of 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest is added to the loan balance until the loan balance increases to a specified limit, which can be no more than 115 percent of the original loan amount, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At March 31, 2012, the unpaid principal balance of pay option loans was $10.8 billion, with a carrying amount of $9.3 billion, including $8.5 billion of loans that were credit-impaired upon acquisition, and accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $8.4 billion including $609 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, 19 percent and 22 percent at March 31, 2012 and December 31, 2011 elected to make only the minimum payment on option ARMs. We believe the majority of borrowers are now making scheduled payments primarily because the low interest rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the Countrywide PCI pay option loan portfolio and have taken into consideration several assumptions regarding this evaluation including prepayment and default rates. Of the loans in the pay option portfolio at March 31, 2012 that have not already experienced a payment reset, five percent are expected to reset during the remainder of 2012 and approximately 20 percent thereafter. In addition, approximately seven percent are expected to prepay and approximately 68 percent are expected to default prior to being reset, most of which are severely delinquent as of March 31, 2012.

Countrywide Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser's initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. PCI loans are recorded at fair value upon acquisition and the applicable accounting guidance prohibits carrying over or recording a valuation allowance in the initial accounting.

Table 31 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the Countrywide PCI loan portfolio at March 31, 2012 and December 31, 2011.

Table 31
Countrywide Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
	March 31, 2012				
Residential mortgage	**$ 9,944**	**$ 9,748**	**$ 1,627**	**$ 8,121**	**81.67%**
Home equity	**11,971**	**11,818**	**5,235**	**6,583**	**54.99**
Discontinued real estate	**10,986**	**9,281**	**2,084**	**7,197**	**65.51**
Total Countrywide purchased credit-impaired loan portfolio	**$ 32,901**	**$ 30,847**	**$ 8,946**	**$ 21,901**	**66.57**
	December 31, 2011				
Residential mortgage	$ 10,426	$ 9,966	$ 1,331	$ 8,635	82.82%
Home equity	12,516	11,978	5,129	6,849	54.72
Discontinued real estate	11,891	9,857	1,999	7,858	66.08
Total Countrywide purchased credit-impaired loan portfolio	$ 34,833	$ 31,801	$ 8,459	$ 23,342	67.01

Of the unpaid principal balance at March 31, 2012, $11.7 billion was 180 days or more past due, including $8.2 billion of first-lien and $3.5 billion of home equity loans. Of the $21.2 billion that was less than 180 days past due, $18.7 billion, or 88 percent, of the total unpaid principal balance was current based on the contractual terms while $1.4 billion, or seven percent, was in early stage delinquency. During the three months ended March 31, 2012, we recorded $487 million of provision for credit losses for the Countrywide PCI loan portfolio including $133 million for residential mortgage, $84 million for home equity loans and $270 million for discontinued real estate. This compared to a total provision of $1.5 billion during the three months ended March 31, 2011. Provision expense for the three months ended March 31, 2012 was primarily driven by a more negative home price outlook versus previous expectations. For further information on the Countrywide PCI loan portfolio, see *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Additional information is provided in the following sections on the Countrywide PCI residential mortgage, home equity and discontinued real estate loan portfolios.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The Countrywide PCI residential mortgage loan portfolio comprised 32 percent of the total Countrywide PCI loan portfolio at March 31, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 36 percent of the Countrywide PCI residential mortgage loan portfolio at March 31, 2012. Loans with a refreshed LTV greater than 90 percent represented 61 percent of the Countrywide PCI residential mortgage loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 85 percent based on the unpaid principal balance at March 31, 2012. Those loans that were originally classified as Countrywide PCI discontinued real estate loans upon acquisition and have been subsequently modified are now included in Countrywide PCI residential mortgage outstandings. Table 32 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 32

Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

(Dollars in millions)	**March 31 2012**	December 31 2011
California	**$ 5,408**	$ 5,535
Florida	**739**	757
Virginia	**526**	532
Maryland	**254**	258
Texas	**125**	130
Other U.S./Non-U.S.	**2,696**	2,754
Total Countrywide purchased credit-impaired residential mortgage loan portfolio	**$ 9,748**	$ 9,966

Purchased Credit-impaired Home Equity Portfolio

The Countrywide PCI home equity portfolio comprised 38 percent of the total Countrywide PCI loan portfolio at March 31, 2012. Those loans with a refreshed FICO score below 620 represented 15 percent of the Countrywide PCI home equity portfolio at March 31, 2012. Loans with a refreshed CLTV greater than 90 percent represented 79 percent of the Countrywide PCI home equity portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 84 percent based on the unpaid principal balance at March 31, 2012. Table 33 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 33

Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

(Dollars in millions)	**March 31 2012**	December 31 2011
California	**$ 3,933**	$ 3,999
Florida	**721**	734
Arizona	**492**	501
Virginia	**491**	496
Colorado	**333**	337
Other U.S./Non-U.S.	**5,848**	5,911
Total Countrywide purchased credit-impaired home equity portfolio	**$ 11,818**	$ 11,978

Purchased Credit-impaired Discontinued Real Estate Loan Portfolio

The Countrywide PCI discontinued real estate loan portfolio comprised 30 percent of the total Countrywide PCI loan portfolio at March 31, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 59 percent of the Countrywide PCI discontinued real estate loan portfolio at March 31, 2012. Loans with a refreshed LTV, or CLTV in the case of second-liens, greater than 90 percent represented 40 percent of the Countrywide PCI discontinued real estate loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 85 percent based on the unpaid principal balance at March 31, 2012. Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from this portfolio and included in the Countrywide PCI residential mortgage loan portfolio, but remain in the PCI loan pool. Table 34 presents outstandings net of purchase accounting adjustments and before the related valuation adjustment, by certain state concentrations.

Table 34

Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Discontinued Real Estate State Concentrations

(Dollars in millions)	**March 31 2012**	December 31 2011
California	**$ 4,875**	$ 5,262
Florida	**906**	958
Washington	**325**	331
Virginia	**264**	277
Arizona	**228**	251
Other U.S./Non-U.S.	**2,683**	2,778
Total Countrywide purchased credit-impaired discontinued real estate loan portfolio	**$ 9,281**	$ 9,857

U.S. Credit Card

The U.S. credit card portfolio is managed in *CBB*. Outstandings in the U.S. credit card portfolio decreased $5.9 billion compared to December 31, 2011 due to a seasonal decline in retail transaction volume. For the three months ended March 31, 2012, net charge-offs decreased $943 million to $1.3 billion compared to the same period in the prior year due to improvements in delinquencies, collections and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $439 million while loans 90 days or more past due and still accruing interest decreased $204 million compared to December 31, 2011 due to improvement in the U.S. economy. Table 35 presents certain key credit statistics for the consumer U.S. credit card portfolio.

Table 35

U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	**March 31 2012**	December 31 2011
Outstandings	**$ 96,433**	$ 102,291
Accruing past due 30 days or more	**3,384**	3,823
Accruing past due 90 days or more	**1,866**	2,070
	Three Months Ended March 31	
	2012	2011
Net charge-offs	**$ 1,331**	$ 2,274
Net charge-off ratios [(1)]	**5.44%**	8.39%

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases.

Unused lines of credit for U.S. credit card totaled $360.5 billion at March 31, 2012 compared to $368.1 billion at December 31, 2011. The $7.6 billion decrease was driven by the closure of inactive accounts and account management initiatives on higher risk accounts.

Table 36 presents certain state concentrations for the U.S. credit card portfolio.

Table 36
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs Three Months Ended March 31	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**2012**	2011
California	**$ 14,375**	$ 15,246	**$ 315**	$ 352	**$ 243**	$ 450
Florida	**7,579**	7,999	**196**	221	**151**	271
Texas	**6,533**	6,885	**119**	131	**82**	136
New York	**5,791**	6,156	**112**	126	**77**	124
New Jersey	**3,933**	4,183	**78**	86	**53**	85
Other U.S.	**58,222**	61,822	**1,046**	1,154	**725**	1,208
Total U.S. credit card portfolio	**$ 96,433**	$ 102,291	**$ 1,866**	$ 2,070	**$ 1,331**	$ 2,274

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in *All Other*, decreased $504 million compared to December 31, 2011 due to lower origination volume and charge-offs. Net charge-offs decreased $199 million to $203 million primarily driven by the sale of the Canadian consumer credit card portfolio.

Unused lines of credit for non-U.S. credit card totaled $37.5 billion at March 31, 2012 compared to $36.8 billion at December 31, 2011. The $623 million increase was primarily driven by strengthening of the British pound against the U.S. dollar.

Table 37 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 37
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	**March 31 2012**	December 31 2011
Outstandings	**$ 13,914**	$ 14,418
Accruing past due 30 days or more	**537**	610
Accruing past due 90 days or more	**294**	342
	Three Months Ended March 31	
	2012	2011
Net charge-offs	**$ 203**	$ 402
Net charge-off ratios [(1)]	**5.78%**	5.91%

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases.

Direct/Indirect Consumer

At March 31, 2012, approximately 47 percent of the direct/indirect portfolio was included in *Global Banking* (dealer financial services - automotive, marine, aircraft and recreational vehicle loans), 38 percent was included in *GWIM* (principally other non-real estate-secured, unsecured personal loans and securities-based lending margin loans), eight percent was included in *CBB* (consumer personal loans) and the remainder was in *All Other* (student loans).

Outstanding loans and leases decreased $3.6 billion compared to December 31, 2011 due to lower outstandings in the dealer financial services and unsecured consumer lending portfolios partially offset by growth in securities-based lending. For the three months ended March 31, 2012, net charge-offs decreased $299 million to $226 million, or 1.03 percent of total average direct/indirect loans compared to 2.36 percent for the same period in the prior year. This decrease was primarily driven by improvements in delinquencies, collections and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings. An additional driver was lower net charge-offs in the dealer financial services portfolio due to the impact of higher credit quality originations.

For the three months ended March 31, 2012, net charge-offs in the unsecured consumer lending portfolio decreased $241 million to $157 million, or 8.31 percent of total average unsecured consumer lending loans compared to 13.71 percent for the same period in the prior year. For the three months ended March 31, 2012, net charge-offs in the dealer financial services portfolio decreased $45 million to $58 million, or 0.55 percent of total average dealer financial services loans compared to 0.98 percent for the same period in the prior year. Direct/indirect loans that were past due 30 days or more and still accruing interest declined $330 million to $1.6 billion at March 31, 2012 compared to $1.9 billion at December 31, 2011 due to improvements in both the unsecured consumer lending and dealer financial services portfolios.

Table 38 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 38
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
					Three Months Ended March 31	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**2012**	2011
California	**$ 10,708**	$ 11,152	**$ 72**	$ 81	**$ 31**	$ 82
Texas	**7,521**	7,882	**52**	54	**18**	45
Florida	**7,232**	7,456	**43**	55	**25**	54
New York	**4,938**	5,160	**40**	40	**12**	27
Georgia	**2,687**	2,828	**37**	38	**9**	21
Other U.S./Non-U.S.	**53,042**	55,235	**453**	478	**131**	296
Total direct/indirect loan portfolio	**$ 86,128**	$ 89,713	**$ 697**	$ 746	**$ 226**	$ 525

Other Consumer

At March 31, 2012, approximately 98 percent of the $2.6 billion other consumer portfolio was associated with certain consumer finance businesses that we previously exited and non-U.S. consumer loan portfolios that are included in *All Other*. The remainder is primarily deposit overdrafts included in *CBB*.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option were $2.2 billion at March 31, 2012 and include $1.3 billion of discontinued real estate loans and $881 million of residential mortgage loans in consolidated variable interest entities (VIEs). During the three months ended March 31, 2012, we recorded gains of $14 million resulting from changes in the fair value of the loan portfolio. These gains were offset by losses recorded on the related long-term debt.

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 39 presents nonperforming consumer loans and foreclosed properties activity for the three months ended March 31, 2012 and 2011. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans and in general, past due consumer loans not secured by real estate as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the Countrywide PCI loan portfolio or loans that we account for under the fair value option. For further information on nonperforming loans, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Nonperforming loans increased $956 million to $19.7 billion at March 31, 2012 compared to $18.8 billion at December 31, 2011 driven by the $1.9 billion reclassification to nonperforming of junior-lien loans that are less than 90 days past due but have a first-lien loan that is more than 90 days past due, in accordance with regulatory interagency guidance. Excluding the impact of this change, nonperforming loans decreased $897 million compared to December 31, 2011 as delinquency inflows to nonperforming loans slowed compared to the same period in 2011 due to favorable portfolio trends, and were more than offset by charge-offs, paydowns and payoffs, and nonperforming loans returning to performing status. For more information on the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 67.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value, after reducing the estimated property value for estimated costs to sell, is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At March 31, 2012, $13.5 billion, or 63 percent, of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less estimated costs to sell, including $11.7 billion of nonperforming loans 180 days or more past due and $1.8 billion of foreclosed properties.

Foreclosed properties decreased $186 million for the three months ended March 31, 2012 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI related foreclosed properties decreased $37 million for the three months ended March 31, 2012. Not included in foreclosed properties at March 31, 2012 was $1.1 billion of real estate that was acquired upon foreclosure of delinquent FHA-insured loans. We hold this real estate on our balance sheet until we convey these properties to the FHA. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we will be reimbursed once the property is conveyed to the FHA for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For additional information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the Countrywide PCI loan portfolio, are included in Table 39.

Table 39

Nonperforming Consumer Loans and Foreclosed Properties Activity [(1)]

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Nonperforming loans, January 1	**$ 18,768**	$ 20,854
Additions to nonperforming loans:		
New nonperforming loans	**3,308**	4,127
Impact of regulatory interagency guidance [(2)]	**1,853**	n/a
Reductions to nonperforming loans:		
Paydowns and payoffs	**(1,153)**	(779)
Returns to performing status [(3)]	**(913)**	(1,340)
Charge-offs [(4)]	**(1,737)**	(2,020)
Transfers to foreclosed properties	**(402)**	(386)
Total net additions (reductions) to nonperforming loans	**956**	(398)
Total nonperforming loans, March 31 [(5)]	**19,724**	20,456
Foreclosed properties, January 1	**1,991**	1,249
Additions to foreclosed properties:		
New foreclosed properties	**547**	606
Reductions to foreclosed properties:		
Sales	**(649)**	(459)
Write-downs	**(84)**	(65)
Total net additions (reductions) to foreclosed properties	**(186)**	82
Total foreclosed properties, March 31	**1,805**	1,331
Nonperforming consumer loans and foreclosed properties, March 31	**$ 21,529**	$ 21,787
Nonperforming consumer loans as a percentage of outstanding consumer loans [(6)]	**3.36%**	3.22%
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties [(6)]	**3.65**	3.42

(1) Balances do not include nonperforming LHFS of $645 million and $941 million and nonaccruing TDRs removed from the PCI portfolio prior to January 1, 2010 of $459 million and $456 million at March 31, 2012 and 2011 as well as loans accruing past due 90 days or more as presented in Table 24 and *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

(2) As a result of the regulatory interagency guidance, we reclassified $1.9 billion of performing home equity loans to nonperforming during the three months ended March 31, 2012.

(3) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

(4) Our policy is not to classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.

(5) At March 31, 2012, 59 percent of nonperforming loans were 180 days or more past due and were written down through charge-offs to 63 percent of their unpaid principal balance.

(6) Outstanding consumer loans exclude loans accounted for under the fair value option.

n/a = not applicable

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, all gains and losses in value are recorded in noninterest expense. New foreclosed properties in Table 39 are net of $141 million and $61 million of charge-offs for the three months ended March 31, 2012 and 2011, recorded during the first 90 days after transfer.

We work with customers that are experiencing financial difficulty by modifying credit card and other consumer loans, while complying with Federal Financial Institutions Examination Council (FFIEC) guidelines. Substantially all of our credit card and other consumer loan modifications involve a reduction in the cardholder's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, both of which are considered to be TDRs (the renegotiated TDR portfolio). We make modifications primarily through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded from Table 39 as substantially all of these loans remain on accrual status until either charged off or paid in full. AtMarch 31, 2012 and December 31, 2011, our renegotiated TDR portfolio was $6.2 billion and $7.1 billion, of which $4.8 billion and $5.5 billion was current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by attrition in thefirst quarter of 2012 as well as lower new program enrollments. For more information on the renegotiated TDR portfolio, see *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 40 presents TDRs for the home loans portfolio. Performing TDR balances are excluded from nonperforming loans in Table39.

Table 40
Home Loans Troubled Debt Restructurings

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Total**	**Nonperforming**	**Performing**	Total	Nonperforming	Performing
Residential mortgage [1, 2]	**$ 19,673**	**$ 5,175**	**$ 14,498**	$ 19,287	$ 5,034	$ 14,253
Home equity [3]	**1,728**	**667**	**1,061**	1,776	543	1,233
Discontinued real estate [4]	**376**	**205**	**171**	399	214	185
Total home loans troubled debt restructurings	**$ 21,777**	**$ 6,047**	**$ 15,730**	$ 21,462	$ 5,791	$ 15,671

(1) Residential mortgage TDRs deemed collateral dependent totaled $5.7 billion and $5.3 billion, and included $2.5 billion and $2.2 billion of loans classified as nonperforming and $3.2 billion and $3.1 billion of loans classified as performing at March 31, 2012 and December 31, 2011.

(2) Residential mortgage performing TDRs included $7.3 billion and $7.0 billion of loans that were fully-insured at March 31, 2012 and December 31, 2011.

(3) Home equity TDRs deemed collateral dependent totaled $811 million and $824 million, and included $321 million and $282 million of loans classified as nonperforming and $490 million and $542 million of loans classified as performing at March 31, 2012 and December 31, 2011.

(4) Discontinued real estate TDRs deemed collateral dependent totaled $223 million and $230 million, and included $118 million and $118 million of loans classified as nonperforming and $105 million and $112 million as performing at March 31, 2012 and December 31, 2011.

Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate exposures by region and by country. Tables 45, 50, 54 and 55 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

For information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see*Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Commercial Credit Portfolio

Table 41 presents our commercial loans and leases, and related credit quality information at March 31, 2012 and December 31, 2011.

Table 41

Commercial Loans and Leases

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
U.S. commercial	**$ 180,728**	$ 179,948	**$ 2,048**	$ 2,174	**$ 59**	$ 75
Commercial real estate [(1)]	**38,049**	39,596	**3,404**	3,880	**8**	7
Commercial lease financing	**21,556**	21,989	**38**	26	**28**	14
Non-U.S. commercial	**52,601**	55,418	**140**	143	**—**	—
	292,934	296,951	**5,630**	6,223	**95**	96
U.S. small business commercial [(2)]	**12,956**	13,251	**121**	114	**190**	216
Commercial loans excluding loans accounted for under the fair value option	**305,890**	310,202	**5,751**	6,337	**285**	312
Loans accounted for under the fair value option [(3)]	**6,988**	6,614	**80**	73	**—**	—
Total commercial loans and leases	**$ 312,878**	$ 316,816	**$ 5,831**	$ 6,410	**$ 285**	$ 312

(1) Includes U.S. commercial real estate loans of $36.3 billion and $37.8 billion and non-U.S. commercial real estate loans of $1.7 billion and $1.8 billion at March 31, 2012 and December 31, 2011.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.2 billion at both March 31, 2012 and December 31, 2011 and non-U.S. commercial loans of $4.8 billion and $4.4 billion at March 31, 2012 and December 31, 2011. See *Note 16 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

Outstanding commercial loans and leases decreased $3.9 billion ($4.3 billion excluding loans accounted for under the fair value option) at March 31, 2012 compared to December 31, 2011. Non-U.S. commercial loans decreased from December 31, 2011 primarily due to a reduction in corporate loans, as well as trade finance exposures. Commercial real estate loans decreased as net paydowns outpaced new originations and renewals. U.S. commercial loans, excluding loans accounted for under the fair value option, increased due to higher utilization in *Global Banking*, partially offset by declines across most other businesses.

During the three months ended March 31, 2012, credit quality in the commercial loan portfolio showed improvement relative to prior quarters. Reservable criticized balances and nonperforming loans, leases and foreclosed property balances in the commercial credit portfolio declined during the three months ended March 31, 2012 compared to December 31, 2011. The reductions in reservable criticized and nonperforming loans, leases and foreclosed property were primarily in the commercial real estate and U.S. commercial portfolios. Commercial real estate continued to show improvement in both the residential and non-residential portfolios, however, levels of stressed commercial real estate loans remained elevated. The reduction in reservable criticized U.S. commercial loans was driven by broad-based improvements in terms of clients, industries and businesses. Most other credit indicators across the remaining commercial portfolios also improved.

Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases were 1.86 percent and 2.02 percent (1.88 percent and 2.04 percent excluding loans accounted for under the fair value option) at March 31, 2012 and December 31, 2011. Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases were 0.09 percent and 0.10 percent at March 31, 2012 and December 31, 2011.

Table 42 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2012 and 2011. Improving portfolio trends drove lower charge-offs across most of the portfolio. Commercial real estate net charge-offs declined during the three months ended March 31, 2012 in both the residential and non-residential portfolios. U.S. small business commercial net charge-offs declined primarily due to improvements in delinquencies, collections and bankruptcies. U.S. commercial net charge-offs increased due to lower recoveries during the three months ended March 31, 2012 compared to the same period in 2011.

Table 42
Commercial Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	**2012**	2011	**2012**	2011
U.S. commercial	**$ 66**	$ (21)	**0.15 %**	(0.05)%
Commercial real estate	**132**	288	**1.36**	2.42
Commercial lease financing	**(9)**	1	**(0.16)**	0.02
Non-U.S. commercial	**(5)**	103	**(0.04)**	1.22
	184	371	**0.25**	0.54
U.S. small business commercial	**185**	312	**5.63**	8.68
Total commercial	**$ 369**	$ 683	**0.48**	0.94

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

Table 43 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes standby letters of credit (SBLCs), financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased $19.8 billion at March 31, 2012 compared to December 31, 2011 driven primarily by decreases in derivative assets, loans and leases, SBLCs and debt securities.

Total commercial utilized credit exposure decreased $22.3 billion at March 31, 2012 compared to December 31, 2011 driven primarily by decreases in derivatives, loans and leases, and debt securities. The decrease in derivatives relates primarily to a lower valuation of existing trades due to interest rate increases. The utilization rate for loans and leases, SBLCs and financial guarantees, and bankers' acceptances was 57 percent at both March 31, 2012 and December 31, 2011.

Table 43
Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3]		Total Commercial Committed	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Loans and leases	**$ 312,878**	$ 316,816	**$ 276,963**	$ 276,195	**$ 589,841**	$ 593,011
Derivative assets [4]	**59,051**	73,023	**—**	—	**59,051**	73,023
Standby letters of credit and financial guarantees	**53,633**	55,384	**1,851**	1,592	**55,484**	56,976
Debt securities and other investments	**8,400**	11,108	**6,717**	5,147	**15,117**	16,255
Loans held-for-sale	**5,712**	5,006	**124**	229	**5,836**	5,235
Commercial letters of credit	**2,449**	2,411	**787**	832	**3,236**	3,243
Bankers' acceptances	**281**	797	**34**	28	**315**	825
Foreclosed properties and other [5]	**1,824**	1,964	**—**	—	**1,824**	1,964
Total	**$ 444,228**	$ 466,509	**$ 286,476**	$ 284,023	**$ 730,704**	$ 750,532

(1) Total commercial utilized exposure at March 31, 2012 and December 31, 2011 includes loans outstanding of $7.0 billion and $6.6 billion and letters of credit with a notional value of $1.0 billion and $1.3 billion accounted for under the fair value option.

(2) Total commercial unfunded exposure at March 31, 2012 and December 31, 2011 includes loan commitments with a notional value of $23.0 billion and $24.4 billion accounted for under the fair value option.

(3) Excludes unused business card lines which are not legally binding.

(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $60.6 billion and $58.9 billion at March 31, 2012 and December 31, 2011. Not reflected in utilized and committed exposure is additional derivative collateral held of $16.7 billion and $16.1 billion which consists primarily of other marketable securities.

(5) Includes $1.3 billion of net monoline exposure at both March 31, 2012 and December 31, 2011, as discussed in Monoline and Related Exposure on page 93.

Table 44 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased $2.8 billion, or 10 percent, compared to December 31, 2011, primarily in commercial real estate and U.S. commercial property types driven largely by continued paydowns and ratings upgrades outpacing downgrades. Despite the improvements, utilized reservable criticized levels remain elevated, particularly in the commercial real estate and U.S. small business commercial portfolios. At March 31, 2012, approximately 86 percent of commercial utilized reservable criticized exposure was secured compared to 85 percent at December 31, 2011.

Table 44
Commercial Utilized Reservable Criticized Exposure

	March 31, 2012		December 31, 2011	
(Dollars in millions)	**Amount [1]**	**Percent [2]**	Amount [1]	Percent [2]
U.S. commercial	**$ 10,851**	**4.78%**	$ 11,731	5.16%
Commercial real estate	**9,656**	**23.67**	11,525	27.13
Commercial lease financing	**1,185**	**5.50**	1,140	5.18
Non-U.S. commercial	**1,580**	**2.68**	1,524	2.44
	23,272	**6.68**	25,920	7.32
U.S. small business commercial	**1,185**	**9.14**	1,327	10.01
Total commercial utilized reservable criticized exposure	**$ 24,457**	**6.77**	$ 27,247	7.41

[1] Total commercial utilized reservable criticized exposure at March 31, 2012 and December 31, 2011 includes loans and leases of $22.7 billion and $25.3 billion and commercial letters of credit of $1.7 billion and $1.9 billion.

[2] Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

U.S. Commercial

At March 31, 2012, 71 percent of the U.S. commercial loan portfolio, excluding small business, was managed in *Global Banking,* 11 percent in *CBB*, 10 percent in *GWIM* (business-purpose loans for wealthy clients) and the remainder primarily in *Global Markets*. U.S. commercial loans, excluding loans accounted for under the fair value option, increased $780 million due to higher utilization in *Global Banking.* Most other lines of business experienced declines due to paydowns outpacing new originations and renewals. Reservable criticized balances and nonperforming loans and leases declined $880 million and $126 million compared to December 31, 2011. The declines were broad-based in terms of clients and industries and were driven by improved client credit profiles and liquidity. Net charge-offs increased $87 million for the three months ended March 31, 2012 compared to the same period in 2011 due to lower recoveries.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in *Global Banking* and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans decreased $1.5 billion at March 31, 2012 compared to December 31, 2011 due to paydowns outpacing new originations and renewals.

The portfolio remained diversified across property types and geographic regions. California represented the largest state concentration at 21 percent and 20 percent of commercial real estate loans and leases at March 31, 2012 and December 31, 2011. For more information on geographic and property concentrations, see Table 45.

Credit quality for commercial real estate continued to show signs of improvement; however, we expect that elevated unemployment and ongoing pressure on vacancy and rental rates will continue to affect primarily the non-residential portfolio. Nonperforming commercial real estate loans and foreclosed properties decreased 13 percent compared to December 31, 2011, primarily in the non-residential portfolio. Reservable criticized balances decreased $1.9 billion primarily due to declines in the non-residential portfolio. For the three months ended March 31, 2012, net charge-offs decreased $156 million compared to the same period in 2011 due to improvement in both the residential and non-residential portfolios.

Table 45 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type. Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate which is dependent on the sale or lease of the real estate as the primary source of repayment.

Table 45
Outstanding Commercial Real Estate Loans

(Dollars in millions)	**March 31 2012**	December 31 2011
By Geographic Region		
California	**$ 7,830**	$ 7,957
Northeast	**6,510**	6,554
Southwest	**5,152**	5,243
Southeast	**4,560**	4,844
Midwest	**3,802**	4,051
Florida	**2,336**	2,502
Midsouth	**1,790**	1,751
Illinois	**1,690**	1,871
Northwest	**1,600**	1,574
Non-U.S.	**1,688**	1,824
Other [1]	**1,091**	1,425
Total outstanding commercial real estate loans	**$ 38,049**	$ 39,596
By Property Type		
Non-residential		
Office	**$ 7,366**	$ 7,571
Multi-family rental	**5,806**	6,105
Shopping centers/retail	**5,521**	5,985
Industrial/warehouse	**3,879**	3,988
Multi-use	**2,938**	3,218
Hotels/motels	**2,796**	2,653
Land and land development	**1,486**	1,599
Other	**6,048**	6,050
Total non-residential	**35,840**	37,169
Residential	**2,209**	2,427
Total outstanding commercial real estate loans	**$ 38,049**	$ 39,596

[1] Other states primarily represents properties in Colorado, Utah, Hawaii, Wyoming and Montana.

For the three months ended March 31, 2012, we continued to see improvements in both the residential and non-residential portfolios, however, certain portions of the non-residential portfolio remain at risk as occupancy rates, rental rates and commercial property prices remain under pressure. We use a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios including refinement of our credit standards, additional transfers of deteriorating exposures to management by independent special asset officers and the pursuit of alternative resolution methods to achieve the best results for our customers and the Corporation.

Tables 46 and 47 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables45, 46 and 47 includes condominiums and other residential real estate. Other property types in Tables45, 46 and 47 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants, as well as unsecured loans to borrowers whose primary business is commercial real estate.

Table 46

Commercial Real Estate Credit Quality Data

	Nonperforming Loans and Foreclosed Properties (1)		Utilized Reservable Criticized Exposure (2)	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Non-residential				
Office	**$ 642**	$ 807	**$ 2,048**	$ 2,375
Multi-family rental	**286**	339	**1,233**	1,604
Shopping centers/retail	**518**	561	**1,234**	1,378
Industrial/warehouse	**446**	521	**1,074**	1,317
Multi-use	**322**	345	**871**	971
Hotels/motels	**159**	173	**561**	716
Land and land development	**471**	530	**629**	749
Other	**195**	223	**777**	997
Total non-residential	**3,039**	3,499	**8,427**	10,107
Residential	**875**	993	**1,229**	1,418
Total commercial real estate	**$ 3,914**	$ 4,492	**$ 9,656**	$ 11,525

(1) Includes commercial foreclosed properties of $510 million and $612 million at March 31, 2012 and December 31, 2011.

(2) Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 47

Commercial Real Estate Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios (1)	
(Dollars in millions)	**2012**	2011	**2012**	2011
Non-residential				
Office	**$ 60**	$ 34	**3.23%**	1.50%
Multi-family rental	**4**	9	**0.28**	0.48
Shopping centers/retail	**8**	89	**0.56**	4.84
Industrial/warehouse	**15**	21	**1.56**	1.69
Multi-use	**10**	9	**1.37**	0.91
Hotels/motels	**1**	8	**0.15**	1.24
Land and land development	**6**	50	**1.47**	8.82
Other	**8**	—	**0.48**	—
Total non-residential	**112**	220	**1.22**	2.01
Residential	**20**	68	**3.52**	6.94
Total commercial real estate	**$ 132**	$ 288	**1.36**	2.42

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

At March 31, 2012, total committed non-residential exposure was $52.9 billion compared to $53.1 billion atDecember 31, 2011, of which $35.9 billion and $37.2 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties were $3.0 billion and $3.5 billion at March 31, 2012 and December 31, 2011, which represented 8.39 percent and 9.29 percent of total non-residential loans and foreclosed properties. The decline in nonperforming loans and foreclosed properties in the non-residential portfolio was driven by decreases in the office, industrial/warehouse, and land and land development property types. Non-residential utilized reservable criticized exposure decreased to $8.4 billion, or 21.93 percent of non-residential utilized reservable exposure, atMarch 31, 2012 compared to $10.1 billion, or 25.34 percent, at December 31, 2011. The decrease in reservable criticized exposure was driven primarily by multi-family rental, office and industrial/warehouse property types. For the non-residential portfolio, net charge-offs decreased $108 million for the three months ended March 31, 2012 compared to the same period in 2011, due primarily to improving appraisal values and improved borrower credit profiles.

At March 31, 2012, we had committed residential exposure of $3.5 billion compared to $3.9 billion at December 31, 2011, of which $2.2 billion and $2.4 billion were funded secured loans. The decline in residential committed exposure was due to repayments, net charge-offs, reductions in new home construction and continued risk mitigation initiatives with market conditions providing fewer origination opportunities to offset the reductions. At March 31, 2012, residential nonperforming loans and foreclosed properties decreased $118 million compared to December 31, 2011 due to repayments, a decline in the volume of loans being downgraded to nonaccrual status and net charge-offs. Residential utilized reservable criticized exposure decreased $189 million to $1.2 billion due to repayments and net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 37.33 percent and 52.06 percent at March 31, 2012 compared to 38.89 percent and 54.65 percent at December 31, 2011. Net charge-offs for the residential portfolio decreased $48 million for the three months ended March 31, 2012 compared to the same period in 2011.

At March 31, 2012 and December 31, 2011, the commercial real estate loan portfolio included $9.9 billion and $10.9 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. The decline in construction and land development loans was driven by repayments, net charge-offs and continued risk mitigation initiatives which outpaced new originations. This portfolio is mostly secured and diversified across property types and geographic regions but faces continuing challenges in the housing and rental markets. Weak rental demand and cash flows, along with depressed property valuations of land, have contributed to elevated levels of reservable criticized exposure, nonperforming loans and foreclosed properties, and net charge-offs. Reservable criticized construction and land development loans totaled $4.1 billion and $4.9 billion, and nonperforming construction and land development loans and foreclosed properties totaled $1.7 billion and $2.1 billion at March 31, 2012 and December 31, 2011. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. Loans generally continue to be classified as construction loans until they are refinanced. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

The non-U.S. commercial loan portfolio is managed primarily in *Global Banking.* Outstanding loans, excluding loans accounted for under the fair value option, decreased $2.8 billion from December 31, 2011 primarily due to a reduction in corporate loans, as well as trade finance exposures. Net charge-offs decreased $108 million for the three months ended March 31, 2012 compared to 2011. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 96.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card and small business loans managed in *CBB*. U.S. small business commercial net charge-offs decreased $127 million for the three months ended March 31, 2012 compared to the same period in 2011 driven by improvements in delinquencies, collections and bankruptcies resulting from an improved economic environment as well as the reduction of higher risk vintages and the impact of higher credit quality originations. Of the U.S. small business commercial net charge-offs, 66 percent were credit card-related products for the three months ended March 31, 2012 compared to 75 percent for the same period in 2011.

Commercial Loans Accounted for Under the Fair Value Option

The portfolio of commercial loans accounted for under the fair value option is managed primarily in *Global Banking*. Outstanding commercial loans accounted for under the fair value option increased $374 million to an aggregate fair value of $7.0 billion at March 31, 2012 compared to December 31, 2011 due primarily to increased corporate borrowings under bank credit facilities. We recorded net gains of $128 million and $95 million during the three months ended March 31, 2012 and 2011 resulting from changes in the fair value of the loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of $844 million and $1.2 billion at March 31, 2012 and December 31, 2011 which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $24.0 billion and $25.7 billion at March 31, 2012 and December 31, 2011. During the three months ended March 31, 2012 and 2011, we recorded net gains of $404 million and $132 million from changes in the fair value of commitments and letters of credit. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 48 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2012 and 2011. Nonperforming commercial loans and leases decreased $586 million during the three months ended March 31, 2012 to $5.8 billion compared to $6.3 billion at December 31, 2011 driven by paydowns, charge-offs, returns to performing status and sales outpacing new nonperforming loans. Approximately 95 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 50 percent are contractually current. Commercial nonperforming loans are carried at approximately 67 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less estimated costs to sell.

Table 48
Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity[1, 2]

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Nonperforming loans and leases, January 1	**$ 6,337**	$ 9,836
Additions to nonperforming loans and leases:		
New nonaccrual loans and leases	**599**	1,299
Advances	**24**	67
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(573)**	(764)
Sales	**(137)**	(247)
Returns to performing status [3]	**(145)**	(320)
Charge-offs [4]	**(291)**	(488)
Transfers to foreclosed properties	**(63)**	(200)
Transfers to loans held-for-sale	**—**	(52)
Total net reductions to nonperforming loans and leases	**(586)**	(705)
Total nonperforming loans and leases, March 31	**5,751**	9,131
Foreclosed properties, January 1	**612**	725
Additions to foreclosed properties:		
New foreclosed properties	**44**	131
Reductions in foreclosed properties:		
Sales	**(123)**	(120)
Write-downs	**(23)**	(11)
Total net reductions to foreclosed properties	**(102)**	—
Total foreclosed properties, March 31	**510**	725
Nonperforming commercial loans, leases and foreclosed properties, March 31	**$ 6,261**	$ 9,856
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	**1.88%**	3.11%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	**2.04**	3.34

(1) Balances do not include nonperforming LHFS of $847 million and $1.5 billion at March 31, 2012 and 2011.

(2) Includes U.S. small business commercial activity.

(3) Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.

(4) Small business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.

(5) Excludes loans accounted for under the fair value option.

Table 49 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due. For additional information on TDRs, see *Note 5 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 49
Commercial Troubled Debt Restructurings

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Total**	**Non-performing**	**Performing**	Total	Non-performing	Performing
U.S. commercial	**$ 1,500**	**$ 585**	**$ 915**	$ 1,329	$ 531	$ 798
Commercial real estate	**1,621**	**1,049**	**572**	1,675	1,076	599
Non-U.S. commercial	**51**	**35**	**16**	54	38	16
U.S. small business commercial	**336**	**—**	**336**	389	—	389
Total commercial troubled debt restructurings	**$ 3,508**	**$ 1,669**	**$ 1,839**	$ 3,447	$ 1,645	$ 1,802

Industry Concentrations

Table 50 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. The decrease in commercial committed exposure of $19.8 billion from December 31, 2011 to March 31, 2012 was concentrated in diversified financials and banks, partially offset by an increase in the capital goods industry category.

Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. Management's Credit Risk Committee (CRC) oversees industry limit governance.

Diversified financials, our largest industry concentration, experienced a decline in committed exposure of $7.8 billion, or eight percent, primarily driven by decreases in derivative exposure throughout the quarter.

Real estate, our second largest industry concentration, experienced a decline in committed exposure of $1.8 billion, or three percent, compared to December 31, 2011 primarily due to paydowns and sales outpacing new originations and renewals. Real estate construction and land development exposure represented 19 percent of the total real estate industry committed exposure at March 31, 2012, down from 20 percent at December 31, 2011. For more information on the commercial real estate and related portfolios, see Commercial Real Estate on page 87.

Committed exposure in the banking industry decreased $4.3 billion, or 11 percent, compared to December 31, 2011 primarily due to decreases in trade finance and derivative exposure.

Committed exposure in government and public education decreased $1.9 billion, or three percent, compared to December 31, 2011 primarily due to decreases in derivatives and loan exposure. Capital goods committed exposure increased $1.7 billion, or four percent, compared to December 31, 2011 primarily due to a bridge loan to finance an acquisition.

Our committed state and municipal exposure of $44.0 billion at March 31, 2012 consisted of $33.2 billion of commercial utilized exposure (including $17.8 billion of funded loans, $11.3 billion of SBLCs and $3.8 billion of derivative assets) and unfunded commercial exposure of $10.8 billion (primarily unfunded loan commitments and letters of credit) and is reported in the government and public education industry in Table 50. Economic conditions continue to impact debt issued by state and local municipalities and certain exposures to these municipalities. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications surrounding certain at-risk counterparties and/or sectors are regularly circulated ensuring exposure levels are in compliance with established concentration guidelines.

Monoline and Related Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations and credit-enhanced securities as part of our public finance business and other selected products. Such indirect exposure exists when we purchase credit protection from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and CDOs. We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monolines in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined, or we are required to indemnify or provide recourse for a guarantor's loss. For additional information regarding our exposure to representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Monoline derivative credit exposure at March 31, 2012 had a notional value of $14.7 billion compared to $21.1 billion at December 31, 2011. Mark-to-market monoline derivative credit exposure was $1.5 billion at March 31, 2012 compared to $1.8 billion at December 31, 2011 with the decrease driven by terminated monoline contracts. The counterparty credit valuation adjustment related to monoline derivative exposure was $248 million at March 31, 2012 compared to $417 million at December 31, 2011. This adjustment reduced our net mark-to-market exposure to $1.2 billion at March 31, 2012 compared to $1.3 billion at December 31, 2011 and covered 17 percent of the mark-to-market exposure at March 31, 2012, down from 24 percent at December 31, 2011 primarily due to a significant tightening in credit spreads of our monoline counterparties during the quarter. Gains (losses) during the three months ended March 31, 2012 and 2011 were $104 million and $(407) million, resulting from changes in credit valuation adjustments and hedge results and the reclassification of certain net monoline exposure from derivative assets to other assets during 2011. We do not hold collateral against these derivative exposures.

We also have indirect exposure to monolines as we invest in securities where the issuers have purchased wraps. For example, municipalities and corporations purchase insurance in order to reduce their cost of borrowing. If the rating agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to the purchased insurance for recovery. Investments in securities with purchased wraps issued by municipalities and corporations had a notional value of $74 million at March 31, 2012 compared to $150 million at December 31, 2011. The market value of the investment exposure was $20 million at March 31, 2012 compared to $89 million at December 31, 2011.

Table 50
Commercial Credit Exposure by Industry [(1)]

(Dollars in millions)	Commercial Utilized March 31 2012	Commercial Utilized December 31 2011	Total Commercial Committed March 31 2012	Total Commercial Committed December 31 2011
Diversified financials	**$ 56,119**	$ 64,957	**$ 87,171**	$ 94,969
Real estate [(2)]	**45,779**	48,138	**60,770**	62,566
Government and public education	**41,981**	43,090	**55,126**	57,021
Capital goods	**23,127**	24,025	**49,730**	48,013
Healthcare equipment and services	**30,636**	31,298	**47,590**	48,141
Retailing	**25,663**	25,478	**45,088**	46,290
Materials	**19,875**	19,384	**37,863**	38,070
Consumer services	**24,111**	24,445	**37,799**	38,498
Banks	**30,562**	35,231	**34,433**	38,735
Energy	**15,569**	15,151	**32,476**	32,074
Food, beverage and tobacco	**14,817**	15,904	**29,296**	30,501
Commercial services and supplies	**18,431**	20,089	**29,290**	30,831
Utilities	**7,938**	8,102	**24,229**	24,552
Media	**11,037**	11,447	**21,091**	21,158
Transportation	**12,625**	12,683	**19,503**	19,036
Individuals and trusts	**14,483**	14,993	**18,239**	19,001
Insurance, including monolines	**8,998**	10,090	**15,344**	16,157
Pharmaceuticals and biotechnology	**4,463**	4,141	**11,678**	11,328
Technology hardware and equipment	**4,680**	5,247	**10,954**	12,173
Religious and social organizations	**7,989**	8,536	**10,868**	11,160
Software and services	**4,517**	4,304	**10,676**	9,579
Telecommunication services	**3,936**	4,297	**9,977**	10,424
Consumer durables and apparel	**4,370**	4,505	**8,726**	8,965
Automobiles and components	**2,951**	2,813	**7,363**	7,178
Food and staples retailing	**3,226**	3,273	**6,470**	6,476
Other	**6,345**	4,888	**8,954**	7,636
Total commercial credit exposure by industry	**$ 444,228**	$ 466,509	**$ 730,704**	$ 750,532
Net credit default protection purchased on total commitments [(3)]			**$ (19,880)**	$ (19,356)

(1) Includes U.S. small business commercial exposure.

(2) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

(3) Represents net notional credit protection purchased. See Risk Mitigation below for additional information.

Risk Mitigation

We purchase credit protection to cover the funded portion as well as the unfunded portion of certain credit exposures. To lower the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection.

At March 31, 2012 and December 31, 2011, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $19.9 billion and $19.4 billion. The mark-to-market effects resulted in net losses of $493 million and $197 million during the three months ended March 31, 2012 and 2011.

The average Value-at-Risk (VaR) for these credit derivative hedges was $67 million during the three months ended March 31, 2012 compared to $57 million for the same period in 2011. The average VaR for the related credit exposure was $92 million during the three months ended March 31, 2012 compared to $52 million for the same period in 2011. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VaR was $26 million for the three months ended March 31, 2012 compared to $38 million for the same period in 2011. See Trading Risk Management on page 105 for a description of our VaR calculation for the market-based trading portfolio.

Tables 51 and 52 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2012 and December 31, 2011. The distribution of debt ratings for net notional credit default protection purchased is shown as a negative amount in Table 52 to reflect our decreased credit risk to these exposures.

Table 51

Net Credit Default Protection by Maturity Profile

	March 31 2012	December 31 2011
Less than or equal to one year	**16%**	16%
Greater than one year and less than or equal to five years	**78**	77
Greater than five years	**6**	7
Total net credit default protection	**100%**	100%

Table 52

Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	**March 31, 2012**		December 31, 2011	
Ratings [1, 2]	**Net Notional**	**Percent of Total**	Net Notional	Percent of Total
AAA	**$ (201)**	**1.0%**	$ (32)	0.2%
AA	**(583)**	**2.9**	(779)	4.0
A	**(8,667)**	**43.6**	(7,184)	37.1
BBB	**(7,387)**	**37.2**	(7,436)	38.4
BB	**(965)**	**4.9**	(1,527)	7.9
B	**(1,386)**	**7.0**	(1,534)	7.9
CCC and below	**(543)**	**2.7**	(661)	3.4
NR [3]	**(148)**	**0.7**	(203)	1.1
Total net credit default protection	**$ (19,880)**	**100.0%**	$ (19,356)	100.0%

(1) Ratings are refreshed on a quarterly basis.

(2) Ratings of BBB- or higher are considered to meet the definition of investment-grade.

(3) In addition to names that have not been rated, "NR" includes $9 million and $(15) million in net credit default swap index positions at March 31, 2012 and December 31, 2011. While index positions are principally investment grade, credit default swap indices include names in and across each of the ratings categories.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker/dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

Table 53 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts and collateral with that counterparty. For information on our written credit derivatives, see *Note 3 – Derivatives* to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 53 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in *Note 3 – Derivatives* to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 53
Credit Derivatives

	March 31, 2012		December 31, 2011	
(Dollars in millions)	**Contract/ Notional**	**Credit Risk**	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	**$ 1,747,653**	**$ 10,946**	$ 1,944,764	$ 14,163
Total return swaps/other	**22,205**	**715**	17,519	776
Total purchased credit derivatives	**1,769,858**	**11,661**	1,962,283	14,939
Written credit derivatives:				
Credit default swaps	**1,685,373**	**n/a**	1,885,944	n/a
Total return swaps/other	**39,076**	**n/a**	17,838	n/a
Total written credit derivatives	**1,724,449**	**n/a**	1,903,782	n/a
Total credit derivatives	**$ 3,494,307**	**$ 11,661**	$ 3,866,065	$ 14,939

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty.

During the three months ended March 31, 2012, credit valuation gains (losses) of $513 million ($149 million, net of hedges) compared to $148 million ($(466) million, net of hedges) for the same period in 2011 were recognized in trading account profits for counterparty credit risk related to derivative assets. For information on our monoline counterparty credit risk, see Monoline and Related Exposure on page 93.

Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is provided by the Regional Risk Committee, a subcommittee of the CRC.

Non-U.S. exposure includes credit exposure, securities and other investments issued by or domiciled in countries other than the U.S. Total non-U.S. exposure can be adjusted for externally guaranteed loans outstanding and certain collateral types. Exposures which are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty.

As presented in Table 54, non-U.S. exposure to borrowers or counterparties in emerging markets decreased $636 million to $58.8 billion at March 31, 2012 compared to $59.5 billion at December 31, 2011 primarily due to a decrease in Latin America, partially offset by an increase in Middle East and Africa, and Central and Eastern Europe. Non-U.S. exposure to borrowers or counterparties in emerging markets represented 32 percent and 31 percent of total non-U.S. exposure at March 31, 2012 and December 31, 2011.

Table 54

Selected Emerging Markets [(1)]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [(2)]	Net Counterparty Exposure [(3)]	Securities/ Other Investments [(4)]	Total Cross-border Exposure [(5)]	Local Country Exposure Net of Local Liabilities [(6)]	**Total Selected Emerging Market Exposure at March 31, 2012**	Increase (Decrease) from December 31, 2011
Region/Country								
Asia Pacific								
India	$ 4,090	$ 1,411	$ 509	$ 3,067	$ 9,077	$ —	**$ 9,077**	$ (1,405)
South Korea	1,633	1,181	399	2,504	5,717	2,118	**7,835**	512
China	3,583	276	763	2,332	6,954	217	**7,171**	17
Hong Kong	288	539	190	1,074	2,091	1,671	**3,762**	601
Singapore	510	134	446	1,779	2,869	—	**2,869**	(78)
Taiwan	564	39	147	711	1,461	892	**2,353**	(34)
Thailand	37	9	27	1,118	1,191	—	**1,191**	496
Other Asia Pacific [(7)]	847	64	174	633	1,718	7	**1,725**	(72)
Total Asia Pacific	$ 11,552	$ 3,653	$ 2,655	$ 13,218	$ 31,078	$ 4,905	**$ 35,983**	$ 37
Latin America								
Brazil	$ 1,881	$ 176	$ 297	$ 1,969	$ 4,323	$ 2,955	**$ 7,278**	$ (886)
Mexico	2,050	290	250	671	3,261	—	**3,261**	(729)
Chile	982	49	277	16	1,324	15	**1,339**	(268)
Other Latin America [(7)]	488	410	34	440	1,372	154	**1,526**	22
Total Latin America	$ 5,401	$ 925	$ 858	$ 3,096	$ 10,280	$ 3,124	**$ 13,404**	$ (1,861)
Middle East and Africa								
United Arab Emirates	$ 1,722	$ 76	$ 137	$ 17	$ 1,952	$ —	**$ 1,952**	$ 245
Saudi Arabia	167	69	446	20	702	22	**724**	61
South Africa	501	47	61	26	635	—	**635**	(73)
Other Middle East and Africa [(7)]	696	250	135	162	1,243	5	**1,248**	55
Total Middle East and Africa	$ 3,086	$ 442	$ 779	$ 225	$ 4,532	$ 27	**$ 4,559**	$ 288
Central and Eastern Europe								
Russian Federation	$ 2,139	$ 240	$ 36	$ 111	$ 2,526	$ 13	**$ 2,539**	$ 615
Turkey	1,004	166	13	429	1,612	54	**1,666**	497
Other Central and Eastern Europe [(7)]	106	64	229	285	684	—	**684**	(212)
Total Central and Eastern Europe	$ 3,249	$ 470	$ 278	$ 825	$ 4,822	$ 67	**$ 4,889**	$ 900
Total emerging market exposure	$ 23,288	$ 5,490	$ 4,570	$ 17,364	$ 50,712	$ 8,123	**$ 58,835**	$ (636)

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. At March 31, 2012 and December 31, 2011, there was $2.6 billion and $1.7 billion in emerging market exposure accounted for under the fair value option.

(2) Includes acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees.

(3) Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives have been reduced by $2.0 billion in collateral, predominantly in cash, pledged under legally enforceable netting agreements. Secured financing transactions have been reduced by eligible cash or securities pledged. The notional amount of repurchase transactions was $3.1 billion at March 31, 2012.

(4) Securities exposures are reduced by hedges and short positions on a single-name basis to but not below zero.

(5) Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country of residence other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting requirements.

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Total amount of available local liabilities funding local country exposure was $16.8 billion and $18.7 billion at March 31, 2012 and December 31, 2011. Local liabilities at March 31, 2012 in Asia Pacific, Latin America, and Middle East and Africa were $15.7 billion, $851 million and $284 million, respectively, of which $7.0 billion was in Singapore, $2.1 billion in China, $2.0 billion in both Hong Kong and India, $747 million in Mexico, $654 million in Korea, $545 million in Thailand, $525 million in Taiwan and $501 million in Malaysia. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) No country included in Other Asia Pacific, Other Latin America, Other Middle East and Africa, and Other Central and Eastern Europe had total non-U.S. exposure of more than $500 million.

At March 31, 2012 and December 31, 2011, 61 percent and 60 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific increased by $37 million with growth in South Korea, Hong Kong and Thailand partially offset by a decrease in loans and net counterparty exposure in India. Our investment in CCB was $716 million at March 31, 2012. For more information on our investment in CCB, see *Note 4 – Securities* to the Consolidated Financial Statements.

At March 31, 2012 and December 31, 2011, 23 percent and 26 percent of the emerging markets exposure was in Latin America. Latin America emerging markets exposure decreased $1.9 billion driven by a decrease in securities in Brazil and a decrease in loans in Mexico.

At March 31, 2012 and December 31, 2011, eight percent and seven percent of the emerging markets exposure was in the Middle East and Africa. At March 31, 2012 and December 31, 2011, eight percent and seven percent of the emerging markets exposure was in Central and Eastern Europe.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress. Risks from the ongoing debt crisis in Europe could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Market sentiment improved during the three months ended March 31, 2012 driven by a second long-term ECB financing program and the successful Greek debt restructuring and bailout package that reinforced confidence in the financial system and solvency of systemically important banks. However, the lack of a clear resolution to the crisis and fears of contagion continue to contribute to market volatility.

Table 55 shows our direct sovereign and non-sovereign exposures, excluding consumer credit card exposure, in these countries at March 31, 2012. Our total sovereign and non-sovereign exposure to these countries was $15.1 billion at March 31, 2012 compared to $15.2 billion at December 31, 2011. The total exposure to these countries, net of hedges, was $9.8 billion at March 31, 2012 compared to $10.3 billion at December 31, 2011, of which $1.0 billion and $362 million was total sovereign exposure. At March 31, 2012 and December 31, 2011, the fair value of unapplied hedges and net credit default protection purchased was $5.3 billion and $4.9 billion.

We hedge certain of our selected European country exposure with credit default protection in the form of credit default swaps (CDS). The majority of our CDS contracts are with highly-rated financial institutions primarily outside of the Eurozone and we work to limit or eliminate correlated CDS. Due to our engagement in market-making activities, our CDS portfolio contains contracts with various maturities to a diverse set of counterparties.

Losses could still result even if there is credit default protection purchased because the purchased credit protection contracts only pay out under certain scenarios and thus not all losses may be covered by the credit protection contracts. The effectiveness of our CDS protection as a hedge of these risks is influenced by a number of factors, including the contractual terms of the CDS. Generally, only the occurrence of a credit event as defined by the CDS terms (which may include, among other events, the failure to pay by, or restructuring of, the reference entity) results in a payment under the purchased credit protection contracts. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association, Inc. (ISDA) Determination Committee (comprised of various ISDA member firms) based on the terms of the CDS and facts and circumstances for the event. Accordingly, uncertainties exist as to whether any particular strategy or policy action for addressing the European debt crisis would constitute a credit event under the CDS. A voluntary restructuring may not trigger a credit event under CDS terms and consequently may not trigger a payment under the CDS contract.

On March 9, 2012, the majority of private holders of Greek sovereign bonds agreed to the restructure of bonds issued under Greek law. The ISDA EMEA Credit Derivatives Determination Committee declared the restructure a credit event, which led to a CDS auction on March 19, 2012. A final price of 21.5 cents to the euro was established and CDS holders received 78.5 cents to the euro.

For additional information on the debt crisis in Europe, see Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Table 55
Selected European Countries

(Dollars in millions)	Funded Loans and Loan Equivalents (1)	Unfunded Loan Commitments	Net Counter-party Exposure (2)	Securities/ Other Investments (3)	Country Exposure at March 31, 2012	Hedges and Credit Default Protection (4)	**Net Country Exposure at March 31, 2012 (5)**	Increase(Decrease) from December 31, 2011
Greece								
Sovereign	$ —	$ —	$ —	$ —	$ —	$ (1)	**$ (1)**	$ (30)
Financial Institutions	1	—	6	13	20	(5)	**15**	18
Corporates	334	107	31	1	473	(11)	**462**	28
Total Greece	$ 335	$ 107	$ 37	$ 14	$ 493	$ (17)	**$ 476**	$ 16
Ireland								
Sovereign	$ 18	$ —	$ 11	$ 16	$ 45	$ —	**$ 45**	$ (76)
Financial Institutions	126	20	250	471	867	(8)	**859**	61
Corporates	1,000	170	23	27	1,220	(31)	**1,189**	(306)
Total Ireland	$ 1,144	$ 190	$ 284	$ 514	$ 2,132	$ (39)	**$ 2,093**	$ (321)
Italy								
Sovereign	$ —	$ —	$ 1,680	$ 643	$ 2,323	$ (1,208)	**$ 1,115**	$ 901
Financial Institutions	1,878	153	126	44	2,201	(803)	**1,398**	(333)
Corporates	1,818	1,881	229	230	4,158	(1,663)	**2,495**	(415)
Total Italy	$ 3,696	$ 2,034	$ 2,035	$ 917	$ 8,682	$ (3,674)	**$ 5,008**	$ 153
Portugal								
Sovereign	$ —	$ —	$ 38	$ —	$ 38	$ (40)	**$ (2)**	$ 7
Financial Institutions	16	—	17	30	63	(106)	**(43)**	(47)
Corporates	175	75	14	11	275	(154)	**121**	60
Total Portugal	$ 191	$ 75	$ 69	$ 41	$ 376	$ (300)	**$ 76**	$ 20
Spain								
Sovereign	$ 38	$ 6	$ 61	$ 5	$ 110	$ (252)	**$ (142)**	$ (149)
Financial Institutions	475	7	98	126	706	(107)	**599**	(63)
Corporates	1,459	880	121	92	2,552	(910)	**1,642**	(227)
Total Spain	$ 1,972	$ 893	$ 280	$ 223	$ 3,368	$ (1,269)	**$ 2,099**	$ (439)
Total								
Sovereign	$ 56	$ 6	$ 1,790	$ 664	$ 2,516	$ (1,501)	**$ 1,015**	$ 653
Financial Institutions	2,496	180	497	684	3,857	(1,029)	**2,828**	(364)
Corporates	4,786	3,113	418	361	8,678	(2,769)	**5,909**	(860)
Total Selected European exposure	$ 7,338	$ 3,299	$ 2,705	$ 1,709	$ 15,051	$ (5,299)	**$ 9,752**	$ (571)

(1) Includes loans, leases, overdrafts, acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees, which have not been reduced by collateral, hedges or credit default protection.
(2) Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives have been reduced by $3.1 billion in collateral, predominantly in cash, pledged under legally enforceable netting agreements. Secured financing transactions have been reduced by eligible cash or securities pledged. The notional amount of the repurchase transactions was $409 million at March 31, 2012. Counterparty exposure has not been reduced by hedges or credit default protection.
(3) Securities exposures are reduced by hedges and short positions on a single-name basis to but not below zero.
(4) Represents unapplied net credit default protection purchased, including $(3.6) billion in net credit default protection purchased to hedge loans and securities, $(1.5) billion in additional credit default protection to hedge derivative assets and $(168) million in other short positions. Based on the credit default protection notional amount assuming zero recovery adjusted for any fair value receivable or payable.
(5) Represents country exposure less the fair value of hedges and credit default protection.

Provision for Credit Losses

The provision for credit losses decreased $1.4 billion to $2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was $1.6 billion lower than net charge-offs for the three months ended March 31, 2012 resulting in a reduction in the allowance for credit losses. For the three months ended March 31, 2012, the reduction in the allowance was primarily driven by improvement in delinquencies and bankruptcies across the U.S. credit card and unsecured consumer lending portfolios in *CBB*, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio, as evidenced by continued declines in reservable criticized and commercial nonperforming balances partially offset by additions to the consumer PCI loan portfolio reserves. This compared to a $2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

The provision for credit losses for the consumer portfolio decreased $1.3 billion to $2.6 billion for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower reserve additions in our PCI portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. consumer credit card portfolio. Also contributing to the decrease were lower credit costs in the non-PCI home equity loan portfolio due to improved portfolio trends. Provision related to the consumer PCI loan portfolios was $487 million for the three months ended March 31, 2012 primarily due to our updated home price outlook. Provision related to the consumer PCI loan portfolios for the three months ended March 31, 2011 was $1.6 billion.

The provision for credit losses for the commercial portfolio, including the provision for unfunded lending commitments, decreased $113 million to a benefit of $226 million for the three months ended March 31, 2012 compared to the same period in 2011 due to continued economic improvement reflected in lower reservable criticized balances within the core commercial portfolio.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is comprised of two components as described below. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components. The allowance for loan and lease losses excludes LHFS and loans accounted for under the fair value option as the fair value reflects a credit risk component.

The first component of the allowance for loan and lease losses covers nonperforming commercial loans and performing commercial loans that have been modified in a TDR, consumer real estate loans that have been modified in a TDR, renegotiated credit card, and renegotiated unsecured consumer and small business loans. These loans are subject to impairment measurement based on the present value of projected future cash flows discounted at the loan's original effective interest rate, or in certain circumstances, impairment may also be based upon the collateral value or the loan's observable market price if available. Impairment measurement for the renegotiated credit card, unsecured consumer and small business TDR portfolios is based on the present value of projected cash flows discounted using the average portfolio contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and leases that have incurred losses but they are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Additionally, we incorporate the delinquency status of underlying first-lien loans on our junior-lien home equity portfolio in our allowance process. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of March 31, 2012, the loss forecast process resulted in reductions in the allowance for most consumer portfolios, particularly the credit card, home equity and direct/indirect portfolios.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios are updated at least quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default and the loss given default (LGD) based on our historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable, the industry in which the obligor operates, the obligor's liquidity and other financial indicators, and other quantitative and qualitative factors relevant to the obligor's credit risk. When estimating the allowance for loan and lease losses, management relies not only on models derived from historical experience but also on its judgment in considering the effect on probable losses inherent in the portfolios due to the current macroeconomic environment and trends, inherent uncertainty in models and other qualitative factors. As of March 31, 2012, updates to the loan risk ratings and portfolio composition resulted in reductions in the allowance for all commercial portfolios.

Also included within this second component of the allowance for loan and lease losses and determined separately from the procedures outlined above are reserves that are maintained to cover uncertainties that affect our estimate of probable losses including domestic and global economic uncertainty, large single name defaults, significant events which could disrupt financial markets and model imprecision.

We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.

Additions to, or reductions of, the allowance for loan and lease losses generally are recorded through charges or credits to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio as presented in Table 57 was $28.6 billion at March 31, 2012, a decrease of $1.0 billion from December 31, 2011. This decrease was primarily due to improving economic conditions and improvement in delinquencies, collections and bankruptcies in the U.S. credit card and unsecured consumer lending portfolios in *CBB* as well as reductions in the non-PCI home equity portfolio. With respect to the consumer PCI loan portfolios, updates to our projected cash flows resulted in an increase in reserves through provision of $487 million in the three months ended March 31, 2012, within the discontinued real estate, residential mortgage and home equity portfolios, primarily due to our updated home price outlook. Reserve increases related to the consumer PCI loan portfolios in the three months ended March 31, 2011 were $1.6 billion.

The allowance for loan and lease losses for the commercial portfolio was $3.6 billion at March 31, 2012, a $561 million decrease from December 31, 2011. The decrease was driven by improvement in economic conditions impacting the core commercial portfolio.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.61 percent at March 31, 2012 compared to 3.68 percent at December 31, 2011. The decrease in the ratio was primarily due to improved credit quality and economic conditions which led to the reduction in the allowance for credit losses discussed above. The March 31, 2012 and December 31, 2011 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 2.70 percent at March 31, 2012 compared to 2.86 percent at December 31, 2011.

Absent unexpected deterioration in the economy, we expect reductions in the allowance for loan and lease losses to continue in future quarters. However, in both consumer and commercial portfolios, we expect these reductions to be less than those in 2011.

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Table 56 presents a rollforward of the allowance for credit losses for the three months ended March 31, 2012 and 2011.

Table 56
Allowance for Credit Losses

(Dollars in millions)	Three Months Ended March 31 2012	2011
Allowance for loan and lease losses, January 1	**$ 33,783**	$ 41,885
Loans and leases charged off		
Residential mortgage	**(957)**	(982)
Home equity	**(1,031)**	(1,282)
Discontinued real estate	**(19)**	(25)
U.S. credit card	**(1,535)**	(2,485)
Non-U.S. credit card	**(261)**	(451)
Direct/Indirect consumer	**(378)**	(740)
Other consumer	**(68)**	(55)
Total consumer charge-offs	**(4,249)**	(6,020)
U.S. commercial [(1)]	**(325)**	(453)
Commercial real estate	**(204)**	(342)
Commercial lease financing	**(1)**	(11)
Non-U.S. commercial	**(1)**	(100)
Total commercial charge-offs	**(531)**	(906)
Total loans and leases charged off	**(4,780)**	(6,926)
Recoveries of loans and leases previously charged off		
Residential mortgage	**59**	77
Home equity	**74**	103
Discontinued real estate	**3**	5
U.S. credit card	**204**	211
Non-U.S. credit card	**58**	49
Direct/Indirect consumer	**152**	215
Other consumer	**12**	15
Total consumer recoveries	**562**	675
U.S. commercial [(2)]	**74**	162
Commercial real estate	**72**	54
Commercial lease financing	**10**	10
Non-U.S. commercial	**6**	(3)
Total commercial recoveries	**162**	223
Total recoveries of loans and leases previously charged off	**724**	898
Net charge-offs	**(4,056)**	(6,028)
Provision for loan and lease losses	**2,457**	3,916
Other	**27**	70
Allowance for loan and lease losses, March 31	**32,211**	39,843
Reserve for unfunded lending commitments, January 1	**714**	1,188
Provision for unfunded lending commitments	**(39)**	(102)
Other [(3)]	**(24)**	(125)
Reserve for unfunded lending commitments, March 31	**651**	961
Allowance for credit losses, March 31	**$ 32,862**	$ 40,804

(1) Includes U.S. small business commercial charge-offs of $208 million and $336 million for the three months ended March 31, 2012 and 2011.

(2) Includes U.S. small business commercial recoveries of $23 million and $24 million for the three months ended March 31, 2012 and 2011.

(3) Represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

Table 56
Allowance for Credit Losses (continued)

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Loan and allowance ratios:		
Loans and leases outstanding at March 31 [4]	**$ 893,102**	$ 928,738
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	**3.61%**	4.29%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at March 31 [5]	**4.88**	5.26
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 [6]	**1.17**	2.20
Average loans and leases outstanding [4]	**$ 904,613**	$ 935,332
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	**1.80%**	2.61%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 7]	**126**	135
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	**1.97**	1.63
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at March 31 [8]	**$ 17,006**	$ 22,110
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at March 31 [8]	**60%**	60%
Loan and allowance ratios excluding purchased credit-impaired loans:		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 [4]	**2.70%**	3.58%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at March 31 [5]	**3.54**	4.25
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 [6]	**1.17**	2.20
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	**1.87**	2.71
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 [4, 7]	**91**	108
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	**1.43**	1.31

(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans accounted for under the fair value option were $9.2 billion and $3.7 billion at March 31, 2012 and 2011. Average loans accounted for under the fair value option were $9.1 billion and $3.6 billion for the three months ended March 31, 2012 and 2011 .

(5) Excludes consumer loans accounted for under the fair value option of $2.2 billion at March 31, 2012; none at March 31, 2011.

(6) Excludes commercial loans accounted for under the fair value option of $7.0 billion and $3.7 billion at March 31, 2012 and 2011.

(7) For more information on our definition of nonperforming loans, see pages 81 and 91.

(8) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in *CBB*, PCI loans and the non-U.S. credit card portfolio in *All Other*.

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 57 presents our allocation by product type.

Table 57
Allocation of the Allowance for Credit Losses by Product Type

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Amount**	**Percent of Total**	**Percent of Loans and Leases Outstanding (1)**	Amount	Percent of Total	Percent of Loans and Leases Outstanding (1)
Allowance for loan and lease losses						
Residential mortgage	**$ 6,141**	**19.06%**	**2.39%**	$ 5,935	17.57%	2.26%
Home equity	**12,701**	**39.43**	**10.48**	13,094	38.76	10.50
Discontinued real estate	**2,131**	**6.62**	**20.39**	2,050	6.07	18.48
U.S. credit card	**5,680**	**17.63**	**5.89**	6,322	18.71	6.18
Non-U.S. credit card	**828**	**2.57**	**5.95**	946	2.80	6.56
Direct/Indirect consumer	**1,001**	**3.11**	**1.16**	1,153	3.41	1.29
Other consumer	**155**	**0.48**	**5.96**	148	0.44	5.50
Total consumer	**28,637**	**88.90**	**4.88**	29,648	87.76	4.88
U.S. commercial (2)	**2,098**	**6.51**	**1.08**	2,441	7.23	1.26
Commercial real estate	**1,166**	**3.62**	**3.06**	1,349	3.99	3.41
Commercial lease financing	**79**	**0.25**	**0.37**	92	0.27	0.42
Non-U.S. commercial	**231**	**0.72**	**0.44**	253	0.75	0.46
Total commercial (3)	**3,574**	**11.10**	**1.17**	4,135	12.24	1.33
Allowance for loan and lease losses	**32,211**	**100.00%**	**3.61**	33,783	100.00%	3.68
Reserve for unfunded lending commitments	**651**			714		
Allowance for credit losses (4)	**$ 32,862**			$ 34,497		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $881 million and $906 million and discontinued real estate loans of $1.3 billion and $1.3 billion at March 31, 2012 and December 31, 2011. Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.2 billion and $2.2 billion and non-U.S. commercial loans of $4.8 billion and $4.4 billion at March 31, 2012 and December 31, 2011.

(2) Includes allowance for U.S. small business commercial loans of $811 million and $893 million at March 31, 2012 and December 31, 2011.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $465 million and $545 million at March 31, 2012 and December 31, 2011.

(4) Includes $8.9 billion and $8.5 billion of valuation allowance presented with the allowance for credit losses related to PCI loans at March 31, 2012 and December 31, 2011.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of probability of default and LGD. Due to the nature of unfunded commitments, the estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation's historical experience are applied to the unfunded commitments to estimate the funded exposure at default (EAD). The expected loss for unfunded lending commitments is the product of the probability of default, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent imprecision in models.

The reserve for unfunded lending commitments at March 31, 2012 was $651 million, $63 million lower than December 31, 2011 driven by improved credit quality in the unfunded portfolio and accretion of purchase accounting adjustments on acquired Merrill Lynch unfunded positions.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, the ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation. For additional information on our market risk management process, see pages 112 through 119 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

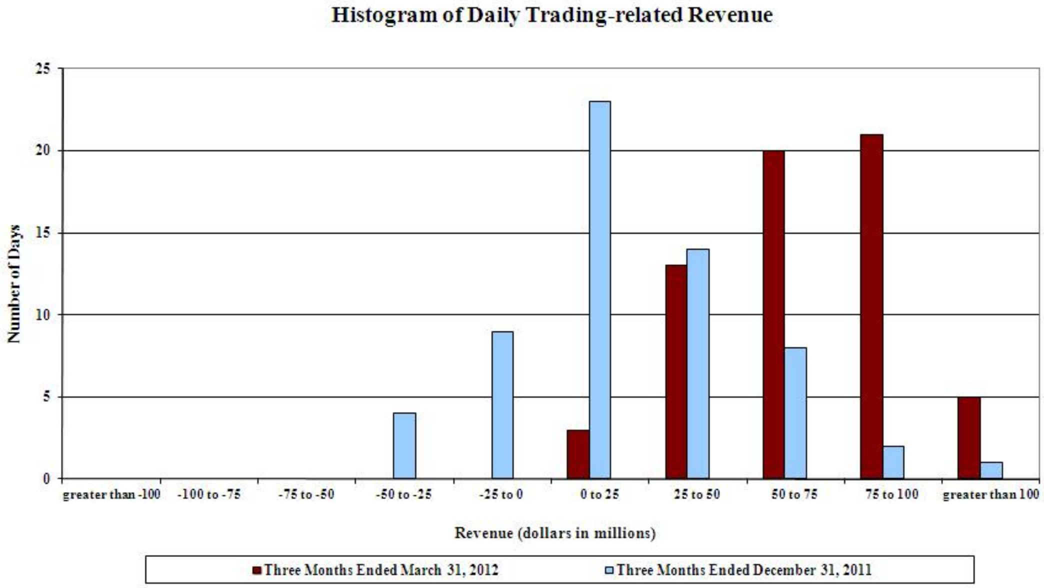
Trading Risk Management

Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 15 – Fair Value Measurements* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Also, trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The Global Markets Risk Committee (GMRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary governance authority for global markets risk management including trading risk management. The GMRC’s focus is to take a forward-looking view of the primary credit and market risks impacting *Global Markets* and prioritize those that need a proactive risk mitigation strategy. Market risks that impact businesses outside of*Global Markets* are monitored and governed by their respective governance authorities.

The GMRC monitors significant daily revenues and losses by business and the primary drivers of the revenues or losses. Thresholds are in place for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is provided to the GMRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses that exceed what is considered to be normal daily income statement volatility.

The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the three months ended March 31, 2012 compared to the three months ended December 31, 2011. During the three months ended March 31, 2012, positive trading-related revenue was recorded for 100 percent (62 days) of the trading days of which 95 percent (59 days) were daily trading gains of over $25 million. These results can be compared to the three months ended December 31, 2011, where positive trading-related revenue was recorded for 79 percent (48 days) of the trading days of which 41 percent (25 days) were daily trading gains of over $25 million, seven percent (four days) of the trading days had losses greater than $25 million and the largest loss was $37 million.



To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. VaR is a key statistic used to measure market risk. In order to manage day-to-day risks, VaR is subject to trading limits both for our overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VaR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VaR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VaR model, there are significant and numerous assumptions that will differ from company to company. In addition, the accuracy of a VaR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have extensive historical price data or for illiquid positions for which accurate daily prices are not consistently available.

A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are, however, many limitations inherent in a VaR model as it utilizes historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VaR model. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a weekly basis and regularly review the assumptions underlying the model. Our VaR model utilizes three years of historical data. This time period was chosen to ensure that the VaR reflects both a broad range of market movements as well as being sensitive to recent changes in market volatility.

We continually review, evaluate and enhance our VaR model so that it reflects the material risks in our trading portfolio. Nevertheless, due to the limitations previously discussed, we have historically used the VaR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to varying degrees.

The accuracy of the VaR methodology is reviewed by backtesting which compares the VaR results from historical data against the actual daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GMRC. Backtesting excesses occur when trading losses exceed VaR. Senior management reviews and evaluates the results of these tests. In periods of market stress, the GMRC members communicate daily to discuss losses and VaR limit excesses. As a result of this process, the businesses may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

Our VaR model uses a historical simulation approach based on three years of historical data and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VaR, on average, one out of 100 trading days, or two to three times each year. The number of actual backtesting excesses observed is dependent on current market performance relative to historic market volatility. Actual losses did not exceed daily trading VaR in the twelve months ended March 31, 2012 or the twelve months ended March 31, 2011. The graph below shows daily trading-related revenue and VaR for the twelve months ended March 31, 2012.

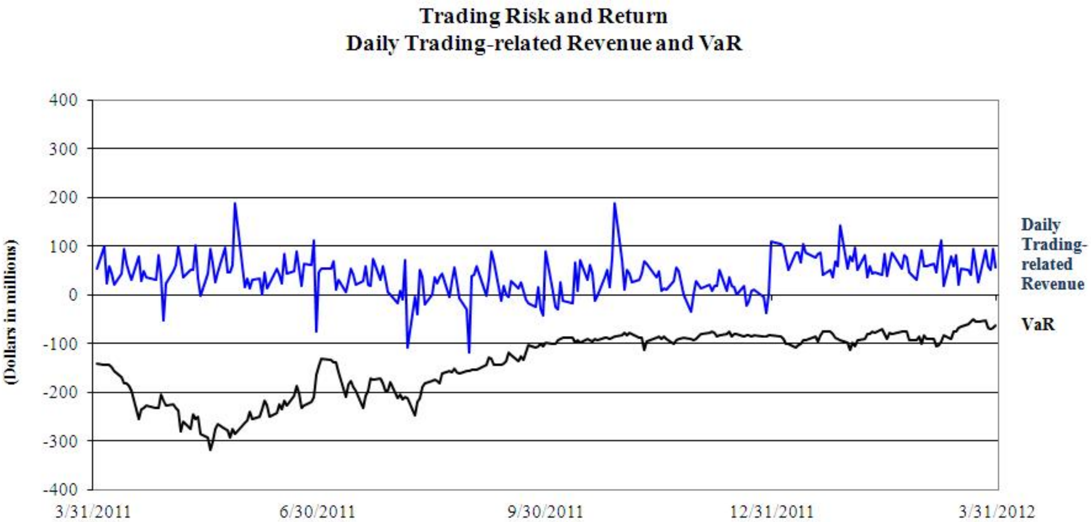


Table 58 presents average, high and low daily trading VaR for the three months ended March 31, 2012, December 31, 2011 and March 31, 2011.

Table 58
Trading Activities Market Risk VaR

	Three Months Ended March 31, 2012			Three Months Ended December 31, 2011			Three Months Ended March 31, 2011		
(Dollars in millions)	**Average**	**High [(1)]**	**Low [(1)]**	Average	High [(1)]	Low [(1)]	Average	High [(1)]	Low [(1)]
Foreign exchange	**$ 19.0**	**$ 24.4**	**$ 11.5**	$ 18.6	$ 31.4	$ 11.8	$ 28.7	$ 48.6	$ 13.2
Interest rate	**49.5**	**75.3**	**32.5**	35.7	46.4	29.2	48.7	73.1	33.2
Credit	**50.3**	**66.7**	**35.9**	69.5	87.1	54.8	138.3	154.4	120.7
Real estate/mortgage	**36.9**	**45.0**	**31.2**	47.8	61.1	31.5	93.7	139.5	73.9
Equities	**40.7**	**54.8**	**28.6**	36.8	51.1	26.7	50.1	82.8	25.1
Commodities	**13.1**	**16.6**	**8.4**	12.1	16.1	8.4	23.9	29.5	17.9
Portfolio diversification	**(125.4)**	**—**	**—**	(132.1)	—	—	(199.5)	—	—
Total market-based trading portfolio	**$ 84.1**	**$ 114.5**	**$ 50.1**	$ 88.4	$ 114.0	$ 75.0	$ 183.9	$ 260.5	$ 140.3

(1) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

The $4 million decrease in average VaR for the three months ended March 31, 2012 compared to December 31, 2011 was primarily due to continued reduction in risk during the period. This was driven primarily by decreases in credit and real estate where average VaR decreased $19 million and $11 million, partially offset by an increase in interest rate VaR of $14 million.

Counterparty credit risk is an adjustment to the mark-to-market value of our derivative exposures to reflect the impact of the credit quality of counterparties on our derivative assets. Since counterparty credit exposure is not included in the VaR component of the regulatory capital allocation, we do not include it in our trading VaR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram or used for backtesting.

Trading Portfolio Stress Testing

Because the very nature of a VaR model suggests results can exceed our estimates, and is dependent on a limited lookback window, we also "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes that occurred during a set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe point during a crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from pre-defined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate VaR. As with the historical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with enterprise-wide stress testing and incorporated into the limits framework. A process has been in place to promote consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 60.

Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading balance sheet. Interest rate risk is measured as the potential volatility in our core net interest income caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of core net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The core net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing and maturity characteristics, but do not include the impact of hedge ineffectiveness. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income and capital.

The spot and 12-month forward monthly rates used in our baseline forecasts atMarch 31, 2012 and December 31, 2011 are presented in Table 59.

Table 59
Forward Rates

	March 31, 2012			December 31, 2011		
	Federal Funds	**Three-month LIBOR**	**10-Year Swap**	Federal Funds	Three-month LIBOR	10-Year Swap
Spot rates	**0.25%**	**0.47%**	**2.29%**	0.25%	0.58%	2.03%
12-month forward rates	**0.25**	**0.55**	**2.62**	0.25	0.75	2.29

Table 60 shows the pre-tax dollar impact to forecasted core net interest income over the next twelve months from March 31, 2012 and December 31, 2011, resulting from instantaneous parallel and non-parallel shocks to the market-based forward curve. Periodically we evaluate the scenarios presented to ensure that they provide a comprehensive view of our interest rate risk exposure and are meaningful in the context of the current rate environment. Given the potential volatility in long end rates and our sensitivity to those rates, we have replaced gradual shocks previously reported with instantaneous shocks. For further discussion of core net interest income, see page 21.

Table 60

Estimated Core Net Interest Income

(Dollars in millions) Curve Change	Short Rate (bps)	Long Rate (bps)	**March 31 2012**	December 31 2011
+100 bps instantaneous parallel shift	+100	+100	**$ 2,780**	$ 2,883
-50 bps instantaneous parallel shift	-50	-50	**(1,486)**	(1,795)
Flatteners				
Short end instantaneous change	+100	—	**1,216**	979
Long end instantaneous change	—	-50	**(1,216)**	(1,319)
Steepeners				
Short end instantaneous change	-50	—	**(270)**	(464)
Long end instantaneous change	—	+100	**1,580**	1,935

The sensitivity analysis in Table 60 assumes that we take no action in response to these rate shocks. Our core net interest income was asset sensitive to a parallel move in interest rates at both March 31, 2012 and December 31, 2011. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity. An increase in long end rates contributed to the decrease in asset sensitivity between March 31, 2012 and December 31, 2011.

Securities

The securities portfolio is an integral part of our ALM positioning and is primarily comprised of debt securities including MBS and to a lesser extent U.S. Treasury, corporate, municipal and other debt securities. At March 31, 2012 and December 31, 2011, we held AFS debt securities of $297.0 billion and $276.2 billion. During the three months ended March 31, 2012 and 2011, we purchased AFS debt securities of $66.9 billion and $23.5 billion, sold $25.8 billion and $10.9 billion, and had maturities and received paydowns of $15.8 billion and $17.7 billion. We realized $752 million and $546 million in net gains on sales of debt securities during the three months ended March 31, 2012 and 2011. At March 31, 2012 and December 31, 2011, we held $34.2 billion and $35.3 billion of held-to-maturity securities. The decrease of $1.1 billion in held-to-maturity securities was primarily due to paydowns.

Accumulated OCI primarily included after-tax net unrealized gains of $2.2 billion on AFS debt securities at March 31, 2012 and $7.5 billion on AFS marketable equity securities at March 31, 2011. For additional information on accumulated OCI, see *Note 12 – Accumulated Other Comprehensive Income (Loss)* to the Consolidated Financial Statements. The amount of pre-tax net unrealized gains on AFS debt securities decreased by $1.5 billion during the three months ended March 31, 2012 to $3.5 billion primarily due to sales and increased interest rates. For additional information on our securities portfolio, see *Note 4 – Securities* to the Consolidated Financial Statements.

We recognized $40 million of other-than-temporary impairment (OTTI) losses in earnings on AFS debt securities in the three months ended March 31, 2012 compared to $88 million for the same period in the prior year. The recognition of OTTI losses on AFS debt and marketable equity securities is based on a variety of factors, including the length of time and extent to which the market value has been less than amortized cost, the financial condition of the issuer of the security including credit ratings and any specific events affecting the operations of the issuer, underlying assets that collateralize the debt security, other industry and macroeconomic conditions, and our intent and ability to hold the security to recovery.

Residential Mortgage Portfolio

At March 31, 2012 and December 31, 2011, our residential mortgage portfolio was $256.4 billion and $262.3 billion which excludes $881 million and $906 million in residential mortgage loans accounted for under the fair value option. For more information on consumer fair value option loans, see Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 81. Outstanding residential mortgage loans decreased $5.9 billion at March 31, 2012 compared to December 31, 2011 as new origination volume was more than offset by paydowns, charge-offs and transfers to foreclosed properties.

During the three months ended March 31, 2012 and 2011, we retained $8.3 billion and $10.8 billion in first-lien mortgages originated by *CRES* and *GWIM*. We received paydowns of $12.5 billion and $11.8 billion in the three months ended March 31, 2012 and 2011. There were no loans securitized during the three months ended March 31, 2012 and 2011 which we retained. There were no purchases of residential mortgages related to ALM activities during the three months ended March 31, 2012 compared to $72 million for the same period in 2011. We sold $19 million and $23 million of residential mortgages during the three months ended March 31, 2012 and 2011, all of which consisted of originated residential mortgages. Net gains on these transactions were minimal.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see *Note 3 – Derivatives* to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps, foreign currency forward contracts and options to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities.

Changes to the composition of our derivatives portfolio during the three months ended March 31, 2012 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based upon the current assessment of economic and financial conditions including the interest rate and foreign currency environments, balance sheet composition and trends, and the relative mix of our cash and derivative positions.

Table 61 presents derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments and shows the notional amount, fair value, weighted-average receive-fixed and pay-fixed rates, expected maturity and estimated duration of our open ALM derivatives at March 31, 2012 and December 31, 2011. These amounts do not include derivative hedges on our MSRs.

Table 61

Asset and Liability Management Interest Rate and Foreign Exchange Contracts

		March 31, 2012							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	**Fair Value**	**Total**	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Average Estimated Duration**
Receive-fixed interest rate swaps [1, 2]	**$ 12,535**								**5.75**
Notional amount		**$ 109,451**	**$ 21,722**	**$ 8,144**	**$ 7,604**	**$ 10,719**	**$ 11,465**	**$ 49,797**	
Weighted-average fixed-rate		**4.00 %**	**2.55 %**	**3.70 %**	**3.79 %**	**3.98 %**	**3.96 %**	**4.73 %**	
Pay-fixed interest rate swaps [1, 2]	**(9,515)**								**11.80**
Notional amount		**$ 71,558**	**$ 1,004**	**$ 1,487**	**$ 1,680**	**$ 15,026**	**$ 2,212**	**$ 50,149**	
Weighted-average fixed-rate		**3.27 %**	**1.36 %**	**2.66 %**	**1.76 %**	**2.35 %**	**2.39 %**	**3.69 %**	
Same-currency basis swaps [3]	**83**								
Notional amount		**$ 238,986**	**$ 37,030**	**$ 52,150**	**$ 51,468**	**$ 28,519**	**$ 18,568**	**$ 51,251**	
Foreign exchange basis swaps [2, 4, 5]	**2,678**								
Notional amount		**203,799**	**36,133**	**32,433**	**43,900**	**21,766**	**15,571**	**53,996**	
Option products [6]	**(1,728)**								
Notional amount [7]		**9,054**	**250**	**2,950**	**600**	**300**	**400**	**4,554**	
Foreign exchange contracts [2, 5, 8]	**4,028**								
Notional amount [7]		**63,661**	**27,251**	**7,159**	**10,114**	**2,073**	**2,685**	**14,379**	
Futures and forward rate contracts	**28**								
Notional amount [7]		**10,788**	**10,788**	**—**	**—**	**—**	**—**	**—**	
Net ALM contracts	**$ 8,109**								

		December 31, 2011							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2012	2013	2014	2015	2016	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps [1, 2]	$ 13,989								5.99
Notional amount		$ 105,938	$ 22,422	$ 8,144	$ 7,604	$ 10,774	$ 11,660	$ 45,334	
Weighted-average fixed-rate		4.09 %	2.65 %	3.70 %	3.79 %	4.01 %	3.96 %	4.98 %	
Pay-fixed interest rate swaps [1, 2]	(13,561)								12.17
Notional amount		$ 77,985	$ 2,150	$ 1,496	$ 1,750	$ 15,026	$ 8,951	$ 48,612	
Weighted-average fixed-rate		3.29 %	1.45 %	2.68 %	1.80 %	2.35 %	3.13 %	3.76 %	
Same-currency basis swaps [3]	61								
Notional amount		$ 222,641	$ 44,898	$ 83,248	$ 35,678	$ 14,134	$ 17,113	$ 27,570	
Foreign exchange basis swaps [2, 4, 5]	3,409								
Notional amount		262,428	60,359	49,161	55,111	20,401	43,360	34,036	
Option products [6]	(1,875)								
Notional amount [7]		10,413	1,500	2,950	600	300	458	4,605	
Foreign exchange contracts [2, 5, 8]	2,522								
Notional amount [7]		52,328	20,470	3,556	10,165	2,071	2,603	13,463	
Futures and forward rate contracts	153								
Notional amount [7]		12,160	12,160	—	—	—	—	—	
Net ALM contracts	$ 4,698								

(1) At March 31, 2012 and December 31, 2011, the receive-fixed interest rate swap notional amounts that represented forward starting swaps and which will not be effective until their respective contractual start dates totaled $263 million and $1.7 billion. The forward starting pay-fixed swap positions at March 31, 2012 and December 31, 2011 were $8.5 billion and $8.8 billion.

(2) Does not include basis adjustments on either fixed-rate debt issued by the Corporation or AFS debt securities which are hedged using derivatives designated as fair value hedging instruments that substantially offset the fair values of these derivatives.

(3) At March 31, 2012 and December 31, 2011, the notional amount of same-currency basis swaps consisted of $239.0 billion and $222.6 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency.

(4) Foreign exchange basis swaps consisted of cross-currency variable interest rate swaps used separately or in conjunction with receive-fixed interest rate swaps.

(5) Does not include foreign currency translation adjustments on certain non-U.S. debt issued by the Corporation that substantially offset the fair values of these derivatives.

(6) The notional amount of option products of $9.1 billion at March 31, 2012 were comprised of $17 million in purchased caps/floors and $9.0 billion in swaptions. Option products of $10.4 billion at December 31, 2011 were comprised of $30 million in purchased caps/floors and $10.4 billion in swaptions.

(7) Reflects the net of long and short positions.

(8) The notional amount of foreign exchange contracts of $63.7 billion at March 31, 2012 was comprised of $38.3 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $0 in foreign currency-denominated pay-fixed swaps, and $25.4 billion in net foreign currency forward rate contracts. Foreign exchange contracts of $52.3 billion at December 31, 2011 were comprised of $40.6 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $647 million in foreign currency-denominated pay-fixed swaps and $12.4 billion in net foreign currency forward rate contracts.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities and other forecasted transactions (collectively referred to as cash flow hedges). The net losses on both open and terminated derivative instruments recorded in accumulated OCI, net-of-tax, were $3.4 billion and $3.8 billion at March 31, 2012 and December 31, 2011. These net losses are expected to be reclassified into earnings in the same period as the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes in prices or interest rates beyond what is implied in forward yield curves at March 31, 2012, the pre-tax net losses are expected to be reclassified into earnings as follows: $1.3 billion, or 25 percent, within the next year, 55 percent in years two through five, and 13 percent in years six through ten, with the remaining seven percent thereafter. For more information on derivatives designated as cash flow hedges, see *Note 3 – Derivatives* to the Consolidated Financial Statements.

We hedge our net investment in non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in less than 180 days, cross-currency basis swaps, foreign exchange options and foreign currency-denominated debt. We recorded after-tax losses on derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which were offset by gains on our net investments in consolidated non-U.S. entities at March 31, 2012.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be HFI or held-for-sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate risk and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn, affects total origination and service fee income. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and a decrease in the value of the MSRs driven by higher prepayment expectations. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At March 31, 2012 and December 31, 2011, the notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was $32.3 billion and $14.7 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures, as well as MBS and U.S. Treasuries as economic hedges of MSRs. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs were $2.6 trillion and $48.2 billion at March 31, 2012 and $2.6 trillion and $46.3 billion at December 31, 2011. For the three months ended March 31, 2012, we recorded losses in mortgage banking income of $458 million related to the change in fair value of these economic hedges compared to losses of $244 million for the same period in the prior year. For additional information on MSRs, see *Note 18 – Mortgage Servicing Rights* to the Consolidated Financial Statements and for more information on mortgage banking income, see *CRES* on page 30.

Compliance Risk Management

Compliance risk arises from the failure to adhere to laws, rules, regulations, and internal policies and procedures. Compliance risk can expose the Corporation to reputational risks as well as fines, civil money penalties or payment of damages and can lead to diminished business opportunities and diminished ability to expand key operations. Compliance is at the core of the Corporation's culture and is a key component of risk management discipline.

The Global Compliance organization is responsible for driving a culture of compliance; establishing compliance program standards and policies; executing, monitoring and testing of business controls; performing risk assessments on the businesses' adherence to laws, rules and standards as well as effectiveness of business controls; delivering compliance risk reporting; and ensuring the identification, escalation and timely mitigation of emerging and existing compliance risks. Global Compliance is also responsible for facilitating processes to effectively manage and influence the dynamic regulatory environment and build constructive relationships with regulators.

The Board provides oversight of compliance risks through its Audit Committee.

Operational Risk Management

The Corporation defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may occur anywhere in the Corporation, not solely in operations functions, and its effects may extend beyond financial losses. Operational risk includes legal risk. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Global banking guidelines and country-specific requirements for managing operational risk were established in Basel II which requires that the Corporation has internal operational risk management processes to assess and measure operational risk exposure and to set aside appropriate capital to address those exposures.

We approach operational risk management from two perspectives to best manage operational risk within the structure of the Corporation: (1) at the enterprise level to provide independent, integrated management of operational risk across the organization, and (2) at the line of business and enterprise control function levels to address operational risk in revenue producing and non-revenue producing units. A sound internal governance structure enhances the effectiveness of the Corporation's Operational Risk Management Program and is accomplished at the enterprise level through formal oversight by the Board, the Chief Risk Officer and a variety of management committees and risk oversight groups aligned to the Corporation's overall risk governance framework and practices. Of these, the Compliance and Operational Risk Committee (CORC) oversees and approves the Corporation's policies and processes for sound operational management. The CORC also serves as an escalation point for critical operational risk matters within the Corporation. The CORC reports operational risk activities to the Enterprise Risk Committee of the Board.

Within the Global Risk Management organization, the Corporate Operational Risk team develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization and reports results to the businesses, enterprise control functions, senior management, governance committees and the Board.

The business and enterprise control functions are responsible for all the risks within the business line, including operational risks. In addition to enterprise risk management tools such as loss reporting, scenario analysis, and risk and control self assessments, operational risk executives, working in conjunction with senior business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each business and enterprise control function.

Independent review and challenge to the Corporation's overall operational risk management framework is performed by the Corporate Operational Risk Validation Team.

For more information on our operational risk management activities, see page119 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Complex Accounting Estimates

Our significant accounting principles, as described in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, are essential in understanding the Management's Discussion and Analysis of Financial Condition and Results of Operations. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates impacting results for the three months ended March 31, 2012 are summarized in the following discussion. We have identified and described the development of the variables most important in the estimation processes that involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact our results of operations. Separate from the possible future impact to our results of operations from input and model variables, the value of our lending portfolio and market-sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

For additional information, see Complex Accounting Estimates on page 120 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K

Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include certain loans, MBS, ABS, CDOs and structured liabilities, as well as highly structured, complex or long-dated derivative contracts, private equity investments and consumer MSRs. The fair value of these Level 3 financial assets and liabilities is determined using pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value requires significant management judgment or estimation.

Table 62
Level 3 Asset and Liability Summary

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Level 3 Fair Value**	**As a % of Total Level 3 Assets**	**As a % of Total Assets**	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets
Trading account assets	**$ 11,084**	**24.40%**	**0.51%**	$ 11,455	22.21%	0.54%
Derivative assets	**11,315**	**24.91**	**0.52**	14,366	27.85	0.67
AFS debt securities	**6,301**	**13.87**	**0.29**	8,012	15.53	0.38
All other Level 3 assets at fair value	**16,720**	**36.82**	**0.76**	17,744	34.41	0.83
Total Level 3 assets at fair value (1)	**$ 45,420**	**100.00%**	**2.08%**	$ 51,577	100.00%	2.42%
	Level 3 Fair Value	**As a % of Total Level 3 Liabilities**	**As a % of Total Liabilities**	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities
Derivative liabilities	**$ 7,128**	**73.07%**	**0.37%**	$ 8,500	73.46%	0.45%
Long-term debt	**2,500**	**25.63**	**0.13**	2,943	25.43	0.15
All other Level 3 liabilities at fair value	**127**	**1.30**	**—**	128	1.11	0.01
Total Level 3 liabilities at fair value (1)	**$ 9,755**	**100.00%**	**0.50%**	$ 11,571	100.00%	0.61%

(1) Level 3 total assets and liabilities are shown before the impact of counterparty netting related to our derivative positions.

During the three months ended March 31, 2012, we recognized net gains of $74 million on Level 3 assets and liabilities, the more significant components of which were gains on trading account assets and MSRs, as well as loans and LHFS accounted for under the fair value option, offset by losses on net derivative assets and long-term debt. Gains on trading account assets were primarily driven by favorable mark-to-market movement on corporate securities and mortgages. Unrealized gains on MSRs were primarily driven by higher forecasted mortgage rates, which resulted in lower forecasted prepayment speeds during the quarter. Unrealized gains on consumer loans and LHFS related to lower discount rates used to price the loans as a result of the lower rate environment and favorable mark-to-market movement on loans held in consolidated VIEs. Unrealized net losses on net derivative assets were the result of tightening of spreads with counterparties. Unrealized losses on long-term debt related to mark-to-market movement on equity-linked structured notes. There were net unrealized gains of $54 million in accumulated OCI on Level 3 assets and liabilities at March 31, 2012. For additional information on the components of net realized and unrealized gains during three months ended March 31, 2012, see *Note 15 – Fair Value Measurements* to the Consolidated Financial Statements.

Level 3 financial instruments, such as our consumer MSRs, may be economically hedged with derivatives classified as Level 1 or 2; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The Level 3 gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

We conduct a review of our fair value hierarchy classifications on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For additional information on the significant transfers into and out of Level 3 during three months ended March 31, 2012, see *Note 15 – Fair Value Measurements* to the Consolidated Financial Statements.

Representations and Warranties

The methodology used to estimate the liability for obligations under representations and warranties related to transfers of residential mortgage loans is a function of the representations and warranties given and considers a variety of factors. Depending upon the counterparty, these factors include actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that we will receive a repurchase request, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that we will be required to repurchase a loan. It also considers other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of counterparty, as appropriate. The estimate of the liability for obligations under representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of our liability.

The provision for representations and warranties may vary significantly each period as the methodology used to estimate the expense continues to be refined based on the level and type of repurchase requests presented, defects identified, the latest experience gained on repurchase requests and other relevant facts and circumstances. The estimated range of possible loss related to non-GSE representations and warranties exposure has been disclosed. For the GSE claims where we have established a representations and warranties liability as discussed in *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements, an assumed simultaneous increase or decrease of 10 percent in estimated future defaults, loss severity and the net repurchase rate would result in an increase of approximately $850 million or decrease of approximately $750 million in the representations and warranties liability as of March 31, 2012. These sensitivities are hypothetical and are intended to provide an indication of the impact of a significant change in these key assumptions on the representations and warranties liability. In reality, changes in one assumption may result in changes in other assumptions, which may or may not counteract the sensitivity.

For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44, as well as *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements herein and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Glossary

Alt-A Mortgage – A type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime," and less risky than "subprime," the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Assets in Custody – Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for clients. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) – The total market value of assets under the investment advisory and discretion of*GWIM* which generate asset management fees based on a percentage of the assets' market values. AUM reflects assets that are generally managed for institutional, high net-worth and retail clients, and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts.

Carrying Value (with respect to loans) – The amount at which a loan is recorded on the balance sheet. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held-for-sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For loans for which we have elected the fair value option, the carrying value is fair value.

Client Brokerage Assets – Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Committed Credit Exposure – Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Core Net Interest Income– Net interest income on a FTE basis excluding the impact of market-based activities.

Credit Derivatives – Contractual agreements that provide protection against a credit event on one or more referenced obligations. The nature of a credit event is established by the protection purchaser and protection seller at the inception of the transaction, and such events generally include bankruptcy or insolvency of the referenced credit entity, failure to meet payment obligations when due, as well as acceleration of indebtedness and payment repudiation or moratorium. The purchaser of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event. A credit default swap is a type of a credit derivative.

Interest Rate Lock Commitment (IRLC) – Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Letter of Credit – A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer's credit for that of the customer.

Loan-to-value (LTV) – A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. Estimated property values are primarily determined by utilizing the Case-Schiller Home Index, a widely used index based on data from repeat sales of single family homes. Case-Schiller indices are updated quarterly and are reported on a three-month or one-quarter lag. An additional metric related to LTV is **combined loan-to-value (CLTV)** which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Under certain circumstances, estimated values can also be determined by utilizing an automated valuation method (AVM) or Mortgage Risk Assessment Corporation (MRAC) index. An AVM is a tool that estimates the value of a property by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. The MRAC index is similar to the Case-Schiller Home Index in that it is an index that is based on data from repeat sales of single family homes and is reported on a lag.

Mortgage Servicing Right (MSR) – The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

Net Interest Yield – Net interest income divided by average total interest-earning assets.

Nonperforming Loans and Leases – Includes loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (TDRs). Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming loans and leases. Consumer credit card loans, business card loans, consumer loans not secured by real estate, and consumer loans secured by real estate, which include loans insured by the FHA and individually insured long-term credit protection agreements with FNMA and FHLMC (fully-insured loan portfolio), are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.

Purchased Credit-impaired (PCI) Loan – A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are recorded at fair value upon acquisition.

Subprime Loans – Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores, high debt to income ratios and inferior payment history.

Super Senior CDO Exposure – Represents the most senior class of commercial paper or notes that are issued by CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by CDO vehicles.

Tier 1 Common Capital – Tier 1 capital less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries.

Troubled Debt Restructurings (TDRs) – Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Certain consumer loans for which a binding offer to restructure has been extended are also classified as TDRs. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. TDRs are generally reported as nonperforming loans and leases while on nonaccrual status. Nonperforming TDRs may be returned to accrual status when, among other criteria, payment in full of all amounts due under the restructured terms is expected and the borrower has demonstrated a sustained period of repayment performance, typically six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.

Value-at-Risk (VaR) – VaR represents the worst loss a portfolio is expected to experience based on historical trends with a given level of confidence, and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios and is a key statistic used to measure and manage market risk.

Acronyms

ABS	Asset-backed securities
AFS	Available-for-sale
ALM	Asset and liability management
ALMRC	Asset Liability Market Risk Committee
ARM	Adjustable-rate mortgage
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities
CORC	Compliance and Operational Risk Committee
CRA	Community Reinvestment Act
CRC	Credit Risk Committee
DVA	Debit valuation adjustment
EAD	Exposure at default
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLMC	Freddie Mac
FICC	Fixed income, currencies and commodities
FICO	Fair Isaac Corporation (credit score)
FNMA	Fannie Mae
FTE	Fully taxable-equivalent
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
GMRC	Global Markets Risk Committee
GSE	Government-sponsored enterprise
HFI	Held-for-investment
HPI	Home Price Index
HUD	U.S. Department of Housing and Urban Development
IPO	Initial public offering
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
MBS	Mortgage-backed securities
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MI	Mortgage insurance
MSA	Metropolitan statistical area
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PPI	Payment protection insurance
RMBS	Residential mortgage-backed securities
ROTE	Return on average tangible shareholders’ equity
SBLCs	Standby letters of credit
SEC	Securities and Exchange Commission
TLGP	Temporary Liquidity Guarantee Program
VA	U.S. Department of Veterans Affairs

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Market Risk Management on page 105 in the MD&A and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (Exchange Act), the Corporation’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation’s disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Corporation’s Chief Executive Officer and Chief Financial Officer concluded that the Corporation’s disclosure controls and procedures were effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Changes in Internal Controls

There have been no changes in the Corporation’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended March 31, 2012 that have materially affected or are reasonably likely to materially affect the Corporation’s internal control over financial reporting.

Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Bank of America Corporation and Subsidiaries
Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended March 31 2012	2011
Interest income		
Loans and leases	**$ 10,173**	$ 11,929
Debt securities	**2,725**	2,882
Federal funds sold and securities borrowed or purchased under agreements to resell	**460**	517
Trading account assets	**1,352**	1,626
Other interest income	**751**	968
Total interest income	**15,461**	17,922
Interest expense		
Deposits	**549**	839
Short-term borrowings	**881**	1,184
Trading account liabilities	**477**	627
Long-term debt	**2,708**	3,093
Total interest expense	**4,615**	5,743
Net interest income	**10,846**	12,179
Noninterest income		
Card income	**1,457**	1,828
Service charges	**1,912**	2,032
Investment and brokerage services	**2,876**	3,101
Investment banking income	**1,217**	1,578
Equity investment income	**765**	1,475
Trading account profits	**2,075**	2,722
Mortgage banking income	**1,612**	630
Insurance income (loss)	**(60)**	613
Gains on sales of debt securities	**752**	546
Other income (loss)	**(1,134)**	261
Other-than-temporary impairment losses on available-for-sale debt securities:		
Total other-than-temporary impairment losses	**(51)**	(111)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	**11**	23
Net impairment losses recognized in earnings on available-for-sale debt securities	**(40)**	(88)
Total noninterest income	**11,432**	14,698
Total revenue, net of interest expense	**22,278**	26,877
Provision for credit losses	**2,418**	3,814
Noninterest expense		
Personnel	**10,188**	10,168
Occupancy	**1,142**	1,189
Equipment	**611**	606
Marketing	**465**	564
Professional fees	**783**	646
Amortization of intangibles	**319**	385
Data processing	**856**	695
Telecommunications	**400**	371
Other general operating	**4,377**	5,457
Merger and restructuring charges	**—**	202
Total noninterest expense	**19,141**	20,283
Income before income taxes	**719**	2,780
Income tax expense	**66**	731
Net income	**$ 653**	$ 2,049
Preferred stock dividends	**325**	310
Net income applicable to common shareholders	**$ 328**	$ 1,739
Per common share information		
Earnings	**$ 0.03**	$ 0.17

Diluted earnings	**0.03**	0.17
Dividends paid	**0.01**	0.01
Average common shares issued and outstanding (in thousands)	**10,651,367**	10,075,875
Average diluted common shares issued and outstanding (in thousands)	**10,761,917**	10,181,351

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

(Dollars in millions)	Three Months Ended March 31 2012	2011
Net income	**$ 653**	$ 2,049
Other comprehensive income, net-of-tax:		
Net change in available-for-sale debt and marketable equity securities	**(924)**	161
Net change in derivatives	**382**	266
Employee benefit plan adjustments	**952**	75
Net change in foreign currency translation adjustments	**31**	27
Other comprehensive income	**441**	529
Comprehensive income	**$ 1,094**	$ 2,578

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)		**March 31 2012**		December 31 2011
Assets				
Cash and cash equivalents	**$**	**128,792**	$	120,102
Time deposits placed and other short-term investments		**20,479**		26,004
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$95,003** and $87,453 measured at fair value)		**225,784**		211,183
Trading account assets (includes **$100,543** and $80,130 pledged as collateral)		**209,775**		169,319
Derivative assets		**59,051**		73,023
Debt securities:				
Available-for-sale (includes **$62,781** and $69,021 pledged as collateral)		**297,040**		276,151
Held-to-maturity, at cost (fair value - **$34,440** and $35,442; **$20,811** and $24,009 pledged as collateral)		**34,205**		35,265
Total debt securities		**331,245**		311,416
Loans and leases (includes **$9,192** and $8,804 measured at fair value and **$61,761** and $73,463 pledged as collateral)		**902,294**		926,200
Allowance for loan and lease losses		**(32,211)**		(33,783)
Loans and leases, net of allowance		**870,083**		892,417
Premises and equipment, net		**13,104**		13,637
Mortgage servicing rights (includes **$7,589** and $7,378 measured at fair value)		**7,723**		7,510
Goodwill		**69,976**		69,967
Intangible assets		**7,696**		8,021
Loans held-for-sale (includes **$7,558** and $7,630 measured at fair value)		**12,973**		13,762
Customer and other receivables		**74,358**		66,999
Other assets (includes **$35,671** and $37,084 measured at fair value)		**150,410**		145,686
Total assets	**$**	**2,181,449**	$	2,129,046

Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)				
Trading account assets	**$**	**8,920**	$	8,595
Derivative assets		**1,109**		1,634
Loans and leases		**133,742**		140,194
Allowance for loan and lease losses		**(4,509)**		(5,066)
Loans and leases, net of allowance		**129,233**		135,128
Loans held-for-sale		**1,577**		1,635
All other assets		**3,118**		4,769
Total assets of consolidated VIEs	**$**	**143,957**	$	151,761

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet (continued)

(Dollars in millions)		March 31 2012		December 31 2011
Liabilities				
Deposits in U.S. offices:				
Noninterest-bearing	**$**	**338,215**	$	332,228
Interest-bearing (includes **$3,191** and $3,297 measured at fair value)		**630,822**		624,814
Deposits in non-U.S. offices:				
Noninterest-bearing		**7,240**		6,839
Interest-bearing		**65,034**		69,160
Total deposits		**1,041,311**		1,033,041
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$54,434** and $34,235 measured at fair value)		**258,491**		214,864
Trading account liabilities		**70,414**		60,508
Derivative liabilities		**49,172**		59,520
Commercial paper and other short-term borrowings (includes **$6,395** and $6,558 measured at fair value)		**39,254**		35,698
Accrued expenses and other liabilities (includes **$18,459** and $15,743 measured at fair value and **$651** and $714 of reserve for unfunded lending commitments)		**135,396**		123,049
Long-term debt (includes **$51,037** and $46,239 measured at fair value)		**354,912**		372,265
Total liabilities		**1,948,950**		1,898,945
Commitments and contingencies (*Note 7 – Securitizations and Other Variable Interest Entities, Note 8 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 10 – Commitments and Contingencies)*				
Shareholders' equity				
Preferred stock, $0.01 par value; authorized — **100,000,000** shares; issued and outstanding — **3,685,410** and 3,689,084 shares		**18,788**		18,397
Common stock and additional paid-in capital, $0.01 par value; authorized — **12,800,000,000** shares; issued and outstanding — **10,775,604,276** and 10,535,937,957 shares		**157,973**		156,621
Retained earnings		**60,734**		60,520
Accumulated other comprehensive income (loss)		**(4,996)**		(5,437)
Total shareholders' equity		**232,499**		230,101
Total liabilities and shareholders' equity	**$**	**2,181,449**	$	2,129,046

Liabilities of consolidated VIEs included in total liabilities above				
Commercial paper and other short-term borrowings (includes **$725** and $650 of non-recourse liabilities)	**$**	**5,598**	$	5,777
Long-term debt (includes **$39,990** and $44,976 of non-recourse debt)		**44,267**		49,054
All other liabilities (includes **$104** and $225 of non-recourse liabilities)		**978**		1,116
Total liabilities of consolidated VIEs	**$**	**50,843**	$	55,947

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders' Equity
Balance, December 31, 2010	$ 16,562	10,085,155	$ 150,905	$ 60,849	$ (66)	$ (2)	$ 228,248
Net income				2,049			2,049
Net change in available-for-sale debt and marketable equity securities					161		161
Net change in derivatives					266		266
Employee benefit plan adjustments					75		75
Net change in foreign currency translation adjustments					27		27
Dividends paid:							
Common				(105)			(105)
Preferred				(310)			(310)
Common stock issued under employee plans and related tax effects		46,648	474			(10)	464
Other						1	1
Balance, March 31, 2011	$ 16,562	10,131,803	$ 151,379	$ 62,483	$ 463	$ (11)	$ 230,876
Balance, December 31, 2011	**$ 18,397**	**10,535,938**	**$ 156,621**	**$ 60,520**	**$ (5,437)**	**$ —**	**$ 230,101**
Net income				**653**			**653**
Net change in available-for-sale debt and marketable equity securities					**(924)**		**(924)**
Net change in derivatives					**382**		**382**
Employee benefit plan adjustments					**952**		**952**
Net change in foreign currency translation adjustments					**31**		**31**
Dividends paid:							
Common				**(114)**			**(114)**
Preferred				**(369)**			**(369)**
Issuance of preferred stock	**687**						**687**
Common stock issued in connection with exchanges of preferred stock and trust preferred securities	**(296)**	**49,867**	**412**	**44**			**160**
Common stock issued under employee plans and related tax effects		**189,799**	**940**				**940**
Balance, March 31, 2012	**$ 18,788**	**10,775,604**	**$ 157,973**	**$ 60,734**	**$ (4,996)**	**$ —**	**$ 232,499**

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Operating activities		
Net income	**$ 653**	$ 2,049
Reconciliation of net income to net cash used in operating activities:		
Provision for credit losses	**2,418**	3,814
Gains on sales of debt securities	**(752)**	(546)
Depreciation and premises improvements amortization	**468**	507
Amortization of intangibles	**319**	385
Deferred income taxes	**(195)**	292
Net (increase) decrease in trading and derivative instruments	**(27,168)**	7,750
Net increase in other assets	**(11,181)**	(5,099)
Net increase (decrease) in accrued expenses and other liabilities	**12,150**	(16,827)
Other operating activities, net	**7,685**	7,099
Net cash used in operating activities	**(15,603)**	(576)
Investing activities		
Net decrease in time deposits placed and other short-term investments	**5,525**	2,726
Net increase in federal funds sold and securities borrowed or purchased under agreements to resell	**(14,601)**	(24,440)
Proceeds from sales of available-for-sale debt securities	**26,594**	11,410
Proceeds from paydowns and maturities of available-for-sale debt securities	**15,804**	17,715
Purchases of available-for-sale debt securities	**(66,902)**	(23,479)
Proceeds from paydowns and maturities of held-to-maturity debt securities	**972**	—
Proceeds from sales of loans and leases	**487**	470
Other changes in loans and leases, net	**20,038**	1,326
Net sales (purchases) of premises and equipment	**65**	(352)
Proceeds from sales of foreclosed properties	**772**	579
Other investing activities, net	**(160)**	77
Net cash used in investing activities	**(11,406)**	(13,968)
Financing activities		
Net increase in deposits	**8,270**	9,745
Net increase in federal funds purchased and securities loaned or sold under agreements to repurchase	**43,627**	15,162
Net increase (decrease) in commercial paper and other short-term borrowings	**3,506**	(1,638)
Proceeds from issuance of long-term debt	**10,275**	8,621
Retirement of long-term debt	**(30,770)**	(27,957)
Proceeds from issuance of preferred stock	**687**	—
Cash dividends paid	**(483)**	(415)
Excess tax benefits on share-based payments	**10**	39
Other financing activities, net	**17**	—
Net cash provided by financing activities	**35,139**	3,557
Effect of exchange rate changes on cash and cash equivalents	**560**	102
Net increase (decrease) in cash and cash equivalents	**8,690**	(10,885)
Cash and cash equivalents at January 1	**120,102**	108,427
Cash and cash equivalents at March 31	**$ 128,792**	$ 97,542

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 – Summary of Significant Accounting Principles

Bank of America Corporation (collectively with its subsidiaries, the Corporation), a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The term “the Corporation” as used herein may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation’s subsidiaries or affiliates.

The Corporation conducts its activities through banking and nonbanking subsidiaries. The Corporation operates its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A.).

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Results of operations of acquired companies are included from the dates of acquisition and for VIEs, from the dates that the Corporation became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies for which it owns a voting interest and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting or at fair value under the fair value option. These investments are included in other assets. Equity method investments are subject to impairment testing and the Corporation’s proportionate share of income or loss is included in equity investment income.

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions.

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statementsof the Corporation's 2011 Annual Report on Form 10-K. The nature of the Corporation’s business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim period results have been made. The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

Effective January 1, 2012, the Corporation adopted new accounting guidance, on a prospective basis, that addresses effective control in repurchase agreements and eliminates the requirement for entities to consider whether the transferor/seller has the ability to repurchase the financial assets in a repurchase agreement. The adoption of this guidance did not have a material impact on the Corporation’s consolidated financial position or results of operations.

Effective January 1, 2012, the Corporation adopted amendments to the fair value accounting guidance. The amendments clarify the application of the highest and best use, and valuation premise concepts, preclude the application of "blockage factors" in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments also prescribe additional disclosures for Level 3 fair value measurements and financial instruments not carried at fair value. The adoption of this guidance did not have a material impact on the Corporation’s consolidated financial position or results of operations. For the new disclosures, see *Note 15 – Fair Value Measurements* and *Note 17 – Fair Value of Financial Instruments*.

Effective January 1, 2012, the Corporation adopted new accounting guidance on the presentation of comprehensive income in financial statements. The Corporation adopted the new guidance by reporting the components of comprehensive income in two separate but consecutive statements. For the new statement and related information, see the Consolidated Statement of Comprehensive Income and *Note 12 – Accumulated Other Comprehensive Income (Loss).*

NOTE 2 – Trading Account Assets and Liabilities

The table below presents the components of trading account assets and liabilities atMarch 31, 2012 and December 31, 2011.

(Dollars in millions)	March 31 2012	December 31 2011
Trading account assets		
U.S. government and agency securities [1]	**$ 69,664**	$ 52,613
Corporate securities, trading loans and other	**39,110**	36,571
Equity securities	**33,335**	23,674
Non-U.S. sovereign debt	**52,071**	42,946
Mortgage trading loans and asset-backed securities	**15,595**	13,515
Total trading account assets	**$ 209,775**	$ 169,319
Trading account liabilities		
U.S. government and agency securities	**$ 20,550**	$ 20,710
Equity securities	**21,651**	14,594
Non-U.S. sovereign debt	**19,046**	17,440
Corporate securities and other	**9,167**	7,764
Total trading account liabilities	**$ 70,414**	$ 60,508

[1] Includes $24.3 billion and $27.3 billion of government-sponsored enterprise obligations at March 31, 2012 and December 31, 2011.

NOTE 3 – Derivatives

Derivative Balances

Derivatives are entered into on behalf of customers, for trading, as economic hedges or as qualifying accounting hedges. For additional information on the Corporation's derivatives and hedging activities, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. The following tables identify derivative instruments included on the Corporation's Consolidated Balance Sheet in derivative assets and liabilities at March 31, 2012 and December 31, 2011. Balances are presented on a gross basis, prior to the application of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	March 31, 2012						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [(1)]	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total
Interest rate contracts							
Swaps	**$ 38,841.5**	**$ 1,169.5**	**$ 13.8**	**$ 1,183.3**	**$ 1,150.9**	**$ 8.8**	**$ 1,159.7**
Futures and forwards	**12,811.8**	**3.4**	—	**3.4**	**3.7**	—	**3.7**
Written options	**2,440.8**	—	—	—	**105.2**	—	**105.2**
Purchased options	**2,374.5**	**107.9**	—	**107.9**	—	—	—
Foreign exchange contracts							
Swaps	**2,441.3**	**46.5**	**2.2**	**48.7**	**54.1**	**1.7**	**55.8**
Spot, futures and forwards	**2,902.4**	**27.3**	**0.4**	**27.7**	**28.5**	**0.6**	**29.1**
Written options	**405.7**	—	—	—	**7.9**	—	**7.9**
Purchased options	**370.2**	**7.5**	—	**7.5**	—	—	—
Equity contracts							
Swaps	**103.7**	**2.0**	—	**2.0**	**1.8**	—	**1.8**
Futures and forwards	**58.0**	**1.5**	—	**1.5**	**1.5**	—	**1.5**
Written options	**297.5**	—	—	—	**20.3**	—	**20.3**
Purchased options	**295.3**	**21.1**	—	**21.1**	—	—	—
Commodity contracts							
Swaps	**78.1**	**4.8**	**0.1**	**4.9**	**5.6**	—	**5.6**
Futures and forwards	**614.7**	**5.7**	—	**5.7**	**3.4**	—	**3.4**
Written options	**163.2**	—	—	—	**10.9**	—	**10.9**
Purchased options	**161.7**	**10.8**	—	**10.8**	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	**1,747.7**	**56.8**	—	**56.8**	**19.4**	—	**19.4**
Total return swaps/other	**22.2**	**1.4**	—	**1.4**	**0.9**	—	**0.9**
Written credit derivatives:							
Credit default swaps	**1,685.4**	**19.6**	—	**19.6**	**52.8**	—	**52.8**
Total return swaps/other	**39.1**	**0.3**	—	**0.3**	**0.2**	—	**0.2**
Gross derivative assets/liabilities		**$ 1,486.1**	**$ 16.5**	**$ 1,502.6**	**$ 1,467.1**	**$ 11.1**	**$ 1,478.2**
Less: Legally enforceable master netting agreements				**(1,382.9)**			**(1,382.9)**
Less: Cash collateral applied				**(60.6)**			**(46.1)**
Total derivative assets/liabilities				**$ 59.1**			**$ 49.2**

(1) Represents the total contract/notional amount of derivative assets and liabilities outstanding.

(Dollars in billions)	December 31, 2011 Contract/ Notional [1]	Gross Derivative Assets: Trading Derivatives and Economic Hedges	Gross Derivative Assets: Qualifying Accounting Hedges	Gross Derivative Assets: Total	Gross Derivative Liabilities: Trading Derivatives and Economic Hedges	Gross Derivative Liabilities: Qualifying Accounting Hedges [2]	Gross Derivative Liabilities: Total
Interest rate contracts							
Swaps	$ 40,473.7	$ 1,490.7	$ 15.9	$ 1,506.6	$ 1,473.0	$ 12.3	$ 1,485.3
Futures and forwards	12,105.8	2.9	0.2	3.1	3.4	—	3.4
Written options	2,534.0	—	—	—	117.8	—	117.8
Purchased options	2,467.2	120.0	—	120.0	—	—	—
Foreign exchange contracts							
Swaps	2,381.6	48.3	2.6	50.9	58.9	2.2	61.1
Spot, futures and forwards	2,548.8	37.2	1.3	38.5	39.2	0.3	39.5
Written options	368.5	—	—	—	9.4	—	9.4
Purchased options	341.0	9.0	—	9.0	—	—	—
Equity contracts							
Swaps	75.5	1.5	—	1.5	1.7	—	1.7
Futures and forwards	52.1	1.8	—	1.8	1.5	—	1.5
Written options	367.1	—	—	—	17.7	—	17.7
Purchased options	360.2	19.6	—	19.6	—	—	—
Commodity contracts							
Swaps	73.8	4.9	0.1	5.0	5.9	—	5.9
Futures and forwards	470.5	5.3	—	5.3	3.2	—	3.2
Written options	142.3	—	—	—	9.5	—	9.5
Purchased options	141.3	9.5	—	9.5	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,944.8	95.8	—	95.8	13.8	—	13.8
Total return swaps/other	17.5	0.6	—	0.6	0.3	—	0.3
Written credit derivatives:							
Credit default swaps	1,885.9	14.1	—	14.1	90.5	—	90.5
Total return swaps/other	17.8	0.5	—	0.5	0.7	—	0.7
Gross derivative assets/liabilities		$ 1,861.7	$ 20.1	$ 1,881.8	$ 1,846.5	$ 14.8	$ 1,861.3
Less: Legally enforceable master netting agreements				(1,749.9)			(1,749.9)
Less: Cash collateral applied				(58.9)			(51.9)
Total derivative assets/liabilities				$ 73.0			$ 59.5

(1) Represents the total contract/notional amount of derivative assets and liabilities outstanding.

(2) Excludes $191 million of long-term debt designated as a hedge of foreign currency risk.

ALM and Risk Management Derivatives

The Corporation's asset and liability management (ALM) and risk management activities include the use of derivatives to mitigate risk to the Corporation including derivatives designated as qualifying accounting hedges and economic hedges. Interest rate, commodity, credit and foreign exchange contracts are utilized in the Corporation's ALM and risk management activities.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity and volatility so that movements in interest rates do not significantly adversely affect earnings or capital. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in fair value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Interest rate and market risk can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options and certain debt securities. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures as economic hedges of the fair value of mortgage servicing rights (MSRs). For additional information on MSRs, see *Note 18 – Mortgage Servicing Rights.*

The Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities, as well as the Corporation's investments in non-U.S. subsidiaries. Foreign exchange contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

The Corporation enters into derivative commodity contracts such as futures, swaps, options and forwards as well as non-derivative commodity contracts to provide price risk management services to customers or to manage price risk associated with its physical and financial commodity positions. The non-derivative commodity contracts and physical inventories of commodities expose the Corporation to earnings volatility. Cash flow and fair value accounting hedges provide a method to mitigate a portion of this earnings volatility.

The Corporation purchases credit derivatives to manage credit risk related to certain funded and unfunded credit exposures. Credit derivatives include credit default swaps (CDS), total return swaps and swaptions. These derivatives are accounted for as economic hedges and changes in fair value are recorded in other income (loss).

Derivatives Designated as Accounting Hedges

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, exchange rates and commodity prices (fair value hedges). The Corporation also uses these types of contracts and equity derivatives to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts, cross-currency basis swaps, and by issuing foreign currency-denominated debt (net investment hedges).

Fair Value Hedges

The table below summarizes certain information related to fair value hedges for the three months ended March 31, 2012 and 2011.

Derivatives Designated as Fair Value Hedges

	Three Months Ended March 31		
	2012		
(Dollars in millions)	Derivative	Hedged Item	Hedge Ineffectiveness
Interest rate risk on long-term debt [(1)]	**$ (1,001)**	**$ 764**	**$ (237)**
Interest rate and foreign currency risk on long-term debt [(1)]	**155**	**(173)**	**(18)**
Interest rate risk on AFS securities [(2)]	**2,948**	**(2,801)**	**147**
Commodity price risk on commodity inventory [(3)]	**23**	**(23)**	**—**
Total	**$ 2,125**	**$ (2,233)**	**$ (108)**
	2011		
Interest rate risk on long-term debt [(1)]	$ (934)	$ 789	$ (145)
Interest rate and foreign currency risk on long-term debt [(1)]	749	(806)	(57)
Interest rate risk on AFS securities [(2)]	1,152	(1,084)	68
Commodity price risk on commodity inventory [(3)]	(4)	4	—
Total	$ 963	$ (1,097)	$ (134)

(1) Amounts are recorded in interest expense on long-term debt and in other income.

(2) Amounts are recorded in interest income on AFS securities.

(3) Amounts relating to commodity inventory are recorded in trading account profits.

Cash Flow Hedges

The table below summarizes certain information related to cash flow hedges and net investment hedges for the three months ended March 31, 2012 and 2011. During the next 12 months, net losses in accumulated other comprehensive income (OCI) of approximately $1.3 billion ($822 million after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to primarily reduce net interest income related to the respective hedged items. Amounts related to commodity price risk reclassified from accumulated OCI are recorded in trading account profits with the underlying hedged item. Amounts related to price risk on restricted stock awards reclassified from accumulated OCI are recorded in personnel expense.

Amounts related to foreign exchange risk recognized in accumulated OCI on derivatives exclude losses of $7 million related to long-term debt designated as a net investment hedge for the three months ended March 31, 2012 compared to $161 million for the same period in 2011.

Derivatives Designated as Cash Flow Hedges

	Three Months Ended March 31		
	2012		
(Dollars in millions, amounts pre-tax)	**Gains (losses) Recognized in Accumulated OCI on Derivatives**	**Gains (losses) in Income Reclassified from Accumulated OCI**	**Hedge Ineffectiveness and Amounts Excluded from Effectiveness Testing [(1)]**
Interest rate risk on variable rate portfolios	**$ 107**	**$ (152)**	**$ —**
Commodity price risk on forecasted purchases and sales	**—**	**(5)**	**—**
Price risk on restricted stock awards	**305**	**(37)**	**—**
Total	**$ 412**	**$ (194)**	**$ —**
Net investment hedges			
Foreign exchange risk	**$ (1,029)**	**$ (41)**	**$ (7)**
	2011		
Interest rate risk on variable rate portfolios	$ 156	$ (305)	$ (4)
Commodity price risk on forecasted purchases and sales	(8)	2	(2)
Price risk on restricted stock awards	(55)	(26)	—
Total	$ 93	$ (329)	$ (6)
Net investment hedges			
Foreign exchange risk	$ (962)	$ 423	$ (111)

(1) Amounts related to derivatives designated as cash flow hedges represent hedge ineffectiveness and amounts related to net investment hedges represent amounts excluded from effectiveness testing.

The Corporation enters into equity total return swaps to hedge a portion of restricted stock units (RSUs) granted to certain employees as part of their compensation. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances, and certain awards may be settled in cash. These RSUs are accrued as liabilities over the vesting period and adjusted to fair value based on changes in the share price of the Corporation's common stock. From time to time, the Corporation may enter into equity derivatives to minimize the change in the expense to the Corporation driven by fluctuations in the share price of the Corporation's common stock during the vesting period of any RSUs that may be granted, if any, subject to similar or other terms and conditions. Certain of these derivatives are designated as cash flow hedges of unrecognized unvested awards with the changes in fair value of the hedge recorded in accumulated OCI and reclassified into earnings in the same period as the RSUs affect earnings. The remaining derivatives are accounted for as economic hedges and changes in fair value are recorded in personnel expense. For more information on RSUs and related hedges, see *Note 14 – Pension, Postretirement and Certain Compensation Plans*.

Derivatives Accounted for as Economic Hedges

Derivatives accounted for as economic hedges, because either they did not qualify for or were not designated as accounting hedges, are used by the Corporation to reduce certain risk exposures. The table below presents gains (losses) on these derivatives for the three months ended March 31, 2012 and 2011. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item.

Derivatives Accounted for as Economic Hedges

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Price risk on mortgage banking production income [1, 2]	**$ 589**	$ (55)
Interest rate risk on mortgage banking servicing income [1]	**(203)**	(145)
Credit risk on loans [3]	**(57)**	(30)
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [4]	**376**	3,394
Price risk on restricted stock awards [5]	**473**	(7)
Other	**9**	(3)
Total	**$ 1,187**	$ 3,154

(1) Net gains (losses) on these derivatives are recorded in mortgage banking income.

(2) Includes net gains on interest rate lock commitments related to the origination of mortgage loans that are held-for-sale, which are considered derivative instruments, of $547 million and $926 million for the three months ended March 31, 2012 and 2011.

(3) Net losses on these derivatives are recorded in other income (loss).

(4) The majority of the balance is related to the revaluation of economic hedges of foreign currency-denominated debt which is recorded in other income (loss).

(5) Gains (losses) on these derivatives are recorded in personnel expense.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for principal trading purposes, and to manage risk exposures arising from trading account assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's *Global Markets* business segment. The related sales and trading revenue generated within *Global Markets* is recorded in various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the majority of income related to derivative instruments is recorded in trading account profits.

Sales and trading revenue includes changes in the fair value and realized gains and losses on the sales of trading and other assets, net interest income, and fees primarily from commissions on equity securities. Revenue is generated by the difference in the client price for an instrument and the price at which the trading desk can execute the trade in the dealer market. For equity securities, commissions related to purchases and sales are recorded in other income (loss) in the Consolidated Statement of Income. Changes in the fair value of these securities are included in trading account profits. For debt securities, revenue, with the exception of interest associated with the debt securities, is typically included in trading account profits. Unlike commissions for equity securities, the initial revenue related to broker/dealer services for debt securities is typically included in the pricing of the instrument rather than being charged through separate fee arrangements. Therefore, this revenue is recorded in trading account profits as part of the initial mark to fair value. For derivatives, all revenue is included in trading account profits. In transactions where the Corporation acts as agent, which includes exchange-traded futures and options, fees are recorded in other income (loss).

Gains (losses) on certain instruments, primarily loans, that the *Global Markets* business segment shares with *Global Banking* are not considered trading instruments and are excluded from sales and trading revenue in their entirety.

The table below, which includes both derivatives and non-derivative cash instruments, identifies the amounts in the respective income statement line items attributable to the Corporation's sales and trading revenue in *Global Markets*, categorized by primary risk, for the three months ended March 31, 2012 and 2011. The difference between total trading account profits in the table below and in the Consolidated Statement of Income represents trading activities in business segments other than *Global Markets*.

Sales and Trading Revenue

	Three Months Ended March 31			
	2012			
(Dollars in millions)	**Trading Account Profits**	**Other Income (Loss) (1, 2)**	**Net Interest Income**	**Total**
Interest rate risk	**$ 60**	**$ 5**	**$ 270**	**$ 335**
Foreign exchange risk	**232**	**(12)**	**2**	**222**
Equity risk	**375**	**526**	**7**	**908**
Credit risk	**1,141**	**370**	**543**	**2,054**
Other risk	**230**	**27**	**(74)**	**183**
Total sales and trading revenue	**$ 2,038**	**$ 916**	**$ 748**	**$ 3,702**
	2011			
Interest rate risk	$ 303	$ (21)	$ 217	$ 499
Foreign exchange risk	232	(16)	2	218
Equity risk	520	667	52	1,239
Credit risk	1,435	370	726	2,531
Other risk	126	(6)	(33)	87
Total sales and trading revenue	$ 2,616	$ 994	$ 964	$ 4,574

(1) Represents investment and brokerage services and other income recorded in *Global Markets* that the Corporation includes in its definition of sales and trading revenue.

(2) Other income (loss) includes commissions and brokerage fee revenue of $510 million and $647 million for the three months ended March 31, 2012 and 2011.

Credit Derivatives

The Corporation enters into credit derivatives primarily to facilitate client transactions and to manage credit risk exposures. Credit derivatives derive value based on an underlying third-party referenced obligation or a portfolio of referenced obligations and generally require the Corporation, as the seller of credit protection, to make payments to a buyer upon the occurrence of a pre-defined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Corporation may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

Credit derivative instruments where the Corporation is the seller of credit protection and their expiration at March 31, 2012 and December 31, 2011 are summarized in the table below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments.

Credit Derivative Instruments

(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
March 31, 2012					
Carrying Value					
Credit default swaps:					
Investment grade	**$ 191**	**$ 1,707**	**$ 7,681**	**$ 4,091**	**$ 13,670**
Non-investment grade	**2,211**	**6,574**	**11,102**	**19,290**	**39,177**
Total	**2,402**	**8,281**	**18,783**	**23,381**	**52,847**
Total return swaps/other:					
Investment grade	**34**	**—**	**—**	**1**	**35**
Non-investment grade	**27**	**20**	**3**	**91**	**141**
Total	**61**	**20**	**3**	**92**	**176**
Total credit derivatives	**$ 2,463**	**$ 8,301**	**$ 18,786**	**$ 23,473**	**$ 53,023**
Credit-related notes:(1)					
Investment grade	**$ 2**	**$ 34**	**$ 190**	**$ 2,631**	**$ 2,857**
Non-investment grade	**127**	**81**	**104**	**1,134**	**1,446**
Total credit-related notes	**$ 129**	**$ 115**	**$ 294**	**$ 3,765**	**$ 4,303**
Maximum Payout/Notional					
Credit default swaps:					
Investment grade	**$ 164,234**	**$ 339,895**	**$ 372,803**	**$ 126,713**	**$ 1,003,645**
Non-investment grade	**136,646**	**219,755**	**195,685**	**129,642**	**681,728**
Total	**300,880**	**559,650**	**568,488**	**256,355**	**1,685,373**
Total return swaps/other:					
Investment grade	**6,795**	**—**	**501**	**—**	**7,296**
Non-investment grade	**23,727**	**3,523**	**3,736**	**794**	**31,780**
Total	**30,522**	**3,523**	**4,237**	**794**	**39,076**
Total credit derivatives	**$ 331,402**	**$ 563,173**	**$ 572,725**	**$ 257,149**	**$ 1,724,449**

(Dollars in millions)			December 31, 2011		
Credit default swaps:					
Investment grade	$ 795	$ 5,011	$ 17,271	$ 7,325	$ 30,402
Non-investment grade	4,236	11,438	18,072	26,339	60,085
Total	5,031	16,449	35,343	33,664	90,487
Total return swaps/other:					
Investment grade	—	—	30	1	31
Non-investment grade	522	2	33	128	685
Total	522	2	63	129	716
Total credit derivatives	$ 5,553	$ 16,451	$ 35,406	$ 33,793	$ 91,203
Credit-related notes:(1)					
Investment grade	$ —	$ 5	$ 132	$ 1,925	$ 2,062
Non-investment grade	124	74	108	1,286	1,592
Total credit-related notes	$ 124	$ 79	$ 240	$ 3,211	$ 3,654
Maximum Payout/Notional					
Credit default swaps:					
Investment grade	$ 182,137	$ 401,914	$ 477,924	$ 127,570	$ 1,189,545
Non-investment grade	133,624	228,327	186,522	147,926	696,399
Total	315,761	630,241	664,446	275,496	1,885,944
Total return swaps/other:					
Investment grade	—	—	9,116	—	9,116
Non-investment grade	305	2,023	4,918	1,476	8,722
Total	305	2,023	14,034	1,476	17,838
Total credit derivatives	$ 316,066	$ 632,264	$ 678,480	$ 276,972	$ 1,903,782

(1) For credit-related notes, maximum payout/notional is the same as carrying value.

The notional amount represents the maximum amount payable by the Corporation for most credit derivatives. However, the Corporation does not monitor its exposure to credit derivatives based solely on the notional amount because this measure does not take into consideration the probability of occurrence. As such, the notional amount is not a reliable indicator of the Corporation's exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms at March 31, 2012 was $31.3 billion and $1.1 trillion compared to $48.0 billion and $1.0 trillion at December 31, 2011.

Credit-related notes in the table on page 134 include investments in securities issued by collateralized debt obligation (CDO), collateralized loan obligation (CLO) and credit-linked note vehicles. These instruments are primarily classified as trading securities. The carrying value of these instruments equals the Corporation's maximum exposure to loss. The Corporation is not obligated to make any payments to the entities under the terms of the securities owned. The Corporation discloses internal categorizations of investment grade and non-investment grade consistent with how risk is managed for these instruments.

Credit-related Contingent Features and Collateral

The Corporation executes the majority of its derivative contracts in the over-the-counter (OTC) market with large, international financial institutions, including broker/dealers and, to a lesser degree, with a variety of non-financial companies. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit rating downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as previously discussed on page 128, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

A majority of the Corporation's derivative contracts contain credit risk related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements and credit support documentation that enhance the creditworthiness of these instruments compared to other obligations of the respective counterparty with whom the Corporation has transacted. These contingent features may be for the benefit of the Corporation as well as its counterparties with respect to changes in the Corporation's creditworthiness and the mark-to-market exposure under the derivative transactions. At March 31, 2012 and December 31, 2011, the Corporation held cash and securities collateral of $87.1 billion and $87.7 billion, and posted cash and securities collateral of $74.5 billion and $86.5 billion in the normal course of business under derivative agreements.

At March 31, 2012, the amount of collateral, calculated based on the terms of the contracts, that the Corporation and certain subsidiaries could be required to post to counterparties but had not yet posted to counterparties was approximately $2.5 billion.

Some counterparties are currently able to unilaterally terminate certain contracts, or the Corporation or certain subsidiaries may be required to take other action such as find a suitable replacement or obtain a guarantee. At March 31, 2012, the current liability recorded for these derivative contracts was $605 million, against which the Corporation and certain subsidiaries had posted $437 million of collateral.

In connection with certain OTC derivative contracts and other trading agreements, the Corporation can be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of the Corporation or certain subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a further downgrade of the Corporation's or certain subsidiaries' credit ratings, counterparties to those agreements may require the Corporation or certain subsidiaries to provide additional collateral, terminate these contracts or agreements, or provide other remedies. At March 31, 2012, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $2.7 billion comprised of $2.1 billion for BANA and $539 million for Merrill Lynch & Co., Inc. (Merrill Lynch) and certain of its subsidiaries. If the agencies had downgraded their long-term senior debt ratings for these entities by a second incremental notch, an incremental $2.4 billion in additional collateral comprised of $1.8 billion for BANA and $646 million for Merrill Lynch and certain subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was $3.3 billion, against which $2.5 billion of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was an incremental $5.0 billion, against which $4.7 billion of collateral has been posted.

Derivative Valuation Adjustments

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparties. These adjustments are necessary as the valuation models for derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparties. During the three months ended March 31, 2012 and 2011, credit valuation gains (losses) of $513 million and $148 million ($149 million and $(466) million, net of hedges) for counterparty credit risk related to derivative assets were recognized in trading account profits. At March 31, 2012 and December 31, 2011, the cumulative counterparty credit risk valuation adjustment reduced the derivative assets balance by $2.5 billion and $2.8 billion.

In addition, the fair value of the Corporation's or its subsidiaries' derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During the three months ended March 31, 2012 and 2011, the Corporation recorded DVA losses of $1.4 billion and $308 million ($1.5 billion and $357 million, net of hedges) in trading account profits for changes in the Corporation's or its subsidiaries' credit risk. At March 31, 2012 and December 31, 2011, the Corporation's cumulative DVA reduced the derivative liabilities balance by $1.3 billion and $2.4 billion.

NOTE 4 – Securities

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of debt and marketable equity securities at March 31, 2012 and December 31, 2011.

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, March 31, 2012				
U.S. Treasury and agency securities	**$ 40,609**	**$ 231**	**$ (874)**	**$ 39,966**
Mortgage-backed securities:				
Agency	**172,335**	**3,177**	**(421)**	**175,091**
Agency collateralized mortgage obligations	**41,698**	**802**	**(145)**	**42,355**
Non-agency residential [(1)]	**11,398**	**300**	**(228)**	**11,470**
Non-agency commercial	**4,333**	**567**	**(1)**	**4,899**
Non-U.S. securities	**6,530**	**56**	**(18)**	**6,568**
Corporate bonds	**2,364**	**85**	**(28)**	**2,421**
Other taxable securities, substantially all asset-backed securities	**10,595**	**74**	**(52)**	**10,617**
Total taxable securities	**289,862**	**5,292**	**(1,767)**	**293,387**
Tax-exempt securities	**3,694**	**16**	**(57)**	**3,653**
Total available-for-sale debt securities	**$ 293,556**	**$ 5,308**	**$ (1,824)**	**$ 297,040**
Held-to-maturity debt securities [(2)]	**34,205**	**246**	**(11)**	**34,440**
Total debt securities	**$ 327,761**	**$ 5,554**	**$ (1,835)**	**$ 331,480**
Available-for-sale marketable equity securities, March 31, 2012 [(3)]	**$ 64**	**$ 28**	**$ (5)**	**$ 87**
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury and agency securities	$ 43,433	$ 242	$ (811)	$ 42,864
Mortgage-backed securities:				
Agency	138,073	4,511	(21)	142,563
Agency collateralized mortgage obligations	44,392	774	(167)	44,999
Non-agency residential [(1)]	14,948	301	(482)	14,767
Non-agency commercial	4,894	629	(1)	5,522
Non-U.S. securities	4,872	62	(14)	4,920
Corporate bonds	2,993	79	(37)	3,035
Other taxable securities, substantially all asset-backed securities	12,889	49	(60)	12,878
Total taxable securities	266,494	6,647	(1,593)	271,548
Tax-exempt securities	4,678	15	(90)	4,603
Total available-for-sale debt securities	$ 271,172	$ 6,662	$ (1,683)	$ 276,151
Held-to-maturity debt securities [(2)]	35,265	181	(4)	35,442
Total debt securities	$ 306,437	$ 6,843	$ (1,687)	$ 311,593
Available-for-sale marketable equity securities, December 31, 2011 [(3)]	$ 65	$ 10	$ (7)	$ 68

(1) At March 31, 2012, includes approximately 92 percent prime bonds, six percent Alt-A bonds and two percent subprime bonds. At December 31, 2011, includes approximately 89 percent prime bonds, nine percent Alt-A bonds and two percent subprime bonds.

(2) Substantially all U.S. agency mortgage-backed securities.

(3) Classified in other assets on the Corporation's Consolidated Balance Sheet.

At March 31, 2012, the accumulated net unrealized gains on available-for-sale (AFS) debt securities included in accumulated OCI were $2.2 billion, net of the related income tax expense of $1.3 billion. At March 31, 2012 and December 31, 2011, the Corporation had nonperforming AFS debt securities of $110 million and $140 million.

The Corporation recorded other-than-temporary impairment (OTTI) losses on AFS debt securities for thethree months ended March 31, 2012 and 2011 as presented in the table below. A debt security is impaired when its fair value is less than its amortized cost. If the Corporation intends or will more-likely-than-not be required to sell the debt securities prior to recovery, the entire impairment is recorded in the Consolidated Statement of Income. For debt securities the Corporation does not intend or will not more-likely-than-not be required to sell, an analysis is performed to determine if any of the impairment is due to credit or whether it is due to other factors (e.g., interest rate). Credit losses are considered unrecoverable and are recorded in the Consolidated Statement of Income with the remaining unrealized losses recorded in accumulated OCI. In certain instances, the credit loss on a debt security may exceed the total impairment, in which case, the portion of the credit loss that exceeds the total impairment is recorded as an unrealized gain in accumulated OCI. Balances in the table below exclude $3 million and $10 million of unrealized gains recorded in accumulated OCI related to these securities for the three months ended March 31, 2012 and 2011.

Net Impairment Losses Recognized in Earnings

	Three Months Ended March 31, 2012			
(Dollars in millions)	**Non-agency Residential MBS**	**Non-agency Commercial MBS**	**Other Taxable Securities**	**Total**
Total OTTI losses (unrealized and realized)	**$ (49)**	**$ (2)**	**$ —**	**$ (51)**
Unrealized OTTI losses recognized in accumulated OCI	**11**	**—**	**—**	**11**
Net impairment losses recognized in earnings	**$ (38)**	**$ (2)**	**$ —**	**$ (40)**
	Three Months Ended March 31, 2011			
Total OTTI losses (unrealized and realized)	$ (110)	$ —	$ (1)	$ (111)
Unrealized OTTI losses recognized in accumulated OCI	23	—	—	23
Net impairment losses recognized in earnings	$ (87)	$ —	$ (1)	$ (88)

The Corporation's net impairment losses recognized in earnings consist of write-downs to fair value on AFS securities the Corporation has the intent to sell or will more-likely-than-not be required to sell and credit losses recognized on AFS securities the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell. The table below presents a rollforward of the credit losses recognized in earnings on AFS debt securities for the three months ended March 31, 2012 and 2011 on securities that the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell.

Rollforward of Credit Losses Recognized

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Balance, beginning of period	**$ 310**	$ 2,135
Additions for credit losses recognized on debt securities that had no previous impairment losses	**2**	33
Additions for credit losses recognized on debt securities that had previously incurred impairment losses	**38**	55
Reductions for debt securities sold or intended to be sold	**(84)**	(1,339)
Balance, March 31	**$ 266**	$ 884

The Corporation estimates the portion of a security's loss attributable to credit using a discounted cash flow model and estimates the expected cash flows of the underlying collateral using internal credit, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used for the underlying loans that support the mortgage-backed securities (MBS) can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. Based on these assumptions, the Corporation then determines how the underlying collateral cash flows will be distributed to each MBS issued from the applicable special purpose entity. Expected principal and interest cash flows on an impaired AFS debt security are discounted using the effective yield of each individual impaired AFS debt security.

Significant assumptions used in estimating the expected cash flows for measuring credit losses on non-agency residential mortgage-backed securities (RMBS) were as follows at March 31, 2012.

Significant Assumptions

		Range [(1)]	
	Weighted-average	**10th Percentile** [(2)]	**90th Percentile** [(2)]
Annual prepayment speed	**9.0%**	**3.0%**	**20.0%**
Loss severity	**51.0**	**18.0**	**64.0**
Life default rate	**54.0**	**2.0**	**99.0**

(1) Represents the range of inputs/assumptions based upon the underlying collateral.

(2) The value of a variable below which the indicated percentile of observations will fall.

Annual constant prepayment speed and loss severity rates are projected considering collateral characteristics such as loan-to-value (LTV), creditworthiness of borrowers as measured using FICO scores and geographic concentrations. The weighted-average severity by collateral type was 46 percent for prime bonds, 51 percent for Alt-A bonds and 62 percent for subprime bonds at March 31, 2012. Additionally, default rates are projected by considering collateral characteristics including, but not limited to LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 40 percent for prime bonds, 64 percent for Alt-A bonds and 71 percent for subprime bonds at March 31, 2012.

The table below presents the fair value and the associated gross unrealized losses on AFS securities with gross unrealized losses at March 31, 2012 and December 31, 2011, and whether these securities have had gross unrealized losses for less than twelve months or for twelve months or longer.

Temporarily Impaired and Other-than-temporarily Impaired Securities

	Less than Twelve Months		Twelve Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily impaired available-for-sale debt securities at March 31, 2012						
U.S. Treasury and agency securities	**$ 847**	**$ (4)**	**$ 35,464**	**$ (870)**	**$ 36,311**	**$ (874)**
Mortgage-backed securities:						
Agency	**52,479**	**(411)**	**426**	**(10)**	**52,905**	**(421)**
Agency collateralized mortgage obligations	**10,223**	**(121)**	**933**	**(24)**	**11,156**	**(145)**
Non-agency residential	**1,520**	**(33)**	**2,469**	**(167)**	**3,989**	**(200)**
Non-agency commercial	**39**	**(1)**	**—**	**—**	**39**	**(1)**
Non-U.S. securities	**1,110**	**(16)**	**159**	**(2)**	**1,269**	**(18)**
Corporate bonds	**247**	**(19)**	**90**	**(9)**	**337**	**(28)**
Other taxable securities	**6,048**	**(23)**	**1,299**	**(29)**	**7,347**	**(52)**
Total taxable securities	**72,513**	**(628)**	**40,840**	**(1,111)**	**113,353**	**(1,739)**
Tax-exempt securities	**709**	**(9)**	**1,916**	**(48)**	**2,625**	**(57)**
Total temporarily impaired available-for-sale debt securities	**73,222**	**(637)**	**42,756**	**(1,159)**	**115,978**	**(1,796)**
Temporarily impaired available-for-sale marketable equity securities	**—**	**—**	**7**	**(5)**	**7**	**(5)**
Total temporarily impaired available-for-sale securities	**73,222**	**(637)**	**42,763**	**(1,164)**	**115,985**	**(1,801)**
Other-than-temporarily impaired available-for-sale debt securities [(1)]						
Non-agency residential mortgage-backed securities	**60**	**(14)**	**306**	**(14)**	**366**	**(28)**
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities [(2)]	**$ 73,282**	**$ (651)**	**$ 43,069**	**$ (1,178)**	**$ 116,351**	**$ (1,829)**
Temporarily impaired available-for-sale debt securities at December 31, 2011						
U.S. Treasury and agency securities	$ —	$ —	$ 38,269	$ (811)	$ 38,269	$ (811)
Mortgage-backed securities:						
Agency	4,679	(13)	474	(8)	5,153	(21)
Agency collateralized mortgage obligations	11,448	(134)	976	(33)	12,424	(167)
Non-agency residential	2,112	(59)	3,950	(350)	6,062	(409)
Non-agency commercial	55	(1)	—	—	55	(1)
Non-U.S. securities	1,008	(13)	165	(1)	1,173	(14)
Corporate bonds	415	(29)	111	(8)	526	(37)
Other taxable securities	4,210	(41)	1,361	(19)	5,571	(60)
Total taxable securities	23,927	(290)	45,306	(1,230)	69,233	(1,520)
Tax-exempt securities	1,117	(25)	2,754	(65)	3,871	(90)
Total temporarily impaired available-for-sale debt securities	25,044	(315)	48,060	(1,295)	73,104	(1,610)
Temporarily impaired available-for-sale marketable equity securities	31	(1)	6	(6)	37	(7)
Total temporarily impaired available-for-sale securities	25,075	(316)	48,066	(1,301)	73,141	(1,617)
Other-than-temporarily impaired available-for-sale debt securities [(1)]						
Non-agency residential mortgage-backed securities	158	(28)	489	(45)	647	(73)
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities [(2)]	$ 25,233	$ (344)	$ 48,555	$ (1,346)	$ 73,788	$ (1,690)

(1) Includes other-than-temporarily impaired AFS debt securities on which OTTI loss remains in OCI.

(2) At March 31, 2012, the amortized cost of approximately 4,200 AFS securities exceeded their fair value by $1.8 billion. At December 31, 2011, the amortized cost of approximately 3,800 AFS securities exceeded their fair value by $1.7 billion.

The amortized cost and fair value of the Corporation's investment in AFS and HTM debt securities from Fannie Mae (FNMA), the Government National Mortgage Association (GNMA), Freddie Mac (FHLMC) and U.S. Treasury securities where the investment exceeded 10 percent of consolidated shareholders' equity at March 31, 2012 and December 31, 2011 are presented in the table below.

Selected Securities Exceeding 10 Percent of Shareholders' Equity

	March 31, 2012		December 31, 2011	
(Dollars in millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Fannie Mae	**$ 111,297**	**$ 111,915**	$ 87,898	$ 89,243
Government National Mortgage Association	**110,034**	**112,506**	102,960	106,200
Freddie Mac	**26,656**	**26,979**	26,617	27,129
U.S Treasury Securities	**40,202**	**39,558**	39,946	39,164

The expected maturity distribution of the Corporation's MBS and the contractual maturity distribution of the Corporation's other AFS debt securities, and the yields on the Corporation's AFS debt securities portfolio at March 31, 2012 are summarized in the table below. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

Debt Securities Maturities

	March 31, 2012									
	Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years		Due after Ten Years		Total	
(Dollars in millions)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
Amortized cost of AFS debt securities										
U.S. Treasury and agency securities	$ 505	0.10%	$ 796	0.90%	$ 2,382	5.30%	$ 36,926	3.10%	**$ 40,609**	**3.20%**
Mortgage-backed securities:										
Agency	31	4.60	56,137	3.40	67,526	3.50	48,641	3.20	**172,335**	**3.40**
Agency-collateralized mortgage obligations	54	0.70	20,917	1.90	20,708	4.20	19	1.00	**41,698**	**3.00**
Non-agency residential	1,164	4.90	6,531	4.60	3,266	4.30	437	3.30	**11,398**	**4.50**
Non-agency commercial	156	5.10	4,061	6.70	60	6.80	56	4.80	**4,333**	**6.60**
Non-U.S. securities	3,945	0.90	2,364	4.90	220	2.70	1	6.90	**6,530**	**4.70**
Corporate bonds	583	1.80	1,245	1.90	397	4.70	139	1.00	**2,364**	**1.90**
Other taxable securities	1,191	1.30	5,900	1.50	2,130	2.00	1,374	1.00	**10,595**	**1.50**
Total taxable securities	7,629	1.69	97,951	3.18	96,689	3.69	87,593	3.12	**289,862**	**3.35**
Tax-exempt securities	42	2.20	917	1.80	831	2.50	1,904	0.30	**3,694**	**1.19**
Total amortized cost of AFS debt securities	**$ 7,671**	**1.69**	**$ 98,868**	**3.17**	**$ 97,520**	**3.68**	**$ 89,497**	**3.06**	**$ 293,556**	**3.33**
Total amortized cost of held-to-maturity debt securities(2)	**$ 57**	**1.80%**	**$ 3,871**	**3.00%**	**$ 7,603**	**3.00%**	**$ 22,674**	**3.10%**	**$ 34,205**	**3.10%**
Fair value of AFS debt securities										
U.S. Treasury and agency securities	$ 506		$ 820		$ 2,573		$ 36,067		**$ 39,966**	
Mortgage-backed securities:										
Agency	32		57,128		68,940		48,991		**175,091**	
Agency-collateralized mortgage obligations	54		20,931		21,351		19		**42,355**	
Non-agency residential	1,157		6,645		3,243		425		**11,470**	
Non-agency commercial	158		4,615		69		57		**4,899**	
Non-U.S. securities	3,795		2,545		227		1		**6,568**	
Corporate bonds	588		1,268		433		132		**2,421**	
Other taxable securities	1,192		5,945		2,118		1,362		**10,617**	
Total taxable securities	7,482		99,897		98,954		87,054		**293,387**	
Tax-exempt securities	43		918		831		1,861		**3,653**	
Total fair value of AFS debt securities	**$ 7,525**		**$ 100,815**		**$ 99,785**		**$ 88,915**		**$ 297,040**	
Total fair value of held-to-maturity debt securities (2)	**$ 57**		**$ 3,876**		**$ 7,634**		**$ 22,873**		**$ 34,440**	

(1) Average yield is computed using the effective yield of each security at the end of the period, weighted based on the amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts and excludes the effect of related hedging derivatives.

(2) Substantially all U.S. agency mortgage-backed securities.

The gross realized gains and losses on sales of debt securities for the three months ended March 31, 2012 and 2011 are presented in the table below.

Gains and Losses on Sales of AFS Debt Securities

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Gross gains	**$ 1,173**	$ 554
Gross losses	**(421)**	(8)
Net gains on sales of debt securities	**$ 752**	$ 546
Income tax expense attributable to realized net gains on sales of debt securities	**$ 278**	$ 202

Certain Corporate and Strategic Investments

At March 31, 2012 and December 31, 2011, the Corporation owned 2.0 billion shares representing approximately one percent of China Construction Bank (CCB). Sales restrictions on these shares continue until August 2013 and accordingly, these shares are carried at cost. The carrying value and cost basis of the investment at both March 31, 2012 and December 31, 2011 was $716 million and the fair value was $1.5 billion and $1.4 billion. This investment is recorded in other assets. The strategic assistance agreement between the Corporation and CCB, which includes cooperation in specific business areas, remains in place.

The Corporation's 49 percent investment in a merchant services joint venture had a carrying value of $3.3 billion and $3.4 billion at March 31, 2012 and December 31, 2011.

NOTE 5 – Outstanding Loans and Leases

The following tables present total outstanding loans and leases and an aging analysis at March 31, 2012 and December 31, 2011.

	March 31, 2012							
(Dollars in millions)	30-59 Days Past Due (1)	60-89 Days Past Due (1)	90 Days or More Past Due (2)	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due (3)	Purchased Credit - impaired (4)	Loans Accounted for Under the Fair Value Option	Total Outstandings
Home loans								
Core portfolio								
Residential mortgage (5)	$ 1,894	$ 646	$ 3,162	$ 5,702	$ 169,620			$ 175,322
Home equity	267	144	470	881	64,380			65,261
Legacy Assets & Servicing portfolio								
Residential mortgage	2,779	1,678	30,708	35,165	36,196	$ 9,748		81,109
Home equity	778	473	1,728	2,979	41,188	11,818		55,985
Discontinued real estate (6)	50	18	320	388	784	9,281		10,453
Credit card and other consumer								
U.S. credit card	848	670	1,866	3,384	93,049			96,433
Non-U.S. credit card	138	105	294	537	13,377			13,914
Direct/Indirect consumer (7)	595	266	730	1,591	84,537			86,128
Other consumer (8)	45	16	7	68	2,539			2,607
Total consumer loans	7,394	4,016	39,285	50,695	505,670	30,847		587,212
Consumer loans accounted for under the fair value option (9)							$ 2,204	2,204
Total consumer	7,394	4,016	39,285	50,695	505,670	30,847	2,204	589,416
Commercial								
U.S. commercial	327	40	2,106	2,473	178,255			180,728
Commercial real estate (10)	104	31	3,412	3,547	34,502			38,049
Commercial lease financing	100	6	66	172	21,384			21,556
Non-U.S. commercial	—	—	140	140	52,461			52,601
U.S. small business commercial	151	103	312	566	12,390			12,956
Total commercial loans	682	180	6,036	6,898	298,992			305,890
Commercial loans accounted for under the fair value option (9)							6,988	6,988
Total commercial	682	180	6,036	6,898	298,992		6,988	312,878
Total loans and leases	$ 8,076	$ 4,196	$ 45,321	$ 57,593	$ 804,662	$ 30,847	$ 9,192	$ 902,294
Percentage of outstandings	0.90%	0.46%	5.02%	6.38%	89.18%	3.42%	1.02%	

(1) Home loans includes $2.9 billion of fully-insured loans and $1.1 billion of nonperforming loans.

(2) Home loans includes $21.2 billion of fully-insured loans.

(3) Home loans includes $3.7 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.

(4) PCI loan amounts are shown gross of the valuation allowance.

(5) Total outstandings includes non-U.S. residential mortgages of $87 million.

(6) Total outstandings includes $9.3 billion of pay option loans and $1.1 billion of subprime loans. The Corporation no longer originates these products.

(7) Total outstandings includes dealer financial services loans of $40.2 billion, consumer lending loans of $7.1 billion, U.S. securities-based lending margin loans of $24.0 billion, student loans of $5.7 billion, non-U.S. consumer loans of $7.6 billion and other consumer loans of $1.5 billion.

(8) Total outstandings includes consumer finance loans of $1.6 billion, other non-U.S. consumer loans of $951 million and consumer overdrafts of $58 million.

(9) Consumer loans accounted for under the fair value option were residential mortgage loans of $881 million and discontinued real estate loans of $1.3 billion. Commercial loans accounted for under the fair value option were U.S. commercial loans of $2.2 billion and non-U.S. commercial loans of $4.8 billion. See *Note 15 – Fair Value Measurements* and *Note 16 – Fair Value Option* for additional information.

(10) Total outstandings includes U.S. commercial real estate loans of $36.3 billion and non-U.S. commercial real estate loans of $1.7 billion.

(Dollars in millions)	December 31, 2011 30-59 Days Past Due [1]	60-89 Days Past Due [1]	90 Days or More Past Due [2]	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due [3]	Purchased Credit - impaired [4]	Loans Accounted for Under the Fair Value Option	Total Outstandings
Home loans								
Core portfolio								
Residential mortgage [5]	$ 2,151	$ 751	$ 3,017	$ 5,919	$ 172,418			$ 178,337
Home equity	260	155	429	844	66,211			67,055
Legacy Assets & Servicing portfolio								
Residential mortgage	3,195	2,174	32,167	37,536	36,451	$ 9,966		83,953
Home equity	845	508	1,735	3,088	42,578	11,978		57,644
Discontinued real estate [6]	65	24	351	440	798	9,857		11,095
Credit card and other consumer								
U.S. credit card	981	772	2,070	3,823	98,468			102,291
Non-U.S. credit card	148	120	342	610	13,808			14,418
Direct/Indirect consumer [7]	805	338	779	1,922	87,791			89,713
Other consumer [8]	55	21	17	93	2,595			2,688
Total consumer loans	8,505	4,863	40,907	54,275	521,118	31,801		607,194
Consumer loans accounted for under the fair value option [9]							$ 2,190	2,190
Total consumer	8,505	4,863	40,907	54,275	521,118	31,801	2,190	609,384
Commercial								
U.S. commercial	272	83	2,249	2,604	177,344			179,948
Commercial real estate [10]	133	44	3,887	4,064	35,532			39,596
Commercial lease financing	78	13	40	131	21,858			21,989
Non-U.S. commercial	24	—	143	167	55,251			55,418
U.S. small business commercial	142	100	331	573	12,678			13,251
Total commercial loans	649	240	6,650	7,539	302,663			310,202
Commercial loans accounted for under the fair value option [9]							6,614	6,614
Total commercial	649	240	6,650	7,539	302,663		6,614	316,816
Total loans and leases	$ 9,154	$ 5,103	$ 47,557	$ 61,814	$ 823,781	$ 31,801	$ 8,804	$ 926,200
Percentage of outstandings	0.99%	0.55%	5.13%	6.67%	88.95%	3.43%	0.95%	

(1) Home loans includes $3.6 billion of fully-insured loans and $770 million of nonperforming loans.

(2) Home loans includes $21.2 billion of fully-insured loans.

(3) Home loans includes $1.8 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.

(4) PCI loan amounts are shown gross of the valuation allowance.

(5) Total outstandings includes non-U.S. residential mortgages of $85 million.

(6) Total outstandings includes $9.9 billion of pay option loans and $1.2 billion of subprime loans. The Corporation no longer originates these products.

(7) Total outstandings includes dealer financial services loans of $43.0 billion, consumer lending loans of $8.0 billion, U.S. securities-based lending margin loans of $23.6 billion, student loans of $6.0 billion, non-U.S. consumer loans of $7.6 billion and other consumer loans of $1.5 billion.

(8) Total outstandings includes consumer finance loans of $1.7 billion, other non-U.S. consumer loans of $929 million and consumer overdrafts of $103 million.

(9) Consumer loans accounted for under the fair value option were residential mortgage loans of $906 million and discontinued real estate loans of $1.3 billion. Commercial loans accounted for under the fair value option were U.S. commercial loans of $2.2 billion and non-U.S. commercial loans of $4.4 billion. See *Note 15 – Fair Value Measurements* and *Note 16 – Fair Value Option* for additional information.

(10) Total outstandings includes U.S. commercial real estate loans of $37.8 billion and non-U.S. commercial real estate loans of $1.8 billion.

The Corporation mitigates a portion of its credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles. These vehicles issue long-term notes to investors, the proceeds of which are held as cash collateral. The Corporation pays a premium to the vehicles to purchase mezzanine loss protection on a portfolio of residential mortgages owned by the Corporation. Cash held in the vehicles is used to reimburse the Corporation in the event that losses on the mortgage portfolio exceed 10 basis points (bps) of the original pool balance, up to the remaining amount of purchased loss protection of $697 million and $783 million at March 31, 2012 and December 31, 2011. The vehicles from which the Corporation purchases credit protection are VIEs. The Corporation does not have a variable interest in these vehicles, and accordingly, these vehicles are not consolidated by the Corporation. Amounts due from the vehicles are recorded in other income (loss) when the Corporation recognizes a reimbursable loss, as described above. Amounts are collected when reimbursable losses are realized through the sale of the underlying collateral. At March 31, 2012 and December 31, 2011, the Corporation had a receivable of $368 million and $359 million from these vehicles for reimbursement of losses, and principal of $22.3 billion and $23.9 billion of residential mortgage loans was referenced under these agreements. The Corporation records an allowance for credit losses on these loans without regard to the existence of the purchased loss protection as the protection does not represent a guarantee of individual loans.

In addition, the Corporation has entered into long-term credit protection agreements with FNMA and FHLMC on loans totaling $26.0 billion and $24.4 billion at March 31, 2012 and December 31, 2011, providing full protection on residential mortgage loans that become severely delinquent. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses related to these loans. For additional information, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees*.

Nonperforming Loans and Leases

During the first quarter of 2012, the bank regulatory agencies jointly issued interagency supervisory guidance on nonaccrual status for junior-lien consumer real estate loans. In accordance with this regulatory interagency guidance, the Corporation classifies junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing, and as a result, the Corporation reclassified $1.9 billion of performing home equity loans to nonperforming. The regulatory interagency guidance had no impact on the Corporation's allowance for loan and lease losses or provision expense as the delinquency status of the underlying first-lien was already considered in the Corporation's reserving process.

The table below presents the Corporation's nonperforming loans and leases including nonperforming troubled debt restructurings (TDRs) and loans accruing past due 90 days or more at March 31, 2012 and December 31, 2011. Nonperforming loans held-for-sale (LHFS) are excluded from nonperforming loans and leases as they are recorded at either fair value or the lower of cost or fair value. See *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K for further information on the criteria for classification as nonperforming.

Credit Quality

	Nonperforming Loans and Leases [1]		Accruing Past Due 90 Days or More	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Home loans				
Core portfolio				
Residential mortgage [2]	**$ 2,433**	$ 2,414	**$ 1,113**	$ 883
Home equity	**1,042**	439	**—**	—
Legacy Assets & Servicing portfolio				
Residential mortgage [2]	**12,616**	13,556	**20,063**	20,281
Home equity	**3,318**	2,014	**—**	—
Discontinued real estate	**269**	290	**—**	—
Credit card and other consumer				
U.S. credit card	**n/a**	n/a	**1,866**	2,070
Non-U.S. credit card	**n/a**	n/a	**294**	342
Direct/Indirect consumer	**41**	40	**697**	746
Other consumer	**5**	15	**2**	2
Total consumer	**19,724**	18,768	**24,035**	24,324
Commercial				
U.S. commercial	**2,048**	2,174	**59**	75
Commercial real estate	**3,404**	3,880	**8**	7
Commercial lease financing	**38**	26	**28**	14
Non-U.S. commercial	**140**	143	**—**	—
U.S. small business commercial	**121**	114	**190**	216
Total commercial	**5,751**	6,337	**285**	312
Total consumer and commercial	**$ 25,475**	$ 25,105	**$ 24,320**	$ 24,636

[1] Nonperforming loan balances do not include nonaccruing TDRs removed from the PCI portfolio prior to January 1, 2010 of $459 million and $477 million as of March 31, 2012 and December 31, 2011.

[2] Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At both March 31, 2012 and December 31, 2011, residential mortgage includes $17.0 billion of loans on which interest has been curtailed by the Federal Housing Administration, and therefore are no longer accruing interest, although principal is still insured, and $4.2 billion of loans on which interest is still accruing.

n/a = not applicable

Credit Quality Indicators

The Corporation monitors credit quality within its Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments based on primary credit quality indicators. For more information on the portfolio segments, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Within the home loans portfolio segment, the primary credit quality indicators are refreshed LTV and refreshed FICO score. Refreshed LTV measures the carrying value of the loan as a percentage of the value of property securing the loan, refreshed quarterly. Home equity loans are evaluated using combined loan-to-value (CLTV) which measures the carrying value of the combined loans that have liens against the property and the available line of credit as a percentage of the appraised value of the property securing the loan, refreshed quarterly. FICO scores measure the creditworthiness of the borrower based on the financial obligations of the borrower and the borrower’s credit history. At a minimum, FICO scores are refreshed quarterly, and in many cases, more frequently. FICO scores are also a primary credit quality indicator for the Credit Card and Other Consumer portfolio segment and the business card portfolio within U.S. small business commercial. The Corporation’s commercial loans are evaluated using the internal classifications of pass rated or reservable criticized as the primary credit quality indicators. The term reservable criticized refers to those commercial loans that are internally classified or listed by the Corporation as Special Mention, Substandard or Doubtful, which are asset categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not considered reservable criticized. In addition to these primary credit quality indicators, the Corporation uses other credit quality indicators for certain types of loans.

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The following tables present certain credit quality indicators for the Corporation's Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments, by class of financing receivables, at March 31, 2012 and December 31, 2011.

Home Loans - Credit Quality Indicators [(1)]

	March 31, 2012							
(Dollars in millions)	Core Portfolio Residential Mortgage [(2)]	Legacy Assets & Servicing Residential Mortgage [(2)]	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity [(2)]	Legacy Assets & Servicing Home Equity [(2)]	Countrywide Home Equity PCI	Legacy Assets & Servicing Discontinued Real Estate [(2)]	Countrywide Discontinued Real Estate PCI
Refreshed LTV [(3)]								
Less than 90 percent	$ 78,614	$ 19,638	$ 3,768	$ 44,861	$ 16,508	$ 2,509	$ 836	$ 5,609
Greater than 90 percent but less than 100 percent	10,882	5,500	1,407	6,826	4,725	1,111	122	992
Greater than 100 percent	16,120	21,891	4,573	13,574	22,934	8,198	214	2,680
Fully-insured loans [(4)]	69,706	24,332	—	—	—	—	—	—
Total home loans	**$ 175,322**	**$ 71,361**	**$ 9,748**	**$ 65,261**	**$ 44,167**	**$ 11,818**	**$ 1,172**	**$ 9,281**
Refreshed FICO score [(5)]								
Less than 620	$ 6,566	$ 16,086	$ 3,481	$ 2,831	$ 6,995	$ 1,715	$ 510	$ 5,449
Greater than or equal to 620	99,050	30,943	6,267	62,430	37,172	10,103	662	3,832
Fully-insured loans [(4)]	69,706	24,332	—	—	—	—	—	—
Total home loans	**$ 175,322**	**$ 71,361**	**$ 9,748**	**$ 65,261**	**$ 44,167**	**$ 11,818**	**$ 1,172**	**$ 9,281**

(1) Excludes $2.2 billion of loans accounted for under the fair value option.

(2) Excludes Countrywide PCI loans.

(3) Refreshed LTV percentages for PCI loans are calculated using the carrying value net of the related valuation allowance.

(4) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

(5) As of March 31, 2012, refreshed home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

Credit Card and Other Consumer - Credit Quality Indicators

	March 31, 2012			
(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [(1)]
Refreshed FICO score				
Less than 620	$ 7,399	$ —	$ 2,910	$ 768
Greater than or equal to 620	89,034	—	43,758	829
Other internal credit metrics [(2, 3, 4)]	—	13,914	39,460	1,010
Total credit card and other consumer	**$ 96,433**	**$ 13,914**	**$ 86,128**	**$ 2,607**

(1) 98 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.

(2) Other internal credit metrics include delinquency status, geography or other factors.

(3) Direct/indirect consumer includes $31.6 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $5.7 billion of loans the Corporation no longer originates.

(4) Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At March 31, 2012, 96 percent of this portfolio was current or less than 30 days past due, two percent was 30-89 days past due and two percent was 90 days past due or more.

Commercial - Credit Quality Indicators [(1)]

	March 31, 2012				
(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [(2)]
Risk ratings					
Pass rated	$ 171,179	$ 28,752	$ 20,371	$ 51,080	$ 2,266
Reservable criticized	9,549	9,297	1,185	1,521	723
Refreshed FICO score [(3)]					
Less than 620					515
Greater than or equal to 620					4,662
Other internal credit metrics [(3, 4)]					4,790
Total commercial credit	**$ 180,728**	**$ 38,049**	**$ 21,556**	**$ 52,601**	**$ 12,956**

(1) Excludes $7.0 billion of loans accounted for under the fair value option.

(2) U.S. small business commercial includes $463 million of criticized business card and small business loans which are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At March 31, 2012, 98 percent of the balances where internal credit metrics are used were current or less than 30 days past due.

(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.

(4) Other internal credit metrics include delinquency status, application scores, geography or other factors.

Home Loans - Credit Quality Indicators [(1)]

	December 31, 2011							
(Dollars in millions)	Core Portfolio Residential Mortgage [(2)]	Legacy Assets & Servicing Residential Mortgage [(2)]	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity [(2)]	Legacy Assets & Servicing Home Equity [(2)]	Countrywide Home Equity PCI	Legacy Assets & Servicing Discontinued Real Estate [(2)]	Countrywide Discontinued Real Estate PCI
Refreshed LTV [(3)]								
Less than 90 percent	$ 80,032	$ 20,450	$ 3,821	$ 46,646	$ 17,354	$ 2,253	$ 895	$ 5,953
Greater than 90 percent but less than 100 percent	11,838	5,847	1,468	6,988	4,995	1,077	122	1,191
Greater than 100 percent	17,673	22,630	4,677	13,421	23,317	8,648	221	2,713
Fully-insured loans [(4)]	68,794	25,060	—	—	—	—	—	—
Total home loans	$ 178,337	$ 73,987	$ 9,966	$ 67,055	$ 45,666	$ 11,978	$ 1,238	$ 9,857
Refreshed FICO score [(5)]								
Less than 620	$ 7,020	$ 17,337	$ 3,749	$ 2,843	$ 7,293	$ 2,547	$ 548	$ 5,968
Greater than or equal to 620	102,523	31,590	6,217	64,212	38,373	9,431	690	3,889
Fully-insured loans [(4)]	68,794	25,060	—	—	—	—	—	—
Total home loans	$ 178,337	$ 73,987	$ 9,966	$ 67,055	$ 45,666	$ 11,978	$ 1,238	$ 9,857

(1) Excludes $2.2 billion of loans accounted for under the fair value option.
(2) Excludes Countrywide PCI loans.
(3) Refreshed LTV percentages for PCI loans are calculated using the carrying value gross of the related valuation allowance.
(4) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.
(5) As of March 31, 2012, refreshed home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

Credit Card and Other Consumer - Credit Quality Indicators

	December 31, 2011			
(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [(1)]
Refreshed FICO score				
Less than 620	$ 8,172	$ —	$ 3,325	$ 802
Greater than or equal to 620	94,119	—	46,981	854
Other internal credit metrics [(2, 3, 4)]	—	14,418	39,407	1,032
Total credit card and other consumer	$ 102,291	$ 14,418	$ 89,713	$ 2,688

(1) 96 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.
(2) Other internal credit metrics include delinquency status, geography or other factors.
(3) Direct/indirect consumer includes $31.1 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $6.0 billion of loans the Corporation no longer originates.
(4) Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At December 31, 2011, 96 percent of this portfolio was current or less than 30 days past due, two percent was 30-89 days past due and two percent was 90 days or more past due.

Commercial - Credit Quality Indicators [(1)]

	December 31, 2011				
(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [(2)]
Risk ratings					
Pass rated	$ 169,599	$ 28,602	$ 20,850	$ 53,945	$ 2,392
Reservable criticized	10,349	10,994	1,139	1,473	836
Refreshed FICO score [(3)]					
Less than 620					562
Greater than or equal to 620					4,674
Other internal credit metrics [(3, 4)]					4,787
Total commercial credit	$ 179,948	$ 39,596	$ 21,989	$ 55,418	$ 13,251

(1) Excludes $6.6 billion of loans accounted for under the fair value option.
(2) U.S. small business commercial includes $491 million of criticized business card and small business loans which are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2011, 97 percent of the balances where internal credit metrics are used were current or less than 30 days past due.
(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.
(4) Other internal credit metrics include delinquency status, application scores, geography or other factors.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, all TDRs, and the renegotiated credit card and other consumer TDR portfolio (the renegotiated credit card and other consumer TDR portfolio, collectively referred to as the renegotiated TDR portfolio). Generally, loans that are designated as TDRs may be returned to accrual status after they have performed for an adequate period of time, typically six months. Loans that have been returned to accrual status may be removed from TDR status if they bore a market rate of interest at the time of modification. Impaired loans exclude nonperforming consumer loans and nonperforming commercial leases unless they are classified as TDRs. Loans accounted for under the fair value option are also excluded. Purchased credit-impaired (PCI) loans are excluded and reported separately on page 158.

Home Loans

Impaired home loans within the Home Loans portfolio segment consist entirely of TDRs. Excluding PCI loans, substantially all modifications of home loans meet the definition of TDRs when a binding offer is extended to a borrower. Modifications of home loans are done in accordance with the government's Making Home Affordable Program (modifications under government programs) or the Corporation's proprietary programs (modifications under proprietary programs). These modifications are considered to be TDRs if concessions have been granted to borrowers experiencing financial difficulties. Concessions may include reductions in interest rates, capitalization of past due amounts, principal and/or interest forbearance, payment extensions, principal and/or interest forgiveness, or combinations thereof.

Prior to permanently modifying a loan, the Corporation may enter into trial modifications with certain borrowers under both government and proprietary programs. Trial modifications generally represent a three- to four-month period during which the borrower makes monthly payments under the anticipated modified payment terms. Upon successful completion of the trial period, the Corporation and the borrower enter into a permanent modification. Binding trial modifications are classified as TDRs when the trial offer is made and continue to be classified as TDRs regardless of whether the borrower enters into a permanent modification.

In accordance with applicable accounting guidance, excluding PCI loans which are reported separately, home loans are not classified as impaired unless they have been designated as a TDR. Once such a loan has been designated as a TDR it is then individually assessed for impairment. Home loan TDRs are measured primarily based on the net present value of the estimated cash flows discounted at the loan’s original effective interest rate. If the carrying value of a TDR exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses. Alternatively, home loan TDRs that are considered to be dependent solely on the collateral for repayment (e.g., due to the lack of income verification) are measured based on the estimated fair value of the collateral and a charge-off is recorded if the carrying value exceeds the fair value of the collateral. Home loans that reached 180 days past due prior to modification would have been charged off to their net realizable value before they were modified as TDRs in accordance with established policy. Therefore, the modification of home loans that are 180 or more days past due as TDRs does not have an impact on the allowance for credit losses nor are additional charge-offs required at the time of modification. Subsequent declines in the fair value of the collateral after a loan has reached 180 days past due are recorded as charge-offs. Fully-insured loans are protected against principal loss, and therefore, the Corporation does not record an allowance for credit losses on the outstanding principal balance, even after they have been modified in a TDR.

The net present value of the estimated cash flows is based on model-driven estimates of projected payments, prepayments, defaults and loss-given-default (LGD). Using statistical modeling methodologies, the Corporation estimates the probability that a loan will default prior to maturity based on the attributes of each loan. The factors that are most relevant to the probability of default are the refreshed LTV or in the case of a subordinated lien, refreshed CLTV, borrower credit score, months since origination (i.e., vintage) and geography. Each of these factors is further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). Severity (or LGD) is estimated based on the refreshed LTV for the first mortgages or CLTV for subordinated liens. The estimates are based on the Corporation’s historical experience, but are adjusted to reflect an assessment of environmental factors that may not be reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default models also incorporate recent experience with modification programs, a loan’s default history prior to modification and the change in borrower payments post-modification.

At March 31, 2012 and December 31, 2011, remaining commitments to lend additional funds to debtors whose terms have been modified in a home loan TDR were immaterial. Home loan foreclosed properties totaled $1.8 billion and $2.0 billion at March 31, 2012 and December 31, 2011.

The table below presents impaired loans in the Corporation's Home Loans portfolio segment at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011 and includes primarily loans managed by Legacy Assets & Servicing within *Consumer Real Estate Services (CRES).* Certain impaired home loans do not have a related allowance as the current valuation of these impaired loans exceeded the carrying value.

Impaired Loans - Home Loans

	March 31, 2012			Three Months Ended March 31			
				2012		2011	
(Dollars in millions)	**Unpaid Principal Balance**	**Carrying Value**	**Related Allowance**	**Average Carrying Value**	**Interest Income Recognized [(1)]**	Average Carrying Value	Interest Income Recognized [(1)]
With no recorded allowance							
Residential mortgage	**$ 11,313**	**$ 8,473**	**n/a**	**$ 8,472**	**$ 73**	$ 5,628	$ 54
Home equity	**1,801**	**485**	**n/a**	**506**	**9**	484	5
Discontinued real estate	**401**	**224**	**n/a**	**232**	**2**	227	2
With an allowance recorded							
Residential mortgage	**$ 12,436**	**$ 11,200**	**$ 1,279**	**$ 11,021**	**$ 98**	$ 7,751	$ 71
Home equity	**1,512**	**1,243**	**590**	**1,255**	**9**	1,302	7
Discontinued real estate	**207**	**152**	**29**	**153**	**2**	170	2
Total							
Residential mortgage	**$ 23,749**	**$ 19,673**	**$ 1,279**	**$ 19,493**	**$ 171**	$ 13,379	$ 125
Home equity	**3,313**	**1,728**	**590**	**1,761**	**18**	1,786	12
Discontinued real estate	**608**	**376**	**29**	**385**	**4**	397	4

	December 31, 2011		
With no recorded allowance			
Residential mortgage	$ 10,907	$ 8,168	n/a
Home equity	1,747	479	n/a
Discontinued real estate	421	240	n/a
With an allowance recorded			
Residential mortgage	$ 12,296	$ 11,119	$ 1,295
Home equity	1,551	1,297	622
Discontinued real estate	213	159	29
Total			
Residential mortgage	$ 23,203	$ 19,287	$ 1,295
Home equity	3,298	1,776	622
Discontinued real estate	634	399	29

(1) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

n/a = not applicable

The table below presents the March 31, 2012 and 2011 unpaid principal balance, carrying value, and average pre- and post-modification interest rates of home loans that were modified in TDRs during the three months ended March 31, 2012 and 2011, along with net charge-offs that were recorded during the period in which the modification occurred. These TDRs are managed by Legacy Assets & Servicing within *CRES*.

Home Loans - TDRs Entered into During the Three Months Ended March 31, 2012

	March 31, 2012				Three Months Ended March 31, 2012
(Dollars in millions)	**Unpaid Principal Balance**	**Carrying Value**	**Pre-Modification Interest Rate**	**Post-Modification Interest Rate**	**Net Charge-offs**
Residential mortgage	**$ 1,310**	**$ 1,163**	**5.73 %**	**4.80 %**	**$ 48**
Home equity	**162**	**97**	**5.10**	**3.80**	**39**
Discontinued real estate	**9**	**6**	**7.06**	**6.84**	**1**
Total	**$ 1,481**	**$ 1,266**	**5.67**	**4.70**	**$ 88**

Home Loans - TDRs Entered into During the Three Months Ended March 31, 2011

	March 31, 2011				Three Months Ended March 31, 2011
Residential mortgage	$ 3,403	$ 3,022	6.05 %	4.93 %	$ 39
Home equity	297	229	7.43	5.54	63
Discontinued real estate	21	14	7.78	5.46	2
Total	$ 3,721	$ 3,265	6.17	4.98	$ 104

The table below presents the March 31, 2012 and 2011 carrying value for home loans which were modified in a TDR during thethree months ended March 31, 2012 and 2011 by type of modification.

Home Loans - Modification Programs

	TDRs Entered into During the Three Months Ended March 31, 2012			
(Dollars in millions)	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs				
Contractual interest rate reduction	**$ 37**	**$ 29**	**$ —**	**$ 66**
Principal and/or interest forbearance	**1**	**9**	**—**	**10**
Other modifications (1)	**15**	**—**	**—**	**15**
Total modifications under government programs	**53**	**38**	**—**	**91**
Modifications under proprietary programs				
Contractual interest rate reduction	**366**	**14**	**—**	**380**
Capitalization of past due amounts	**10**	**—**	**—**	**10**
Principal and/or interest forbearance	**90**	**7**	**—**	**97**
Other modifications (1)	**52**	**2**	**1**	**55**
Total modifications under proprietary programs	**518**	**23**	**1**	**542**
Trial modifications	**592**	**36**	**5**	**633**
Total modifications	**$ 1,163**	**$ 97**	**$ 6**	**$ 1,266**
	TDRs Entered into During the Three Months Ended March 31, 2011			
Modifications under government programs				
Contractual interest rate reduction	$ 219	$ 135	$ 1	$ 355
Principal and/or interest forbearance	33	15	1	49
Other modifications (1)	1	1	—	2
Total modifications under government programs	253	151	2	406
Modifications under proprietary programs				
Contractual interest rate reduction	1,562	23	6	1,591
Capitalization of past due amounts	136	—	—	136
Principal and/or interest forbearance	206	17	1	224
Other modifications (1)	117	16	—	133
Total modifications under proprietary programs	2,021	56	7	2,084
Trial modifications	748	22	5	775
Total modifications	$ 3,022	$ 229	$ 14	$ 3,265

(1) Includes other modifications such as term or payment extensions and repayment plans.

The table below presents the carrying value of loans that entered into payment default during the three months ended March 31, 2012 and 2011 and that were modified in a TDR during the 12 months preceding payment default. A payment default for home loan TDRs is recognized when a borrower has missed three monthly payments (not necessarily consecutively) since modification. Payment default on trial modifications where the borrower has not yet met the terms of the agreement are included in the table below if the borrower is 90 days or more past due three months after the offer to modify is made.

Home Loans - TDRs Entering Payment Default That Were Modified During the Preceding Twelve Months

	Three Months Ended March 31, 2012			
(Dollars in millions)	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs	**$ 73**	**$ 2**	**$ 1**	**$ 76**
Modifications under proprietary programs	**373**	**4**	**3**	**380**
Trial modifications	**113**	**4**	**1**	**118**
Total modifications	**$ 559**	**$ 10**	**$ 5**	**$ 574**
	Three Months Ended March 31, 2011			
Modifications under government programs	$ 54	$ —	$ 1	$ 55
Modifications under proprietary programs	458	20	4	482
Trial modifications	3	—	—	3
Total modifications	$ 515	$ 20	$ 5	$ 540

Credit Card and Other Consumer

The Credit Card and Other Consumer portfolio segment includes impaired loans that have been modified as TDRs. The Corporation seeks to assist customers that are experiencing financial difficulty by modifying loans while ensuring compliance with federal laws and guidelines. Substantially all of the Corporation's credit card and other consumer loan modifications involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs. In all cases, the customer's available line of credit is canceled. The Corporation makes loan modifications directly with borrowers for debt held only by the Corporation (internal programs). Additionally, the Corporation makes loan modifications for borrowers working with third-party renegotiation agencies that provide solutions to customers' entire unsecured debt structures (external programs).

All credit card and other consumer loans not secured by real estate, including modified loans, remain on accrual status until the loan is either charged off or paid in full. The allowance for impaired credit card loans is based on the present value of projected cash flows discounted using the portfolio's average contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. Prior to modification, credit card and other consumer loans are included in homogeneous pools which are collectively evaluated for impairment. For these portfolios, loss forecast models are utilized that consider a variety of factors including but not limited to historical loss experience, delinquencies, economic trends and credit scores.

The table below provides information on the Corporation's renegotiated TDR portfolio at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011. The renegotiated TDR portfolio is considered impaired and had a related allowance as shown below.

Impaired Loans - Credit Card and Other Consumer - Renegotiated TDRs

	March 31, 2012			Three Months Ended March 31 2012		2011	
(Dollars in millions)	Unpaid Principal Balance	Carrying Value [1]	Related Allowance	Average Carrying Value	Interest Income Recognized [2]	Average Carrying Value	Interest Income Recognized [2]
With an allowance recorded							
U.S. credit card	$ 4,548	$ 4,576	$ 1,396	$ 5,019	$ 77	$ 8,569	$ 127
Non-U.S. credit card	546	553	345	572	2	795	2
Direct/Indirect consumer	1,044	1,049	372	1,146	16	1,839	24

	December 31, 2011		
With an allowance recorded			
U.S. credit card	$ 5,272	$ 5,305	$ 1,570
Non-U.S. credit card	588	597	435
Direct/Indirect consumer	1,193	1,198	405

(1) Includes accrued interest and fees.

(2) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio at March 31, 2012 and December 31, 2011.

Credit Card and Other Consumer - Renegotiated TDRs by Program Type

	Internal Programs		External Programs		Other		Total		Percent of Balances Current or Less Than 30 Days Past Due	
(Dollars in millions)	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
U.S. credit card	$ 3,211	$ 3,788	$ 1,300	$ 1,436	$ 65	$ 81	$ 4,576	$ 5,305	79.71%	78.97%
Non-U.S. credit card	211	218	103	113	239	266	553	597	56.15	54.02
Direct/Indirect consumer	681	784	351	392	17	22	1,049	1,198	81.00	80.01
Total renegotiated TDR loans	$ 4,103	$ 4,790	$ 1,754	$ 1,941	$ 321	$ 369	$ 6,178	$ 7,100	77.82	77.05

At March 31, 2012 and December 31, 2011, the Corporation had a renegotiated TDR portfolio of $6.2 billion and $7.1 billion of which $4.8 billion was current or less than 30 days past due under the modified terms at March 31, 2012. The renegotiated TDR portfolio is excluded from nonperforming loans as the Corporation generally does not classify consumer loans not secured by real estate as nonperforming. Instead, these loans are charged off no later than the end of the month in which the loan becomes 180 days past due.

The table below provides information on the Corporation's renegotiated TDR portfolio including the unpaid principal balance and carrying value of loans that were modified in TDRs during the three months ended March 31, 2012 and 2011, along with charge-offs that were recorded during the calendar quarter in which the modification occurred. The table also presents the average pre- and post-modification interest rate.

Credit Card and Other Consumer - Renegotiated TDRs Entered into During the Three Months Ended March 31, 2012

	March 31, 2012				Three Months Ended March 31, 2012
(Dollars in millions)	**Unpaid Principal Balance**	**Carrying Value (1)**	**Pre-Modification Interest Rate**	**Post-Modification Interest Rate**	**Net Charge-offs**
U.S. credit card	**$ 152**	**$ 156**	**18.29 %**	**6.35 %**	**$ 2**
Non-U.S. credit card	**114**	**120**	**26.19**	**0.81**	**5**
Direct/Indirect consumer	**25**	**26**	**15.50**	**4.31**	**—**
Total	**$ 291**	**$ 302**	**21.19**	**3.97**	**$ 7**

Credit Card and Other Consumer - Renegotiated TDRs Entered into During the Three Months Ended March 31, 2011

	March 31, 2011				Three Months Ended March 31, 2011
U.S. credit card	$ 386	$ 400	19.33 %	6.15 %	$ 4
Non-U.S. credit card	159	166	27.21	0.55	13
Direct/Indirect consumer	99	101	15.68	5.57	1
Total	$ 644	$ 667	20.73	4.67	$ 18

(1) Includes accrued interest and fees.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio for loans that were modified in TDRs during the three months ended March 31, 2012 and 2011.

Credit Card and Other Consumer - Renegotiated TDRs by Program Type

	Renegotiated TDRs Entered into During the Three Months Ended March 31, 2012			
(Dollars in millions)	**Internal Programs**	**External Programs**	**Other**	**Total**
U.S. credit card	**$ 79**	**$ 77**	**$ —**	**$ 156**
Non-U.S. credit card	**63**	**57**	**—**	**120**
Direct/Indirect consumer	**14**	**12**	**—**	**26**
Total renegotiated TDR loans	**$ 156**	**$ 146**	**$ —**	**$ 302**

	Renegotiated TDRs Entered into During the Three Months Ended March 31, 2011			
U.S. credit card	$ 234	$ 165	$ 1	$ 400
Non-U.S. credit card	75	90	1	166
Direct/Indirect consumer	60	41	—	101
Total renegotiated TDR loans	$ 369	$ 296	$ 2	$ 667

Credit card and other consumer loans are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows in the calculation of the allowance for loan losses for impaired credit card and other consumer loans. Loans that entered into payment default during the three months ended March 31, 2012 and 2011 and that had been modified in a TDR during the 12 months preceding payment default were $82 million and $383 million for U.S. credit card, $82 million and $101 million for non-U.S. credit card and $16 million and $77 million for direct/indirect consumer.

Commercial Loans

Impaired commercial loans, which include nonperforming loans and TDRs (both performing and nonperforming) are primarily measured based on the present value of payments expected to be received, discounted at the loan's original effective interest rate. Commercial impaired loans may also be measured based on observable market prices or, for loans that are solely dependent on the collateral for repayment, the estimated fair value of collateral less estimated costs to sell. If the carrying value of a loan exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses.

Modifications of loans to commercial borrowers that are experiencing financial difficulty are designed to reduce the Corporation's loss exposure while providing the borrower with an opportunity to work through financial difficulties, often to avoid foreclosure or bankruptcy. Each modification is unique and reflects the individual circumstances of the borrower. Modifications that result in a TDR may include extensions of maturity at a concessionary (below market) rate of interest, payment forbearances or other actions designed to benefit the customer while mitigating the Corporation's risk exposure. Reductions in interest rates are rare. Instead, the interest rates are typically increased, although the increased rate may not represent a market rate of interest. Infrequently, concessions may also include principal forgiveness in connection with foreclosure, short sale or other settlement agreements leading to termination or sale of the loan.

At the time of restructuring, the loans are remeasured to reflect the impact, if any, on projected cash flows resulting from the modified terms. If there was no forgiveness of principal and the interest rate was not decreased, the modification may have little or no impact on the allowance established for the loan. If a portion of the loan is deemed to be uncollectible, a charge-off may be recorded at the time of restructuring. Alternatively, a charge-off may have already been recorded in a previous period such that no charge-off is required at the time of modification. For information concerning modifications for the U.S. small business commercial portfolio, see Credit Card and Other Consumer in this Note.

At March 31, 2012 and December 31, 2011, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial loan TDR were immaterial. Commercial foreclosed properties totaled $510 million and $612 million at March 31, 2012 and December 31, 2011.

The table below presents impaired loans in the Corporation's Commercial loan portfolio segment at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011. Certain impaired commercial loans do not have a related allowance as the valuation of these impaired loans exceeded the carrying value, which is net of previously recorded charge-offs.

Impaired Loans - Commercial

	March 31, 2012			Three Months Ended March 31			
				2012		2011	
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Allowance	Average Carrying Value	Interest Income Recognized [1]	Average Carrying Value	Interest Income Recognized [1]
With no recorded allowance							
U.S. commercial	**$ 1,363**	**$ 1,085**	**n/a**	**$ 1,035**	**$ 8**	$ 406	$ —
Commercial real estate	**2,097**	**1,851**	**n/a**	**1,973**	**4**	1,785	1
Non-U.S. commercial	**237**	**127**	**n/a**	**114**	**—**	70	—
U.S. small business commercial [2]	**—**	**—**	**n/a**	**—**	**—**	—	—
With an allowance recorded							
U.S. commercial	**$ 2,616**	**$ 1,878**	**$ 205**	**$ 1,920**	**$ 11**	$ 2,953	$ 1
Commercial real estate	**3,207**	**2,125**	**118**	**2,256**	**6**	3,940	2
Non-U.S. commercial	**272**	**29**	**8**	**45**	**—**	153	—
U.S. small business commercial [2]	**480**	**457**	**134**	**472**	**4**	817	7
Total							
U.S. commercial	**$ 3,979**	**$ 2,963**	**$ 205**	**$ 2,955**	**$ 19**	$ 3,359	$ 1
Commercial real estate	**5,304**	**3,976**	**118**	**4,229**	**10**	5,725	3
Non-U.S. commercial	**509**	**156**	**8**	**159**	**—**	223	—
U.S. small business commercial [2]	**480**	**457**	**134**	**472**	**4**	817	7

	December 31, 2011		
With no recorded allowance			
U.S. commercial	$ 1,482	$ 985	n/a
Commercial real estate	2,587	2,095	n/a
Non-U.S. commercial	216	101	n/a
U.S. small business commercial [2]	—	—	n/a
With an allowance recorded			
U.S. commercial	$ 2,654	$ 1,987	$ 232
Commercial real estate	3,329	2,384	135
Non-U.S. commercial	308	58	6
U.S. small business commercial [2]	531	503	172
Total			
U.S. commercial	$ 4,136	$ 2,972	$ 232
Commercial real estate	5,916	4,479	135
Non-U.S. commercial	524	159	6
U.S. small business commercial [2]	531	503	172

(1) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

(2) Includes U.S. small business commercial renegotiated TDR loans and related allowance.

n/a = not applicable

The table below presents the March 31, 2012 and 2011 unpaid principal balance and carrying value of commercial loans that were modified as TDRs during the three months ended March 31, 2012 and 2011, along with charge-offs that were recorded during the calendar quarter in which the modification occurred.

Commercial - TDRs Entered into During the Three Months Ended March 31, 2012

	March 31, 2012		Three Months Ended March 31, 2012
(Dollars in millions)	**Unpaid Principal Balance**	**Carrying Value**	**Net Charge-offs**
U.S commercial	**$ 356**	**$ 344**	**$ —**
Commercial real estate	**339**	**252**	**4**
Non-U.S. commercial	**—**	**—**	**—**
U.S. small business commercial [1]	**10**	**10**	**—**
Total	**$ 705**	**$ 606**	**$ 4**

Commercial - TDRs Entered into During the Three Months Ended March 31, 2011

	March 31, 2011		Three Months Ended March 31, 2011
U.S commercial	$ 461	$ 425	$ 10
Commercial real estate	597	512	34
Non-U.S. commercial	11	11	—
U.S. small business commercial [1]	22	28	—
Total	$ 1,091	$ 976	$ 44

[1] U.S. small business commercial TDRs are comprised of renegotiated small business card loans.

A commercial TDR is generally deemed to be in payment default when the loan is 90 days or more past due, including delinquencies that were not resolved as part of the modification. U.S. small business commercial TDRs are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows, along with observable market prices or fair value of collateral, when measuring the allowance for loan losses. TDRs that were in payment default at March 31, 2012 and 2011 had a carrying value of $173 million and $51 million for U.S. commercial, $457 million and $286 million for commercial real estate and $8 million and $22 million for U.S. small business commercial.

Purchased Credit-impaired Loans

The table below shows activity for the accretable yield on Countrywide Financial Corporation (Countrywide) consumer PCI loans. The $182 million reclassification from nonaccretable difference for the three months ended March 31, 2012 is primarily due to an increase in the expected life of the PCI loans. The reclassification did not increase the annual yield but, as a result of estimated slower prepayment speeds, added additional interest periods to the expected cash flows.

Rollforward of Accretable Yield

(Dollars in millions)	
Accretable yield, January 1, 2011	$ 5,481
Accretion	(1,285)
Disposals/transfers	(118)
Reclassifications from nonaccretable difference	912
Accretable yield, December 31, 2011	**4,990**
Accretion	**(276)**
Disposals/transfers	**(24)**
Reclassifications from nonaccretable difference	**182**
Accretable yield, March 31, 2012	**$ 4,872**

See *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K for further information on PCI loans and *Note 6 – Allowance for Credit Losses* for the carrying value and valuation allowance for Countrywide PCI loans.

Loans Held-for-sale

The Corporation had LHFS of $13.0 billion and $13.8 billion at March 31, 2012 and December 31, 2011. Proceeds from sales, securitizations and paydowns of LHFS were $10.0 billion and $59.7 billion for the three months ended March 31, 2012 and 2011. Amounts used for originations and purchases of LHFS were $10.5 billion and $48.5 billion for the three months ended March 31, 2012 and 2011.

NOTE 6 – Allowance for Credit Losses

The table below summarizes the changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31, 2012			
(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total
Allowance for loan and lease losses, January 1	**$ 21,079**	**$ 8,569**	**$ 4,135**	**$ 33,783**
Loans and leases charged off	**(2,007)**	**(2,242)**	**(531)**	**(4,780)**
Recoveries of loans and leases previously charged off	**136**	**426**	**162**	**724**
Net charge-offs	**(1,871)**	**(1,816)**	**(369)**	**(4,056)**
Provision for loan and lease losses	**1,765**	**879**	**(187)**	**2,457**
Other	**—**	**32**	**(5)**	**27**
Allowance for loan and lease losses, March 31	**20,973**	**7,664**	**3,574**	**32,211**
Reserve for unfunded lending commitments, January 1	**—**	**—**	**714**	**714**
Provision for unfunded lending commitments	**—**	**—**	**(39)**	**(39)**
Other [(1)]	**—**	**—**	**(24)**	**(24)**
Reserve for unfunded lending commitments, March 31	**—**	**—**	**651**	**651**
Allowance for credit losses, March 31	**$ 20,973**	**$ 7,664**	**$ 4,225**	**$ 32,862**

	Three Months Ended March 31, 2011			
Allowance for loan and lease losses, January 1	$ 19,252	$ 15,463	$ 7,170	$ 41,885
Loans and leases charged off	(2,289)	(3,731)	(906)	(6,926)
Recoveries of loans and leases previously charged off	185	490	223	898
Net charge-offs	(2,104)	(3,241)	(683)	(6,028)
Provision for loan and lease losses	2,948	979	(11)	3,916
Other	1	70	(1)	70
Allowance for loan and lease losses, March 31	20,097	13,271	6,475	39,843
Reserve for unfunded lending commitments, January 1	—	—	1,188	1,188
Provision for unfunded lending commitments	—	—	(102)	(102)
Other [(1)]	—	—	(125)	(125)
Reserve for unfunded lending commitments, March 31	—	—	961	961
Allowance for credit losses, March 31	$ 20,097	$ 13,271	$ 7,436	$ 40,804

(1) Represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

During the three months ended March 31, 2012 and 2011, for the PCI loan portfolio, the Corporation recorded $487 million and $1.6 billion in provision for credit losses with a corresponding increase in the valuation allowance included as part of the allowance for loan and lease losses. The valuation allowance associated with the PCI loan portfolio was $8.9 billion and $8.5 billion at March 31, 2012 and December 31, 2011.

The table below presents the allowance and the carrying value of outstanding loans and leases by portfolio segment at March 31, 2012 and December 31, 2011.

Allowance and Carrying Value by Portfolio Segment

	March 31, 2012			
(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total
Impaired loans and troubled debt restructurings [1]				
Allowance for loan and lease losses [2]	**$ 1,898**	**$ 2,113**	**$ 465**	**$ 4,476**
Carrying value [3]	**21,777**	**6,178**	**7,552**	**35,507**
Allowance as a percentage of carrying value	**8.72%**	**34.20%**	**6.16%**	**12.61%**
Collectively evaluated for impairment				
Allowance for loan and lease losses	**$ 10,129**	**$ 5,551**	**$ 3,109**	**$ 18,789**
Carrying value [3, 4]	**335,506**	**192,904**	**298,338**	**826,748**
Allowance as a percentage of carrying value [4]	**3.02%**	**2.88%**	**1.04%**	**2.27%**
Purchased credit-impaired loans				
Valuation allowance	**$ 8,946**	**n/a**	**n/a**	**$ 8,946**
Carrying value gross of valuation allowance	**30,847**	**n/a**	**n/a**	**30,847**
Valuation allowance as a percentage of carrying value	**29.00%**	**n/a**	**n/a**	**29.00%**
Total				
Allowance for loan and lease losses	**$ 20,973**	**$ 7,664**	**$ 3,574**	**$ 32,211**
Carrying value [3, 4]	**388,130**	**199,082**	**305,890**	**893,102**
Allowance as a percentage of carrying value [4]	**5.40%**	**3.85%**	**1.17%**	**3.61%**

	December 31, 2011			
Impaired loans and troubled debt restructurings [1]				
Allowance for loan and lease losses [2]	$ 1,946	$ 2,410	$ 545	$ 4,901
Carrying value [3]	21,462	7,100	8,113	36,675
Allowance as a percentage of carrying value	9.07%	33.94%	6.71%	13.36%
Collectively evaluated for impairment				
Allowance for loan and lease losses	$ 10,674	$ 6,159	$ 3,590	$ 20,423
Carrying value [3, 4]	344,821	202,010	302,089	848,920
Allowance as a percentage of carrying value [4]	3.10%	3.05%	1.19%	2.41%
Purchased credit-impaired loans				
Valuation allowance	$ 8,459	n/a	n/a	$ 8,459
Carrying value gross of valuation allowance	31,801	n/a	n/a	31,801
Valuation allowance as a percentage of carrying value	26.60%	n/a	n/a	26.60%
Total				
Allowance for loan and lease losses	$ 21,079	$ 8,569	$ 4,135	$ 33,783
Carrying value [3, 4]	398,084	209,110	310,202	917,396
Allowance as a percentage of carrying value [4]	5.30%	4.10%	1.33%	3.68%

(1) Impaired loans include nonperforming commercial loans and all TDRs, including both commercial and consumer TDRs. Impaired loans exclude nonperforming consumer loans unless they are TDRs, and all consumer and commercial loans accounted for under the fair value option.

(2) Commercial impaired allowance for loan and lease losses includes $134 million and $172 million at March 31, 2012 and December 31, 2011 related to U.S. small business commercial renegotiated TDR loans.

(3) Amounts are presented gross of the allowance for loan and lease losses.

(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of $9.2 billion and $8.8 billion at March 31, 2012 and December 31, 2011.

n/a = not applicable

NOTE 7 – Securitizations and Other Variable Interest Entities

The Corporation utilizes VIEs in the ordinary course of business to support its own and its customers' financing and investing needs. The Corporation routinely securitizes loans and debt securities using VIEs as a source of funding for the Corporation and as a means of transferring the economic risk of the loans or debt securities to third parties. The assets are transferred into a trust or other securitization vehicle such that the assets are legally isolated from the creditors of the Corporation and are not available to satisfy its obligations. These assets can only be used to settle obligations of the trust or other securitization vehicle. The Corporation also administers, structures or invests in other VIEs including CDOs, investment vehicles and other entities. For additional information on the Corporation's utilization of VIEs, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

The tables within this Note present the assets and liabilities of consolidated and unconsolidated VIEs atMarch 31, 2012 and December 31, 2011, in situations where the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE. The tables also present the Corporation's maximum loss exposure at March 31, 2012 and December 31, 2011 resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest. The Corporation's maximum loss exposure is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum loss exposure does not include losses previously recognized through write-downs of assets.

The Corporation invests in asset-backed securities (ABS) issued by third-party VIEs with which it has no other form of involvement. These securities are included in*Note 2 – Trading Account Assets and Liabilities* and *Note 4 – Securities*. In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities. For additional information, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio, as described in *Note 5 – Outstanding Loans and Leases*. The Corporation uses VIEs, such as cash funds managed within*Global Wealth & Investment Management*, to provide investment opportunities for clients. These VIEs, which are not consolidated by the Corporation, are not included in the tables within this Note.

Except as described below and in *Note 8 – Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, the Corporation did not provide financial support to consolidated or unconsolidated VIEs during the three months ended March 31, 2012 or the year ended December 31, 2011 that it was not previously contractually required to provide, nor does it intend to do so.

Mortgage-related Securitizations

First-lien Mortgages

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originates or purchases from third parties, generally in the form of MBS guaranteed by government-sponsored enterprises, FNMA and FHLMC (collectively the GSEs), or GNMA in the case of Federal Housing Administration (FHA)-insured and U.S. Department of Veterans Affairs (VA)-guaranteed mortgage loans. Securitization usually occurs in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages it originates or purchases from other entities. The Corporation typically services the loans it securitizes. Further, the Corporation may retain beneficial interests in the securitization trusts including senior and subordinate securities and equity tranches issued by the trusts. Except as described below and in *Note 8 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties.

The table below summarizes select information related to first-lien mortgage securitizations for the three months ended March 31, 2012 and 2011.

First-lien Mortgage Securitizations

	Residential Mortgage - Agency		Commercial Mortgage	
	Three Months Ended March 31			
(Dollars in millions)	**2012**	2011	**2012**	2011
Cash proceeds from new securitizations [1]	**$ 6,338**	$ 53,081	**$ 325**	$ —
Gain (loss) on securitizations, net of hedges [2]	**(17)**	172	**—**	—

[1] The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third-party investors for cash proceeds.

[2] Substantially all of the first-lien residential mortgage loans securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. During the three months ended March 31, 2012 and 2011 , the Corporation recognized $319 million and $1.1 billion of gains on these LHFS, net of hedges.

The Corporation recognizes consumer MSRs from the sale or securitization of first-lien mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $1.3 billion and $1.6 billion during the three months ended March 31, 2012 and 2011. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $25.5 billion and $26.0 billion at March 31, 2012 and December 31, 2011. The Corporation may have the option to repurchase delinquent loans out of securitization trusts, which reduces the amount of servicing advances it is required to make. During the three months ended March 31, 2012 and 2011, $195 million and $5.8 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or in order to perform modifications. The majority of these loans repurchased were FHA-insured mortgages collateralizing GNMA securities. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, was $1 million and $3 million during the three months ended March 31, 2012 and 2011. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $167 million and $152 million at March 31, 2012 and December 31, 2011. For additional information on MSRs, see *Note 18 – Mortgage Servicing Rights.*

The table below summarizes select information related to first-lien mortgage securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

First-lien VIEs

	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Unconsolidated VIEs										
Maximum loss exposure (1)	**$ 35,849**	$ 37,519	**$ 2,005**	$ 2,375	**$ 276**	$ 289	**$ 471**	$ 506	**$ 751**	$ 981
On-balance sheet assets										
Senior securities held (2):										
Trading account assets	**$ 8,828**	$ 8,744	**$ 88**	$ 94	**$ 13**	$ 3	**$ 327**	$ 343	**$ 10**	$ 21
AFS debt securities	**27,021**	28,775	**1,648**	2,001	**177**	174	**144**	163	**649**	846
Subordinate securities held (2):										
Trading account assets	**—**	—	**—**	—	**64**	30	**—**	—	**2**	3
AFS debt securities	**—**	—	**25**	26	**12**	30	**—**	—	**—**	—
Residual interests held	**—**	—	**11**	8	**—**	9	**—**	—	**26**	43
Total retained positions	**$ 35,849**	$ 37,519	**$ 1,772**	$ 2,129	**$ 266**	$ 246	**$ 471**	$ 506	**$ 687**	$ 913
Principal balance outstanding (3)	**$ 1,092,283**	$ 1,198,766	**$ 58,205**	$ 61,207	**$ 71,581**	$ 73,949	**$ 97,814**	$ 101,622	**$ 70,151**	$ 76,645
Consolidated VIEs										
Maximum loss exposure (1)	**$ 50,033**	$ 50,648	**$ 421**	$ 450	**$ 422**	$ 419	**$ —**	$ —	**$ —**	$ —
On-balance sheet assets										
Loans and leases	**$ 49,331**	$ 50,159	**$ 1,258**	$ 1,298	**$ 946**	$ 892	**$ —**	$ —	**$ —**	$ —
Allowance for loan and lease losses	**(6)**	(6)	**—**	—	**—**	—	**—**	—	**—**	—
Loans held-for-sale	**—**	—	**—**	—	**632**	622	**—**	—	**—**	—
All other assets	**708**	495	**90**	63	**63**	59	**—**	—	**—**	—
Total assets	**$ 50,033**	$ 50,648	**$ 1,348**	$ 1,361	**$ 1,641**	$ 1,573	**$ —**	$ —	**$ —**	$ —
On-balance sheet liabilities										
Commercial paper and other short-term borrowings	**$ —**	$ —	**$ —**	$ —	**$ 663**	$ 650	**$ —**	$ —	**$ —**	$ —
Long-term debt	**—**	—	**1,347**	1,360	**961**	911	**—**	—	**—**	—
All other liabilities	**—**	—	**—**	—	**—**	57	**—**	—	**—**	—
Total liabilities	**$ —**	$ —	**$ 1,347**	$ 1,360	**$ 1,624**	$ 1,618	**$ —**	$ —	**$ —**	$ —

(1) Maximum loss exposure excludes the liability for representations and warranties obligations and corporate guarantees and also excludes servicing advances and MSRs. For more information, see *Note 8 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 18 – Mortgage Servicing Rights*.

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three months ended March 31, 2012 and 2011, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(3) Principal balance outstanding includes loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loans.

Home Equity Loans

The Corporation retains interests in home equity securitization trusts to which it transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. In addition, the Corporation may be obligated to provide subordinate funding to the trusts during a rapid amortization event. The Corporation also services the loans in the trusts. Except as described below and in *Note 8 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties. There were no securitizations of home equity loans during the three months ended March 31, 2012 and 2011. All of the home equity trusts have entered the amortization phase, and accordingly, there were no collections reinvested in revolving period securitizations for the three months ended March 31, 2012 and 2011.

The table below summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Home Equity Loan VIEs

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Consolidated VIEs**	**Unconsolidated VIEs**	**Total**	Consolidated VIEs	Unconsolidated VIEs	Total
Maximum loss exposure [1]	**$ 2,592**	**$ 7,236**	**$ 9,828**	$ 2,672	$ 7,563	$ 10,235
On-balance sheet assets						
Trading account assets	**$ —**	**$ 5**	**$ 5**	$ —	$ 5	$ 5
AFS debt securities	**—**	**14**	**14**	—	13	13
Loans and leases	**2,859**	**—**	**2,859**	2,975	—	2,975
Allowance for loan and lease losses	**(267)**	**—**	**(267)**	(303)	—	(303)
Total	**$ 2,592**	**$ 19**	**$ 2,611**	$ 2,672	$ 18	$ 2,690
On-balance sheet liabilities						
Long-term debt	**$ 2,966**	**$ —**	**$ 2,966**	$ 3,081	$ —	$ 3,081
All other liabilities	**76**	**—**	**76**	66	—	66
Total	**$ 3,042**	**$ —**	**$ 3,042**	$ 3,147	$ —	$ 3,147
Principal balance outstanding	**$ 2,859**	**$ 13,871**	**$ 16,730**	$ 2,975	$ 14,422	$ 17,397

[1] For unconsolidated VIEs, the maximum loss exposure includes outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves, and excludes the liability for representations and warranties obligations and corporate guarantees.

Included in the table above are consolidated and unconsolidated home equity loan securitizations that have entered a rapid amortization period and for which the Corporation is obligated to provide subordinated funding. During this period, cash payments from borrowers are accumulated to repay outstanding debt securities and the Corporation continues to make advances to borrowers when they draw on their lines of credit. For additional information, see *Note 8 – Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K At March 31, 2012 and December 31, 2011, home equity loan securitization transactions in rapid amortization for which the Corporation has a subordinated funding obligation, including both consolidated and unconsolidated trusts, had $10.2 billion and $10.7 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the undrawn available credit on the home equity lines, which totaled $417 million and $460 million at March 31, 2012 and December 31, 2011, as well as performance of the loans, the amount of subsequent draws and the timing of related cash flows. At March 31, 2012 and December 31, 2011, the reserve for losses on expected future draw obligations on the home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation was $63 million and $69 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $17 million of servicing fee income related to home equity loan securitizations during both the three months ended March 31, 2012 and 2011.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The seller's interest in the trusts, which is pari passu to the investors' interest, and the discount receivables are classified in loans and leases.

The table below summarizes select information related to credit card securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Credit Card VIEs

(Dollars in millions)	**March 31 2012**	December 31 2011
Consolidated VIEs		
Maximum loss exposure	**$ 38,076**	$ 38,282
On-balance sheet assets		
Derivative assets	**$ 400**	$ 788
Loans and leases [(1)]	**70,019**	74,793
Allowance for loan and lease losses	**(4,226)**	(4,742)
All other assets [(2)]	**580**	723
Total	**$ 66,773**	$ 71,562
On-balance sheet liabilities		
Long-term debt	**$ 28,612**	$ 33,076
All other liabilities	**85**	204
Total	**$ 28,697**	$ 33,280
Trust loans	**$ 70,019**	$ 74,793

(1) At March 31, 2012 and December 31, 2011, loans and leases included $29.3 billion and $28.7 billion of seller's interest and $618 million and $1.0 billion of discount receivables.

(2) At March 31, 2012 and December 31, 2011, all other assets included restricted cash accounts and unbilled accrued interest and fees.

The Corporation holds subordinate securities with a notional principal amount of $11.1 billion and a stated interest rate of zero percent issued by certain credit card securitization trusts. In addition, during 2010 and 2009 the Corporation elected to designate a specified percentage of new receivables transferred to the trusts as "discount receivables" such that principal collections thereon are added to finance charges which increases the yield in the trust. Through the designation of newly transferred receivables as discount receivables, the Corporation subordinated a portion of its seller's interest to the investors' interest. These actions were taken to address the decline in the excess spread of the U.S. and U.K. credit card securitization trusts.

Other Asset-backed Securitizations

Other asset-backed securitizations include resecuritization trusts, municipal bond trusts, and automobile and other securitization trusts. The table below summarizes select information related to other asset-backed securitizations in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Other Asset-backed VIEs

	Resecuritization Trusts		Municipal Bond Trusts		Automobile and Other Securitization Trusts	
(Dollars in millions)	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011	**March 31 2012**	December 31 2011
Unconsolidated VIEs						
Maximum loss exposure	**$ 26,110**	$ 31,140	**$ 3,611**	$ 3,752	**$ 91**	$ 93
On-balance sheet assets						
Senior securities held [1, 2]:						
Trading account assets	**$ 1,661**	$ 2,595	**$ 208**	$ 228	**$ —**	$ —
AFS debt securities	**24,301**	27,616	**—**	—	**79**	81
Subordinate securities held [1, 2]:						
Trading account assets	**1**	—	**—**	—	**—**	—
AFS debt securities	**70**	544	**—**	—	**—**	—
Residual interests held [3]	**77**	385	**—**	—	**—**	—
All other assets	**—**	—	**—**	—	**12**	12
Total retained positions	**$ 26,110**	$ 31,140	**$ 208**	$ 228	**$ 91**	$ 93
Total assets of VIEs	**$ 52,010**	$ 60,459	**$ 5,911**	$ 5,964	**$ 640**	$ 668
Consolidated VIEs						
Maximum loss exposure	**$ —**	$ —	**$ 3,310**	$ 3,901	**$ 1,075**	$ 1,087
On-balance sheet assets						
Trading account assets	**$ —**	$ —	**$ 3,310**	$ 3,901	**$ —**	$ —
Loans and leases	**—**	—	**—**	—	**4,218**	4,923
Allowance for loan and lease losses	**—**	—	**—**	—	**(5)**	(7)
All other assets	**—**	—	**—**	—	**175**	168
Total assets	**$ —**	$ —	**$ 3,310**	$ 3,901	**$ 4,388**	$ 5,084
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	**$ —**	$ —	**$ 4,873**	$ 5,127	**$ —**	$ —
Long-term debt	**—**	—	**—**	—	**3,308**	3,992
All other liabilities	**—**	—	**—**	—	**95**	90
Total liabilities	**$ —**	$ —	**$ 4,873**	$ 5,127	**$ 3,403**	$ 4,082

(1) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three months ended March 31, 2012 and 2011 , there were no OTTI losses recorded on those securities classified as AFS debt securities.

(2) The retained senior and subordinate securities were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy).

(3) The retained residual interests are carried at fair value which was derived using model valuations (Level 2 of the fair value hierarchy).

Resecuritization Trusts

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also resecuritize securities within its investment portfolio for purposes of improving liquidity and capital, and managing credit or interest rate risk. Generally, there are no significant ongoing activities performed in a resecuritization trust and no single investor has the unilateral ability to liquidate the trust.

The Corporation resecuritized $9.9 billion and $2.5 billion of securities during the three months ended March 31, 2012 and 2011 and net gains on sales totaled zero and $3 million. The Corporation consolidates a resecuritization trust if it has sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains a variable interest that could potentially be significant to the trust. If one or a limited number of third-party investors share responsibility for the design of the trust and purchase a significant portion of securities, including subordinate securities issued by non-agency trusts, the Corporation does not consolidate the trust. There were no consolidated resecuritization trusts at March 31, 2012 and December 31, 2011.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds. A majority of the bonds are rated AAA or AA and some benefit from insurance provided by third parties. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment-grade or there has been an event of default or bankruptcy of the issuer and insurer.

The Corporation also provides credit enhancement to investors in certain municipal bond trusts whereby the Corporation guarantees the payment of interest and principal on floating-rate certificates issued by these trusts in the event of default by the issuer of the underlying municipal bond. If a customer holds the residual interest in a trust, that customer typically has the unilateral ability to liquidate the trust at any time, while the Corporation typically has the ability to trigger the liquidation of that trust if the market value of the bonds held in the trust declines below a specified threshold. This arrangement is designed to limit market losses to an amount that is less than the customer's residual interest, effectively preventing the Corporation from absorbing losses incurred on assets held within that trust.

During the three months ended March 31, 2012 and 2011, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $75 million and $67 million. At both March 31, 2012 and December 31, 2011, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was $2.5 billion.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts, including those for which the Corporation was transferor, totaled $3.4 billion and $3.5 billion at March 31, 2012 and December 31, 2011. The weighted-average remaining life of bonds held in the trusts at March 31, 2012 was 8.9 years. There were no material write-downs or downgrades of assets or issuers during the three months ended March 31, 2012 and 2011.

Automobile and Other Securitization Trusts

The Corporation transfers automobile and other loans into securitization trusts, typically to improve liquidity or manage credit risk. At March 31, 2012, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $5.0 billion, including trusts collateralized by automobile loans of $3.3 billion, student loans of $1.1 billion, and other loans and receivables of $640 million. At December 31, 2011, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $5.8 billion, including trusts collateralized by automobile loans of $3.9 billion, student loans of $1.2 billion, and other loans and receivables of $668 million.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed-income securities, typically corporate debt or ABS, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of CDS to synthetically create exposure to fixed-income securities. CLOs, which are a subset of CDOs, hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third-party portfolio managers. The Corporation transfers assets to these CDOs, holds securities issued by the CDOs and may be a derivative counterparty to the CDOs, including a credit default swap counterparty for synthetic CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation absorbs the economic returns generated by specified assets held by the CDO. The Corporation receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs. No third parties provide a significant amount of similar commitments to these CDOs.

The table below summarizes select information related to CDO vehicles in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

CDO Vehicle VIEs

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 2,249**	**$ 2,009**	**$ 4,258**	$ 1,695	$ 2,272	$ 3,967
On-balance sheet assets						
Trading account assets	**$ 1,975**	**$ 413**	**$ 2,388**	$ 1,392	$ 461	$ 1,853
Derivative assets	**274**	**531**	**805**	452	678	1,130
All other assets	**—**	**89**	**89**	—	96	96
Total	**$ 2,249**	**$ 1,033**	**$ 3,282**	$ 1,844	$ 1,235	$ 3,079
On-balance sheet liabilities						
Derivative liabilities	**$ —**	**$ 14**	**$ 14**	$ —	$ 11	$ 11
Long-term debt	**2,883**	**2**	**2,885**	2,712	2	2,714
Total	**$ 2,883**	**$ 16**	**$ 2,899**	$ 2,712	$ 13	$ 2,725
Total assets of VIEs	**$ 2,249**	**$ 30,328**	**$ 32,577**	$ 1,844	$ 32,903	$ 34,747

The Corporation's maximum loss exposure of $4.3 billion at March 31, 2012 included $305 million of super senior CDO exposure, $2.1 billion of exposure to CDO financing facilities and $1.9 billion of other non-super senior exposure. This exposure is calculated on a gross basis and does not reflect any benefit from insurance purchased from third parties. The CDO financing facilities, which are consolidated, obtain funding from third parties for CDO positions which are principally classified in trading account assets on the Corporation's Consolidated Balance Sheet. The CDO financing facilities' long-term debt at March 31, 2012 totaled $2.9 billion, all of which has recourse to the general credit of the Corporation. The Corporation's maximum loss exposure is significantly less than the total assets of the CDO vehicles in the table above because the Corporation typically has exposure to only a portion of the total assets.

At March 31, 2012, the Corporation had $2.2 billion of aggregate liquidity exposure to CDOs. This amount includes $557 million of commitments to CDOs to provide funding for super senior exposures and $1.7 billion notional amount of derivative contracts with unconsolidated VIEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation's behalf. See *Note 10 – Commitments and Contingencies* for additional information. The Corporation's liquidity exposure to CDOs at March 31, 2012 is included in the table above to the extent that the Corporation sponsored the CDO vehicle or the liquidity exposure is more than insignificant compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

Customer Vehicles

Customer vehicles include credit-linked and equity-linked note vehicles, repackaging vehicles and asset acquisition vehicles, which are typically created on behalf of customers who wish to obtain market or credit exposure to a specific company or financial instrument.

The table below summarizes select information related to customer vehicles in which the Corporation held a variable interest atMarch 31, 2012 and December 31, 2011.

Customer Vehicle VIEs

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 3,139**	**$ 1,881**	**$ 5,020**	$ 3,264	$ 2,116	$ 5,380
On-balance sheet assets						
Trading account assets	**$ 3,635**	**$ 189**	**$ 3,824**	$ 3,302	$ 211	$ 3,513
Derivative assets	**2**	**690**	**692**	—	905	905
Loans and leases	**172**	**—**	**172**	—	—	—
Loans held-for-sale	**847**	**—**	**847**	907	—	907
All other assets	**1,264**	**—**	**1,264**	1,452	—	1,452
Total	**$ 5,920**	**$ 879**	**$ 6,799**	$ 5,661	$ 1,116	$ 6,777
On-balance sheet liabilities						
Derivative liabilities	**$ 4**	**$ 47**	**$ 51**	$ 4	$ 42	$ 46
Commercial paper and other short-term borrowings	**62**	**—**	**62**	—	—	—
Long-term debt	**4,180**	**—**	**4,180**	3,912	—	3,912
All other liabilities	**—**	**374**	**374**	1	448	449
Total	**$ 4,246**	**$ 421**	**$ 4,667**	$ 3,917	$ 490	$ 4,407
Total assets of VIEs	**$ 5,920**	**$ 3,545**	**$ 9,465**	$ 5,661	$ 5,302	$ 10,963

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into CDS or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. The Corporation also had approximately $707 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at March 31, 2012.

Repackaging vehicles issue notes that are designed to incorporate risk characteristics desired by customers. The vehicles hold debt instruments such as corporate bonds, convertible bonds or ABS with the desired credit risk profile. The Corporation enters into derivatives with the vehicles to change the interest rate or foreign currency profile of the debt instruments. If a vehicle holds convertible bonds and the Corporation retains the conversion option, the Corporation is deemed to have a controlling financial interest and consolidates the vehicle.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured liabilities to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into total return swaps with the customer such that the economic returns of the asset are passed through to the customer. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swaps. The Corporation's risk may be mitigated by collateral or other arrangements. The Corporation consolidates these vehicles because it has the power to manage the assets in the vehicles and holds all of the structured liabilities issued by the vehicles.

The Corporation's maximum loss exposure from customer vehicles includes the notional amount of credit or equity derivatives to which the Corporation is a counterparty, net of losses previously recorded, and the Corporation's investment, if any, in securities issued by the vehicles. It has not been reduced to reflect the benefit of offsetting swaps with the customers or collateral arrangements.

Other Variable Interest Entities

Other consolidated VIEs primarily include investment vehicles and leveraged lease trusts. Other unconsolidated VIEs primarily include investment vehicles and real estate vehicles.

The table below summarizes select information related to other VIEs in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Other VIEs

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 5,681**	**$ 7,002**	**$ 12,683**	$ 7,429	$ 7,286	$ 14,715
On-balance sheet assets						
Derivative assets	**433**	**404**	**837**	394	440	834
AFS debt securities	**—**	**59**	**59**	—	62	62
Loans and leases	**4,939**	**328**	**5,267**	5,154	357	5,511
Allowance for loan and lease losses	**(5)**	**(1)**	**(6)**	(8)	(1)	(9)
Loans held-for-sale	**98**	**539**	**637**	106	598	704
All other assets	**238**	**5,673**	**5,911**	1,809	5,823	7,632
Total	**$ 5,703**	**$ 7,002**	**$ 12,705**	$ 7,455	$ 7,279	$ 14,734
On-balance sheet liabilities						
Long-term debt	**10**	**—**	**10**	10	—	10
All other liabilities	**718**	**1,573**	**2,291**	694	1,705	2,399
Total	**$ 728**	**$ 1,573**	**$ 2,301**	$ 704	$ 1,705	$ 2,409
Total assets of VIEs	**$ 5,703**	**$ 10,749**	**$ 16,452**	$ 7,455	$ 11,055	$ 18,510

Investment Vehicles

The Corporation sponsors, invests in or provides financing to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors. At March 31, 2012 and December 31, 2011, the Corporation's consolidated investment vehicles had total assets of $872 million and $2.6 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $5.3 billion and $5.5 billion at March 31, 2012 and December 31, 2011. The Corporation's maximum loss exposure associated with both consolidated and unconsolidated investment vehicles totaled $2.5 billion and $4.4 billion at March 31, 2012 and December 31, 2011 comprised primarily of on-balance sheet assets less non-recourse liabilities.

Leveraged Lease Trusts

The Corporation's net investment in consolidated leveraged lease trusts totaled $4.8 billion at both March 31, 2012 and December 31, 2011. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation structures the trusts and holds a significant residual interest. The net investment represents the Corporation's maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is non-recourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of $5.3 billion and $5.4 billion at March 31, 2012 and December 31, 2011, which primarily consisted of investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing and commercial real estate. An unrelated third party is typically the general partner and has control over the significant activities of the partnership. The Corporation earns a return primarily through the receipt of tax credits allocated to the real estate projects. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Other Asset-backed Financing Arrangements

The Corporation transferred pools of securities to certain independent third parties and provided financing for up to75 percent of the purchase price under asset-backed financing arrangements. At March 31, 2012 and December 31, 2011, the Corporation's maximum loss exposure under these financing arrangements was $4.5 billion and $4.7 billion, substantially all of which was classified as loans on the Corporation's Consolidated Balance Sheet. All principal and interest payments have been received when due in accordance with their contractual terms. These arrangements are not included in the Other VIEs table because the purchasers are not VIEs.

NOTE 8 – Representations and Warranties Obligations and Corporate Guarantees

Background

The Corporation securitizes first-lien residential mortgage loans, generally in the form of MBS guaranteed by the GSEs or by GNMA in the case of FHA-insured, VA-guaranteed and Rural Housing Service-guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, the Corporation or certain subsidiaries or legacy companies make or have made various representations and warranties. These representations and warranties, as set forth in the agreements, related to, among other things, the ownership of the loan, the validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, the process used to select the loan for inclusion in a transaction, the loan's compliance with any applicable loan criteria, including underwriting standards, and the loan's compliance with applicable federal, state and local laws. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development (HUD) with respect to FHA-insured loans, VA, whole-loan buyers, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In such cases, the Corporation would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guaranty payments that it may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan buyer, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, in the loan, or of the monoline insurer or other financial guarantor (as applicable). Contracts with the GSEs do not contain equivalent language, while GNMA generally limits repurchases to loans that are not insured or guaranteed as required. The Corporation believes that the longer a loan performs prior to default, the less likely it is that an alleged underwriting breach of representations and warranties had a material impact on the loan's performance. Historically, most demands for repurchase have occurred within the first several years after origination, generally after a loan has defaulted. However, the time horizon in which repurchase claims are typically brought has lengthened primarily due to a significant increase in GSE claims related to loans that had defaulted more than 18 months prior to the claim and to loans where the borrower made at least 25 payments.

The Corporation's credit loss would be reduced by any recourse it may have to organizations (e.g., correspondents) that, in turn, had sold such loans to the Corporation based upon its agreements with these organizations. When a loan is originated by a correspondent or other third party, the Corporation typically has the right to seek a recovery of related repurchase losses from that originator. Many of the correspondent originators of loans in 2004 through 2008 are no longer in business, or are in a weakened condition, and the Corporation's ability to recover on valid claims is therefore impacted, or eliminated accordingly. In the event a loan is originated and underwritten by a correspondent who obtains FHA insurance, even if they are no longer in business, any breach of FHA guidelines is the direct obligation of the correspondent, not the Corporation. At both March 31, 2012 and December 31, 2011, approximately 28 percent of the outstanding repurchase claims relate to loans purchased from correspondents or other parties. During the three months ended March 31, 2012, the Corporation experienced an increase in recoveries from correspondents and other parties; however, the actual recovery rate may vary from period to period based upon the underlying mix of correspondents and other parties.

The Corporation currently structures its operations to limit the risk of repurchase and accompanying credit exposure by seeking to ensure consistent production of mortgages in accordance with its underwriting procedures and by servicing those mortgages consistent with its contractual obligations.

The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, which include, depending on the counterparty, actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that a repurchase claim will be received, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that a loan will be required to be repurchased as well as other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of counterparty, as the Corporation believes appropriate. In the case of private-label securitizations, the Corporation's estimate considers repurchase experience based on the settlement (BNY Mellon Settlement) with the Bank of New York Mellon as trustee (Trustee), adjusted to reflect differences between the 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (the Covered Trusts) and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. The estimate of the liability for representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on the Corporation's results of operations for any particular period. Given that these factors vary by counterparty, the Corporation analyzes representations and warranties obligations based on the specific counterparty, or type of counterparty, with whom the sale was made. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. For additional information, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Settlement Actions

The Corporation has vigorously contested any request for repurchase when it has concluded that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, the Corporation has reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with counterparties in lieu of a loan-by-loan review process. The Corporation may reach other settlements in the future if opportunities arise on terms it believes to be advantageous to the Corporation. For a summary of the larger bulk settlement actions beginning in the fourth quarter of 2010, including the BNY Mellon Settlement, the settlement with Assured Guaranty Ltd. and subsidiaries (the Assured Guaranty Settlement) and the December 31, 2010 agreements with the GSEs to resolve repurchase claims (the GSE Agreements), see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

With regard to the BNY Mellon Settlement, an investor opposed to the settlement removed the proceeding to federal district court, and the federal district court denied the Trustee's motion to remand the proceeding to state court. On February 27, 2012, the U.S. Court of Appeals issued an opinion reversing the district court denial of the Trustee's motion to remand the proceeding to state court and ordered that the proceeding be remanded to state court. On April 24, 2012, a hearing was held on threshold issues, at which the court denied the objectors' motion to convert the proceeding to a plenary proceeding. A hearing on discovery matters was set for May 8, 2012. The Corporation is not a party to the proceeding.

Outstanding Claims

The table below presents outstanding representations and warranties claims at March 31, 2012 and December 31, 2011. The outstanding claims include only claims where the Corporation believes that the counterparty has a basis to submit claims. For additional information, see Whole Loan Sales and Private-label Securitizations Experience in this Note and *Note 10 – Commitments and Contingencies.* These repurchase claims do not include any repurchase claims related to the BNY Mellon Settlement regarding the Covered Trusts. During the three months ended March 31, 2012, the Corporation received $4.7 billion in new repurchase claims, including $3.0 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $1.7 billion in repurchase claims related to non-GSE transactions. During the three months ended March 31, 2012, $1.3 billion in claims were resolved, primarily with the GSEs. Of the claims resolved, $773 million were resolved through rescissions and $480 million were resolved through mortgage repurchase and make-whole payments. New claims from monolines remained low, which the Corporation believes was due in part to the monolines focusing recent efforts towards litigation.

Outstanding Claims by Counterparty and Product Type

(Dollars in millions)	**March 31 2012**	December 31 2011
By counterparty [1, 2]		
GSEs	**$ 8,103**	$ 6,258
Monolines	**3,136**	3,082
Whole-loan investors, private-label securitization trustees and other	**4,855**	3,267
Total outstanding claims by counterparty	**$ 16,094**	$ 12,607
By product type [1, 2]		
Prime loans	**$ 4,996**	$ 3,925
Alt-A	**3,009**	2,286
Home equity	**2,932**	2,872
Pay option	**3,343**	1,993
Subprime	**1,028**	891
Other	**786**	640
Total outstanding claims by product type	**$ 16,094**	$ 12,607

(1) Excludes certain MI rescission notices. However, at March 31, 2012 and December 31, 2011, included $1.4 billion and $1.2 billion of repurchase requests received from the GSEs that have resulted solely from MI rescission notices. For additional information, see Mortgage Insurance Rescission Notices in this Note.

(2) At March 31, 2012 and December 31, 2011, outstanding claims did not include repurchase demands of $3.1 billion and $1.7 billion where the Corporation believes the claimants have not satisfied the contractual thresholds as noted below.

The number of repurchase claims as a percentage of the number of loans purchased arising from loans sourced from brokers or purchased from third-party sellers is relatively consistent with the number of repurchase claims as a percentage of the number of loans originated by the Corporation or its subsidiaries or legacy companies.

In addition to the claims above, the Corporation has received repurchase demands from private-label securitization investors and a master servicer where it believes the claimants have not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts of such demands outstanding as of March 31, 2012 and December 31, 2011 were $3.1 billion and $1.7 billion. During the three months ended March 31, 2012, the Corporation received an additional $1.4 billion of such demands.The Corporation does not believe that the $1.4 billion in additional demands received are valid claims, and therefore it is not possible to predict the resolution with respect to such demands. Of the demands outstanding at March 31, 2012 and December 31, 2011, $1.7 billion relate to loans underlying securitizations included in the BNY Mellon Settlement and a claimant has filed litigation against the Corporation relating to $1.4 billion of these demands. If the BNY Mellon Settlement is approved by the court, demands related to loans underlying securitizations included in the BNY Mellon Settlement will be resolved by the settlement.

Mortgage Insurance Rescission Notices

In addition to repurchase claims, the Corporation receives notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the amount of such notices has remained elevated. When there is disagreement with the mortgage insurer as to the resolution of a MI rescission notice, meaningful dialogue and negotiation are generally necessary between the parties to reach a conclusion on an individual notice. The level of engagement of the mortgage insurance companies varies and ongoing litigation involving some of the mortgage insurance companies over individual and bulk rescissions or claims for rescission limits the ability of the Corporation to engage in constructive dialogue leading to resolution. For loans sold to GSEs or private-label securitization trusts (including those wrapped by the monoline bond insurers), a MI rescission may give rise to a claim for breach of the applicable representations and warranties, depending on the governing sales contracts. In those cases where the governing contract contains MI-related representations and warranties, which upon rescission requires the Corporation to repurchase the affected loan or indemnify the investor for the related loss, the Corporation realizes the loss without the benefit of MI. If the Corporation is required to repurchase a loan or indemnify the investor as a result of a different breach of representations and warranties and there has been a MI rescission, or if the Corporation holds the loan for investment, it realizes the loss without the benefit of MI. In addition, mortgage insurance companies have in some cases asserted the ability to curtail MI payments, which in these cases would reduce the MI proceeds available to reduce the loss on the loan. While a legitimate MI rescission may constitute a valid basis for repurchase or other remedies under the GSE agreements and a small number of private-label MBS securitizations, and a MI rescission notice may result in a repurchase request, the Corporation believes MI rescission notices in and of themselves are not valid repurchase requests. FNMA's stated policy, however, is to view a MI rescission notice as a breach of the lender's representations and warranties, permitting FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. The Corporation has informed FNMA that it does not agree with this policy.

The Corporation’s pipeline of outstanding repurchase claims from the GSEs resulting solely from MI rescission notices has increased to $1.4 billion at March 31, 2012 from $1.2 billion at December 31, 2011. If it is required to abide by the terms of the FNMA policy regarding MI rescission notices, the Corporation’s representations and warranties liability will likely increase. For additional information on the FNMA policy, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

At March 31, 2012, the Corporation had approximately 99,000 open MI rescission notices compared to 90,000 at December 31, 2011. Through March 31, 2012, 27 percent of the MI rescission notices received have been resolved. Of those resolved, 22 percent were resolved through the Corporation's acceptance of the MI rescission, 46 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 32 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of March 31, 2012, 73 percent of the MI rescission notices the Corporation has received have not yet been resolved. Of those not yet resolved, 45 percent are implicated by ongoing litigation where no loan-level review is currently contemplated nor required to preserve the Corporation's legal rights. In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. The Corporation is in the process of reviewing 34 percent of the remaining open MI rescission notices, and it has reviewed and is contesting the MI rescission with respect to 66 percent of these remaining open MI rescission notices. Of the remaining open MI rescission notices, 25 percent are also the subject of ongoing litigation although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation.

Cash Settlements

As presented in the table below, during the three months ended March 31, 2012 and 2011, the Corporation paid $423 million and $577 million to resolve $532 million and $723 million of repurchase claims through repurchase or reimbursement to the investor or securitization trust for losses they incurred, resulting in a loss on the related loans at the time of repurchase or reimbursement of $264 million and $346 million. Cash paid for loan repurchases includes the unpaid principal balance of the loan plus past due interest. The amount of loss for loan repurchases is reduced by the fair value of the underlying loan collateral. The repurchase of loans and indemnification payments related to first-lien and home equity repurchase claims generally resulted from material breaches of representations and warranties related to the loans' material compliance with the applicable underwriting standards, including borrower misrepresentation, credit exceptions without sufficient compensating factors and non-compliance with underwriting procedures. The actual representations and warranties made in a sales transaction and the resulting repurchase and indemnification activity can vary by transaction or investor. A direct relationship between the type of defect that causes the breach of representations and warranties and the severity of the realized loss has not been observed. Transactions to repurchase or indemnification payments related to first-lien residential mortgages primarily involved the GSEs while transactions to repurchase or indemnification payments for home equity loans primarily involved the monoline insurers. The table below presents first-lien and home equity loan repurchases and indemnification payments for the three months ended March 31, 2012 and 2011.

Loan Repurchases and Indemnification Payments

	Three Months Ended March 31					
	2012			2011		
(Dollars in millions)	**Unpaid Principal Balance**	**Cash Paid for Repurchases**	**Loss**	Unpaid Principal Balance	Cash Paid for Repurchases	Loss
First-lien						
Repurchases	**$ 250**	**$ 284**	**$ 129**	$ 334	$ 363	$ 133
Indemnification payments	**267**	**124**	**124**	334	160	160
Total first-lien	**517**	**408**	**253**	668	523	293
Home equity						
Repurchases	**4**	**4**	**—**	15	15	14
Indemnification payments	**11**	**11**	**11**	40	39	39
Total home equity	**15**	**15**	**11**	55	54	53
Total first-lien and home equity	**$ 532**	**$ 423**	**$ 264**	$ 723	$ 577	$ 346

Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income. The table below presents a rollforward of the liability for representations and warranties and corporate guarantees.

Representations and Warranties and Corporate Guarantees

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Liability for representations and warranties and corporate guarantees, January 1	**$ 15,858**	$ 5,438
Additions for new sales	**5**	7
Charge-offs	**(399)**	(238)
Provision	**282**	1,013
Liability for representations and warranties and corporate guarantees, March 31	**$ 15,746**	$ 6,220

The liability for representations and warranties is established when those obligations are both probable and reasonably estimable. For the three months ended March 31, 2012 and 2011, the provision for representations and warranties and corporate guarantees was $282 million and $1.0 billion.

Estimated Range of Possible Loss

Government-sponsored Enterprises

The Corporation’s estimated provision and liability at March 31, 2012 for obligations under representations and warranties given to the GSEs considers, among other things, and is necessarily dependent on and limited by, its historical claims experience with the GSEs. It includes the Corporation’s understanding of its agreements with the GSEs and projections of future defaults as well as certain other assumptions and judgmental factors. The Corporation’s estimate of the liability for these obligations has been accounted for in the recorded liability for representations and warranties for these loans. The Corporation continues to experience elevated levels of new claims from the GSEs, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case in numbers that were not expected based on historical experience. The criteria by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to the Corporation. While the Corporation is seeking to resolve its differences with the GSEs concerning each party’s interpretation of the requirements of the governing contracts, whether it will be able to achieve a resolution of these differences on acceptable terms and the timing and cost thereof, is subject to significant uncertainty. The Corporation intends to repurchase loans to the extent required under the contracts and standards that govern its relationships with the GSEs.

It is reasonably possible that future representations and warranties losses with respect to GSE exposures may occur in excess of the amounts recorded for the GSE exposures, and the amount of any such additional liability could be material. Due to the significant uncertainty related to the Corporation's continued differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, it is not possible to reasonably estimate what the outcome or range of such additional possible loss may be.

Counterparties other than Government-sponsored Enterprises

In private-label securitizations, certain presentation thresholds need to be met in order for repurchase claims to be asserted by investors. The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated principally between 2004 and 2008. For the remainder of the population of private-label securitizations, the Corporation believes it is probable that other claimants in certain types of securitizations may come forward with claims that meet the requirements of the terms of the securitizations. The Corporation has seen and continues to see an increased trend in both requests for loan files and repurchase claims from private-label securitization trustees. The Corporation believes that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation’s non-GSE representations and warranties exposures. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, as discussed below, the Corporation has not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole-loan and other private-label securitization exposures. The Corporation currently estimates that the range of possible loss related to non-GSE representations and warranties exposure as of March 31, 2012 could be up to $5 billion over existing accruals. This estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions, including those set forth below, that are subject to change.

The methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss considers a variety of factors including the Corporation’s experience related to actual defaults, projected future defaults, historical loss experience, estimated home prices and other economic conditions. Among the factors that impact the non-GSE representations and warranties liability and the corresponding estimated range of possible loss are: (1) contractual material adverse effect requirements, (2) the representations and warranties provided and (3) the requirement to meet certain presentation thresholds. The first factor is based on the Corporation’s belief that a non-GSE contractual liability to repurchase a loan generally arises only if the counterparties prove there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all investors, or of the monoline insurer or other financial guarantor (as applicable), in a securitization trust and, accordingly, the Corporation believes that the repurchase claimants must prove that the alleged representations and warranties breach was the cause of the loss. The second factor is related to the fact that non-GSE securitizations include different types of representations and warranties than those provided to the GSEs. The Corporation believes the non-GSE securitizations’ representations and warranties are less rigorous and actionable than the explicit provisions of comparable agreements with the GSEs without regard to any variations that may have arisen as a result of dealings with the GSEs. The third factor is related to the fact that certain presentation thresholds need to be met in order for any repurchase claim to be asserted on the initiative of investors under the non-GSE agreements. A securitization trustee may investigate or demand repurchase on its own action, and most agreements contain a threshold, for example 25 percent of the voting rights per trust, that allows investors to declare a servicing event of default under certain circumstances or to request certain action, such as requesting loan files, that the trustee may choose to accept and follow, exempt from liability, provided the trustee is acting in good faith. If there is an un-cured servicing event of default and the trustee fails to bring suit during a 60-day period, then, under most agreements, investors may file suit. In addition to this, most agreements also allow investors to direct the securitization trustee to investigate loan files or demand the repurchase of loans if security holders hold a specified percentage, for example, 25 percent, of the voting rights of each tranche of the outstanding securities. Although the Corporation continues to believe that presentation thresholds are a factor in the determination of probable loss, given the BNY Mellon Settlement, the estimated range of possible loss assumes that the presentation threshold can be met for all of the non-GSE securitization transactions.

In addition, in the case of private-label securitizations, the methodology used to estimate the non-GSE representations and warranties liability and the corresponding ranges of possible loss considers the implied repurchase experience based on the BNY Mellon Settlement and assumes that the conditions to the BNY Mellon Settlement are satisfied. Since the non-GSE transactions that were included in the BNY Mellon Settlement differ from those that were not included in the BNY Mellon Settlement, the Corporation adjusted the experience implied in the settlement in order to determine the estimated non-GSE representations and warranties liability and the corresponding range of possible loss. The judgmental adjustments made include consideration of the differences in the mix of products in the securitizations, loan originator, likelihood of claims differences, the differences in the number of payments that the borrower has made prior to default and the sponsor of the securitization.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual experiences are different from the Corporation's assumptions in its predictive models, including, without limitation, those regarding the ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, home prices, consumer and counterparty behavior, and a variety of judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of loss. For example, if courts were to disagree with the Corporation's interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. For additional information, see *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K Additionally, if recent court rulings related to monoline litigation, including one related to the Corporation, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative as compared to a loan-by-loan review. Finally, although the Corporation believes that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, the Corporation does not have significant loan-level experience in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures does not consider any losses related to litigation matters disclosed in *Note 10 – Commitments and Contingencies*, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any possible losses related to potential claims for breaches of performance of servicing obligations (except as such losses are included as potential costs of the BNY Mellon Settlement), potential securities law or fraud claims or potential indemnity or other claims against the Corporation, including claims related to loans insured by the FHA. The Corporation is not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against the Corporation, except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in *Note 10 – Commitments and Contingencies*; however, such loss could be material.

Government-sponsored Enterprises Experience

The Corporation and its subsidiaries have an established history of working with the GSEs on repurchase claims. However, the GSEs' repurchase requests, standards for rescission of repurchase requests and resolution processes have become increasingly inconsistent with GSEs' prior conduct and the Corporation's interpretation of its contractual obligations. Notably, the Corporation continues to experience elevated levels of new claims, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case, in numbers that were not expected based on historical experience. Additionally, the criteria and the processes by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to the Corporation. These developments have resulted in an increase in claims outstanding from the GSEs. The Corporation intends to repurchase loans to the extent required under the contracts and standards that govern its relationship with the GSEs. For additional information, see Mortgage Insurance Rescission Notices on page 174.

Generally, the Corporation first becomes aware that a GSE is evaluating a particular loan for repurchase when the Corporation receives a request from a GSE to review the underlying loan file (file request). Upon completing its review, the GSE may submit a repurchase claim to the Corporation. As soon as practicable after receiving a repurchase claim from either of the GSEs, the Corporation evaluates the claim and takes appropriate action. Claim disputes are generally handled through loan-level negotiations with the GSEs and the Corporation seeks to resolve the repurchase claim within 90 to 120 days of the receipt of the claim although claims remain open beyond this timeframe. Disputes include reasonableness of stated income, occupancy, undisclosed liabilities, and the validity of MI claim rescissions in the vintages with the highest default rates.

Monoline Insurers Experience

The Corporation has had limited representations and warranties repurchase claims experience with the monoline insurers, due to ongoing litigation against legacy Countrywide and/or Bank of America. To the extent the Corporation received repurchase claims from the monolines that are properly presented, it generally reviews them on a loan-by-loan basis. Where a breach of representations and warranties given by the Corporation or subsidiaries or legacy companies is confirmed on a given loan, settlement is generally reached as to that loan within 60 to 90 days.

For the monolines that have instituted litigation against legacy Countrywide and/or Bank of America, when claims from these counterparties are denied, the Corporation does not indicate its reason for denial as it is not contractually obligated to do so. In the Corporation's experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a claim. When a claim has been denied and there has not been communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution.

To the extent there are repurchase claims based on valid identified loan defects, a liability for representations and warranties is established. In view of the inherent difficulty of predicting the outcome of those repurchase claims where a valid defect has not been identified or in predicting future claim requests and the related outcome in the case of unasserted claims to repurchase loans from the securitization trusts in which these monolines have insured all or some of the related bonds, the Corporation cannot reasonably estimate the eventual outcome through the repurchase process. As a result, a liability for representations and warranties has not been established related to repurchase claims where a valid defect has not been identified, or in the case of any unasserted claims to repurchase loans from the securitization trusts in which such monolines have insured all or some of the related bonds. For additional information related to the monolines, see *Note 10 – Commitments and Contingencies* and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K

Monoline Outstanding Claims

At March 31, 2012, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.1 billion, substantially all of which the Corporation has reviewed and declined to repurchase based on an assessment of whether a material breach exists. As noted above, a portion of the repurchase claims that are initially denied are ultimately resolved through bulk settlement, repurchase or make-whole payments, after additional dialogue and negotiation with the monoline insurer. At March 31, 2012, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $6.1 billion, excluding loans that had been paid in full and file requests for loans included in the trusts settled with Assured Guaranty. There will likely be additional requests for loan files in the future leading to repurchase claims. Such claims may relate to loans that are currently in securitization trusts or loans that have defaulted and are no longer included in the unpaid principal balance of the loans in the trusts. However, it is unlikely that a repurchase claim will be received for every loan in a securitization or every file requested or that a valid defect exists for every loan repurchase claim. In addition, amounts paid on repurchase claims from a monoline are paid to the securitization trust and are applied in accordance with the terms of the governing securitization documents which may include use by the securitization trust to repay any outstanding monoline advances or reduce future advances from the monolines. To the extent that a monoline has not advanced funds or does not anticipate that it will be required to advance funds to the securitization trust, the likelihood of receiving a repurchase claim from a monoline may be reduced as the monoline would receive limited or no benefit from the payment of repurchase claims. Moreover, some monolines are not currently performing their obligations under the financial guaranty policies they issued which may, in certain circumstances, impact their ability to present repurchase claims, although in those circumstances, investors may be able to bring claims if contractual thresholds are met.

Whole Loan Sales and Private-label Securitizations Experience

The majority of the repurchase claims that the Corporation has received outside of those from the GSEs and monolines are from third-party whole-loan investors. In connection with these transactions, the Corporation provided representations and warranties and the whole-loan investors may retain those rights even when the loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The Corporation reviews properly presented repurchase claims for these whole loans on a loan-by-loan basis. If, after the Corporation's review, it does not believe a claim is valid, it will deny the claim and generally indicate a reason for the denial. When the whole-loan investor agrees with the Corporation's denial of the claim, the whole-loan investor may rescind the claim. When there is disagreement as to the resolution of the claim, meaningful dialogue and negotiation between the parties is generally necessary to reach a conclusion on an individual claim. Generally, a whole-loan investor is engaged in the repurchase process and the Corporation and the whole-loan investor reach resolution, either through loan-by-loan negotiation or at times, through a bulk settlement. Through March 31, 2012, 24 percent of the whole-loan claims that the Corporation initially denied have subsequently been resolved through repurchase or make-whole payments and 50 percent have been resolved through rescission or repayment in full by the borrower. Although the timeline for resolution varies, once an actionable breach is identified on a given loan, settlement is generally reached as to that loan within 60 to 90 days. When a claim has been denied and the Corporation does not have communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution. In the case of private-label securitization trustees, there is currently no established process in place for the private-label securitization trustee to rescind a claim if they agree with a claim denial or for the parties to reach a conclusion on an individual loan if there is a disagreement on the resolution of the claim.

In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. During the three months ended March 31, 2012 and 2011, the Corporation received $1.5 billion and $168 million of such repurchase claims. In addition, there have been and continue to be an increased trend for both requests for loan files and repurchase claims from private-label securitization trustees, as well as an increase in requests for tolling agreements to toll the applicable statutes of limitation relating to representations and warranties claims, and the Corporation believes it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims. The representations and warranties, as governed by the private-label securitization agreements, generally require that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. While the Corporation believes the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on investors seeking repurchases than the express provisions of comparable agreements with the GSEs, without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary. For additional information on repurchase demands, see Outstanding Claims on page 173.

NOTE 9 – Goodwill and Intangible Assets

Goodwill

The table below presents goodwill by business segment at March 31, 2012 and December 31, 2011. Effective January 1, 2012, the Corporation changed its basis of presentation from six to five segments. For more information on this realignment, see *Note 19 – Business Segment Information.* The reporting units utilized for goodwill impairment tests are the operating segments or one level below. For more information, see *Note 10 – Goodwill and Intangible Assets* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Goodwill

(Dollars in millions)	**March 31 2012**	December 31 2011
Consumer & Business Banking	**$ 29,986**	$ 29,986
Global Banking	**24,802**	24,802
Global Markets	**4,450**	4,441
Global Wealth & Investment Management	**9,928**	9,928
All Other	**810**	810
Total goodwill	**$ 69,976**	$ 69,967

There was no goodwill in *CRES* at March 31, 2012 and December 31, 2011.

Intangible Assets

The table below presents the gross carrying amount and accumulated amortization related to intangible assets at March 31, 2012 and December 31, 2011.

Intangible Assets [(1)]

(Dollars in millions)	March 31, 2012 Gross Carrying Value	March 31, 2012 Accumulated Amortization	December 31, 2011 Gross Carrying Value	December 31, 2011 Accumulated Amortization
Purchased credit card relationships	**$ 6,237**	**$ 4,185**	$ 6,948	$ 4,775
Core deposit intangibles	**3,593**	**2,669**	3,903	2,915
Customer relationships	**4,081**	**1,630**	4,081	1,532
Affinity relationships	**1,569**	**994**	1,569	966
Other intangibles	**2,280**	**586**	2,476	768
Total intangible assets	**$ 17,760**	**$ 10,064**	$ 18,977	$ 10,956

(1) Excludes fully amortized intangible assets.

None of the intangible assets were impaired at March 31, 2012 or December 31, 2011. Amortization of intangibles expense was $319 million and $385 million for the three months ended March 31, 2012 and 2011. The Corporation estimates aggregate amortization expense will be approximately $320 million for each of the remaining quarters of 2012, and $1.1 billion, $950 million, $870 million, $770 million and $670 million for 2013 through 2017, respectively.

NOTE 10 – Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation's Consolidated Balance Sheet. For additional information on commitments and contingencies, see *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. The Credit Extension Commitments table includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated) to other financial institutions of $25.3 billion and $27.1 billion at March 31, 2012 and December 31, 2011. At March 31, 2012, the carrying amount of these commitments, excluding commitments accounted for under the fair value option, was $676 million, including deferred revenue of $25 million and a reserve for unfunded lending commitments of $651 million. At December 31, 2011, the comparable amounts were $741 million, $27 million and $714 million, respectively. The carrying amount of these commitments is classified in accrued expenses and other liabilities on the Consolidated Balance Sheet.

The table below also includes the notional amount of commitments of $24.0 billion and $25.7 billion at March 31, 2012 and December 31, 2011 that are accounted for under the fair value option. However, the table below excludes fair value adjustments of $844 million and $1.2 billion on these commitments, which are classified in accrued expenses and other liabilities. For information regarding the Corporation's loan commitments accounted for under the fair value option, see *Note 16 – Fair Value Option*.

Credit Extension Commitments

	March 31, 2012				
(Dollars in millions)	Expire in One Year or Less	Expire After One Year Through Three Years	Expire After Three Years Through Five Years	Expire After Five Years	Total
Notional amount of credit extension commitments					
Loan commitments	**$ 98,539**	**$ 80,400**	**$ 125,963**	**$ 15,590**	**$ 320,492**
Home equity lines of credit	**1,822**	**9,016**	**21,715**	**33,521**	**66,074**
Standby letters of credit and financial guarantees [1]	**28,846**	**18,026**	**6,414**	**2,854**	**56,140**
Letters of credit	**2,147**	**49**	**19**	**1,021**	**3,236**
Legally binding commitments	**131,354**	**107,491**	**154,111**	**52,986**	**445,942**
Credit card lines [2]	**441,367**	**—**	**—**	**—**	**441,367**
Total credit extension commitments	**$ 572,721**	**$ 107,491**	**$ 154,111**	**$ 52,986**	**$ 887,309**
	December 31, 2011				
Notional amount of credit extension commitments					
Loan commitments	$ 96,291	$ 85,413	$ 120,770	$ 15,009	$ 317,483
Home equity lines of credit	1,679	7,765	20,963	37,066	67,473
Standby letters of credit and financial guarantees [1]	26,965	18,932	6,433	5,505	57,835
Letters of credit	2,828	27	5	383	3,243
Legally binding commitments	127,763	112,137	148,171	57,963	446,034
Credit card lines [2]	449,097	—	—	—	449,097
Total credit extension commitments	$ 576,860	$ 112,137	$ 148,171	$ 57,963	$ 895,131

(1) The notional amounts of standby letters of credit and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $38.8 billion and $16.7 billion at March 31, 2012, and $39.2 billion and $17.8 billion at December 31, 2011. Amounts include consumer standby letters of credit of $656 million and $859 million at March 31, 2012 and December 31, 2011.

(2) Includes business card unused lines of credit.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrower's ability to pay.

Other Commitments

Global Principal Investments and Other Equity Investments

At March 31, 2012 and December 31, 2011, the Corporation had unfunded equity investment commitments of $520 million and $772 million. In light of proposed Basel regulatory capital changes related to unfunded commitments, over the past two years, the Corporation has actively reduced these commitments in a series of sale transactions involving its private equity investments.

Other Commitments

At March 31, 2012 and December 31, 2011, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $3.8 billion and $2.5 billion, which upon settlement will be included in loans or LHFS.

At March 31, 2012 and December 31, 2011, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $89.4 billion and $67.0 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $64.2 billion and $42.0 billion. All of these commitments expire within the next 12 months.

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $2.3 billion, $2.7 billion, $2.1 billion, $1.7 billion and $1.4 billion for the remainder of 2012 and the years through 2016, respectively, and $6.5 billion in the aggregate for all years thereafter.

The Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At March 31, 2012 and December 31, 2011, the minimum fee commitments over the remaining terms of these agreements totaled $1.8 billion and $1.9 billion.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed-income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed. In addition, investment parameters of the underlying portfolio are restricted. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At both March 31, 2012 and December 31, 2011, the notional amount of these guarantees totaled $15.8 billion and the Corporation's maximum exposure related to these guarantees totaled $5.1 billion with estimated maturity dates between 2030 and 2040. As of March 31, 2012, the Corporation had not made a payment under these products. The possibility of surrender or other payment associated with these guarantees exists. The net fair value of the fee receivable associated with these guarantees was $44 million and $48 million at March 31, 2012 and December 31, 2011 and reflects the probability of surrender as well as the multiple structural protection features in the contracts.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed-income securities and is intended to cover any shortfall in the event that plan participants continue to withdraw funds after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase high-quality fixed-income securities, typically government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At March 31, 2012 and December 31, 2011, the notional amount of these guarantees totaled $27.5 billion and $28.8 billion with estimated maturity dates up to 2015 if the exit option is exercised on all deals. As of March 31, 2012, the Corporation had not made a payment under these products.

Merchant Services

In accordance with credit and debit card association rules, the Corporation sponsors merchant processing servicers that process credit and debit card transactions on behalf of various merchants. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor. If the merchant defaults on its obligation to reimburse the cardholder, the cardholder, through its issuing bank, generally has until six months after the date of the transaction to present a chargeback to the merchant processor, which is primarily liable for any losses on covered transactions. However, if the merchant processor fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation, as the sponsor, could be held liable for the disputed amount. For the three months ended March 31, 2012 and 2011, the sponsored entities processed and settled $133.2 billion and $84.9 billion of transactions and recorded losses of $2 million and $3 million. A significant portion of this activity was processed by a joint venture in which the Corporation holds a 49 percent ownership. At March 31, 2012 and December 31, 2011, the sponsored merchant processing servicers held as collateral $219 million and $238 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants.

The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa, MasterCard and Discover for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of March 31, 2012 and December 31, 2011, the maximum potential exposure for sponsored transactions totaled approximately$244.0 billion and $236.0 billion. However, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure and does not expect to make material payments in connection with these guarantees.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and VIEs that are not consolidated on the Corporation's Consolidated Balance Sheet. At March 31, 2012 and December 31, 2011, the total notional amount of these derivative contracts was $3.3 billion and $3.2 billion with commercial banks and $1.7 billion and $1.8 billion with VIEs. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds at the preset future date. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. The notional amount of these guarantees decreased from $300 million at December 31, 2011 to $135 million at March 31, 2012 due to maturities. These guarantees have various maturities ranging from two to five years. As of March 31, 2012, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements and commitments, including lease-end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps, divested business commitments and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $3.5 billion and $3.7 billion at March 31, 2012 and December 31, 2011. The estimated maturity dates of these obligations extend up to 2033. The Corporation has made no material payments under these guarantees.

In the normal course of business, the Corporation periodically guarantees the obligations of its affiliates in a variety of transactions including ISDA-related transactions and non ISDA-related transactions such as commodities trading, repurchase agreements, prime brokerage agreements and other transactions.

Payment Protection Insurance Claims Matter

In the U.K., the Corporation sells payment protection insurance (PPI) through its international card services business to credit card customers and has previously sold this insurance to consumer loan customers. PPI covers a consumer's loan or debt repayment if certain events occur such as loss of job or illness. In response to an elevated level of customer complaints across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Services Authority (FSA) investigated and raised concerns about the way some companies have handled complaints related to the sale of these insurance policies. In connection with this matter, the Corporation established a reserve for PPI. The reserve was $534 million and $476 million at March 31, 2012 and December 31, 2011, with the increase due to a provision of $200 million partially offset by payment of claims during the three months ended March 31, 2012.

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K (the prior commitments and contingencies disclosure).

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of consumer protection, securities, environmental, banking, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority, the New York Stock Exchange, the FSA and other domestic, international and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. As a litigation or regulatory matter develops, the Corporation, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Corporation continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding expenses of internal or external legal service providers, litigation-related expense of $793 million was recognized for the three months ended March 31, 2012 compared to $940 million for the same period in 2011.

For a limited number of the matters disclosed in this Note, and in the prior commitments and contingencies disclosure, for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the Corporation is able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Corporation reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. These may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, and other rulings by courts, arbitrators or others. In cases in which the Corporation possesses sufficient appropriate information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate may not be possible. For those matters where an estimate is possible, management currently estimates the aggregate range of possible loss is $0 to $4.2 billion in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents what the Corporation believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Corporation's maximum loss exposure. Information is provided below, or in the prior commitments and contingencies disclosure, regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, and in the prior commitments and contingencies disclosure, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Corporation's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Fontainebleau Las Vegas Litigation

On March 19, 2012, the district court granted BANA's motion for summary judgment on all causes of action against it in its capacity as disbursement agent in *Avenue CLO Fund Ltd., et al. v. Bank of America, N.A., Merrill Lynch Capital Corporation, et al.*, and denied plaintiffs' motion for summary judgment. Plaintiffs have filed a notice of appeal to the U.S. Court of Appeals for the Eleventh Circuit.

Merrill Lynch Acquisition-related Matters

Securities Actions

In *Dornfest v. Bank of America Corp., et al.*, on March 21, 2012, the U.S. Court of Appeals for the Second Circuit denied without prejudice plaintiff's attempt to appeal the district court's ruling that plaintiff could not proceed with his action on a class basis.

Derivative Actions

In *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* pending in the U.S. District Court for the Southern District of New York, the parties to the derivative action have reached an agreement in principle to settle this action, which requires judicial approval. If the agreement in principle is approved by the court, the action pending in New York will be dismissed. Final judicial approval of the settlement will entitle defendants to the dismissal of all similar derivative actions, including the derivative action pending in the Delaware Court of Chancery, *In re Bank of America Corporation Stockholder Derivative Litigation*. Plaintiffs in the Delaware Court of Chancery derivative action have filed motions in the Delaware Court of Chancery and federal court in New York challenging and seeking to enjoin the proposed settlement in the New York action on the ground that the consideration being paid to the Corporation is inadequate, among other grounds.

Montgomery

On March 15, 2012, plaintiffs moved to file a second amended complaint to add additional factual allegations. On March 16, 2012, the district court granted defendants' motion to dismiss the first amended complaint.

Mortgage-backed Securities Litigation

The Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates have been named as defendants in a number of cases relating to their various roles as issuer, originator, seller, depositor, sponsor, underwriter and/or controlling entity in MBS offerings, pursuant to which the MBS investors were entitled to a portion of the cash flow from the underlying pools of mortgages. These cases generally include purported class action suits and actions by individual MBS purchasers. Although the allegations vary by lawsuit, these cases generally allege that the registration statements, prospectuses and prospectus supplements for securities issued by securitization trusts contained material misrepresentations and omissions, in violation of Sections 11, 12 and 15 of the Securities Act of 1933, Sections 10(b) and 20 of the Securities Exchange Act of 1934 and/or state securities laws and other state statutory and common laws.

These cases generally involve allegations of false and misleading statements regarding: (i) the process by which the properties that served as collateral for the mortgage loans underlying the MBS were appraised; (ii) the percentage of equity that mortgage borrowers had in their homes; (iii) the borrowers' ability to repay their mortgage loans; (iv) the underwriting practices by which those mortgage loans were originated; (v) the ratings given to the different tranches of MBS by rating agencies; and (vi) the validity of each issuing trust's title to the mortgage loans comprising the pool for that securitization (collectively, MBS Claims). Plaintiffs in these cases generally seek unspecified compensatory damages, unspecified costs and legal fees and, in some instances, seek rescission. A number of other entities (including the National Credit Union Administration) have threatened legal actions against the Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates concerning MBS offerings.

On August 15, 2011, the Judicial Panel on Multi-district Litigation ordered multiple federal court cases involving Countrywide MBS consolidated for pretrial purposes in the U.S. District Court for the Central District of California, in a multi-district litigation entitled *In re Countrywide Financial Corp. Mortgage-Backed Securities Litigation* (the Countrywide RMBS MDL).

AIG Litigation

On April 24, 2012, the U.S. Court of Appeals for the Second Circuit granted plaintiffs' petition for leave to appeal the ruling of the federal district court in the Southern District of New York denying plaintiffs' motion to remand the case to New York Supreme Court.

Dexia Litigation

On March 9, 2012, plaintiffs filed an amended complaint asserting the same MBS Claims and seeking the same relief, and revising the successor liability allegations and adding fraudulent conveyance claims as to certain defendants.

FHFA Litigation

On April 5, 2012, the Federal Housing Finance Agency's motion to remand *Federal Housing Finance Agency v. Countrywide Financial Corporation, et al.* to New York Supreme Court was denied.

Luther Litigation and Related Actions

On March 9, 2012, the court dismissed the complaint in *Putnam Bank v. Countrywide Financial Corporation, et al*, as time-barred, with prejudice.

Sealink Litigation

On March 9, 2012, the court dismissed plaintiffs' complaint for lack of standing, without prejudice. On March 29, 2012, plaintiffs filed an amended complaint.

Mortgage Repurchase Litigation

Walnut Place Litigation

On March 29, 2012, the motion to dismiss filed on May 17, 2011 in *Walnut Place LLC, et al. v. Countrywide Home Loans, Inc. et al. (Walnut I)* was granted. Plaintiffs have appealed that decision.

In the second Walnut Place litigation, where a motion to dismiss is pending, also entitled *Walnut Place LLC, et al. v. Countrywide Home Loans, Inc. et al.,* the parties have agreed to stay proceedings pending disposition of the appeal in *Walnut I.*

U.S. Bank Litigation

On April 5, 2012, the U.S. District Court for the Central District of California remanded the case to New York Supreme Court.

Mortgage Servicing Investigations and Litigation

On March 12, 2012, the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development and other federal agencies (together, the Federal Agencies) and 49 state attorneys general (the State AGs) caused a consent judgment (the Consent Judgment) concerning the terms of a global settlement resolving investigations into certain origination, servicing and foreclosure practices (the Global Settlement Agreement) to be filed in the U.S. District Court for the District of Columbia. The Global Settlement Agreement embodies the agreements related to the previously announced agreements in principle reached on February 9, 2012 with: (i) the Federal Agencies and State AGs to resolve federal and state investigations into certain origination, servicing and foreclosure practices; and (ii) the Federal Housing Administration (FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by legacy Countrywide prior to and for a period following the Corporation's acquisition of that company. The Consent Judgment was entered by the court on April 5, 2012, and separate settlement agreements with the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency relating to servicing and foreclosure practices also became effective.

NOTE 11 – Shareholders' Equity

Common Stock

In April 2012, the Board of Directors (the Board) declared a second quarter cash dividend of $0.01 to be paid on June 22, 2012 to common shareholders of record on June 1, 2012. In January 2012, the Board declared the first quarter cash dividend of $0.01 per common share which was paid on March 23, 2012 to common shareholders of record on March 2, 2012.

During the three months ended March 31, 2012, the Corporation entered into various agreements with certain preferred and trust preferred security holders pursuant to which the Corporation and the security holders, in aggregate, agreed to exchange shares of various series of non-convertible preferred stock, with a carrying value of $296 million and trust preferred securities with a carrying value of $760 million for approximately 50 million shares of the Corporation's common stock, with a fair value of $412 million and $398 million in cash. The $246 million difference between the carrying value of the preferred and trust preferred securities retired and the fair value of consideration issued was recorded in retained earnings as a $44 million reduction to preferred stock dividends and a $202 million gain in noninterest income.

During the three months ended March 31, 2012, in connection with employee stock plans, the Corporation issued approximately 293 million shares and repurchased approximately 103 million shares to satisfy tax withholding obligations. At March 31, 2012, the Corporation had reserved 1.9 billion unissued shares of common stock for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

Preferred Stock

During the three months ended March 31, 2012, the dividends declared on preferred stock were $369 million.

NOTE 12 – Accumulated Other Comprehensive Income (Loss)

The table below presents the changes in accumulated OCI after-tax for the three months ended March 31, 2012, and 2011.

(Dollars in millions)	Available-for-sale Debt Securities	Available-for-sale Marketable Equity Securities	Derivatives	Employee Benefit Plans	Foreign Currency [1]	Total
Balance, December 31, 2010	$ 714	$ 6,659	$ (3,236)	$ (3,947)	$ (256)	$ (66)
Net change	(649)	810	266	75	27	529
Balance, March 31, 2011	$ 65	$ 7,469	$ (2,970)	$ (3,872)	$ (229)	$ 463
Balance, December 31, 2011	**$ 3,100**	**$ 3**	**$ (3,785)**	**$ (4,391)**	**$ (364)**	**$ (5,437)**
Net change	**(938)**	**14**	**382**	**952**	**31**	**441**
Balance, March 31, 2012	**$ 2,162**	**$ 17**	**$ (3,403)**	**$ (3,439)**	**$ (333)**	**$ (4,996)**

[1] Net change in fair value represents only the impact of changes in spot foreign exchange rates on the Corporation's net investment in non-U.S. operations and related hedges.

The table below presents the before- and after-tax changes in accumulated OCI for the three months ended March 31, 2012, and 2011.

	Three Months Ended March 31					
	2012			2011		
(Dollars in millions)	**Before-tax**	**Tax effect**	**After-tax**	Before-tax	Tax effect	After-tax
Available-for-sale debt securities:						
Net change in fair value recorded in accumulated OCI	**$ (780)**	**$ 291**	**$ (489)**	$ (576)	$ 216	$ (360)
Net realized (gains) losses reclassified into earnings	**(712)**	**263**	**(449)**	(458)	169	(289)
Net change	**(1,492)**	**554**	**(938)**	(1,034)	385	(649)
Available-for-sale marketable equity securities:						
Net change in fair value recorded in accumulated OCI	**25**	**(10)**	**15**	1,290	(469)	821
Net realized (gains) losses reclassified into earnings	**(2)**	**1**	**(1)**	(18)	7	(11)
Net change	**23**	**(9)**	**14**	1,272	(462)	810
Derivatives:						
Net change in fair value recorded in accumulated OCI	**413**	**(153)**	**260**	94	(35)	59
Net realized (gains) losses reclassified into earnings	**194**	**(72)**	**122**	328	(121)	207
Net change	**607**	**(225)**	**382**	422	(156)	266
Employee benefit plans:						
Net realized (gains) losses reclassified into earnings	**128**	**(46)**	**82**	119	(44)	75
Settlements and curtailments	**1,381**	**(511)**	**870**	—	—	—
Net change	**1,509**	**(557)**	**952**	119	(44)	75
Foreign currency:						
Net change in fair value recorded in accumulated OCI	**(256)**	**287**	**31**	(272)	299	27
Net change	**(256)**	**287**	**31**	(272)	299	27
Other comprehensive income	**$ 391**	**$ 50**	**$ 441**	$ 507	$ 22	$ 529

NOTE 13 – Earnings Per Common Share

The calculation of earnings per common share (EPS) and diluted EPS for the three months ended March 31, 2012 and 2011 is presented below. See *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K for additional information on the calculation of EPS.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended March 31 2012	2011
Earnings per common share		
Net income	**$ 653**	$ 2,049
Preferred stock dividends	**(325)**	(310)
Net income applicable to common shareholders	**$ 328**	$ 1,739
Dividends and undistributed earnings allocated to participating securities	**(1)**	(14)
Net income allocated to common shareholders	**$ 327**	$ 1,725
Average common shares issued and outstanding	**10,651,367**	10,075,875
Earnings per common share	**$ 0.03**	$ 0.17
Diluted earnings per common share		
Net income applicable to common shareholders	**$ 328**	$ 1,739
Dividends and undistributed earnings allocated to participating securities	**(1)**	(14)
Net income allocated to common shareholders	**$ 327**	$ 1,725
Average common shares issued and outstanding	**10,651,367**	10,075,875
Dilutive potential common shares [1]	**110,550**	105,476
Total diluted average common shares issued and outstanding	**10,761,917**	10,181,351
Diluted earnings per common share	**$ 0.03**	$ 0.17

[1] Includes incremental shares from RSUs, restricted stock shares, stock options and warrants.

For the three months ended March 31, 2012 and 2011, average options to purchase 176 million and 230 million shares of common stock were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method. For the three months ended March 31, 2012 and 2011, average warrants to purchase 272 million and 122 million shares of common stock were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method. For the three months ended March 31, 2012 and 2011, 62 million and 67 million average dilutive potential common shares associated with the 7.25% Non-cumulative Perpetual Convertible Preferred Stock, Series L and 700 million average dilutive potential common shares associated with the Series T Preferred Stock for the three months ended March 31, 2012 were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method.

NOTE 14 – Pension, Postretirement and Certain Compensation Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. Additional information on these plans is presented in *Note 19 – Employee Benefit Plans* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

In connection with a redesign of the Corporation's retirement plans, on January 24, 2012, the Compensation and Benefits Committee of the Board approved amendments to freeze benefits earned in the Qualified Pension Plans effective June 30, 2012. As a result of acquisitions, the Corporation assumed the obligations related to the pension plans of certain legacy companies. These acquired pension plans have been merged into a separate defined benefit pension plan which, together with the Bank of America Pension Plan, are referred to as the Qualified Pension Plans. As a result of freezing the Qualified Pension Plans, a curtailment was triggered and a remeasurement of the qualified pension obligations and plan assets occurred as of January 24, 2012. As of the remeasurement date, the plan assets had increased in value from the prior measurement date resulting in an increase in the funded status of the plan of approximately $431 million. Additionally, the curtailment impact reduced the projected benefit obligation by approximately $889 million. The combined impact resulted in a $1.3 billion increase to the net pension assets recognized in other assets and a corresponding decrease in unrecognized losses in accumulated OCI of $1.3 billion ($832 million after-tax). The impact of the immediate recognition of the prior service cost of $58 million was recorded in personnel expense as a curtailment loss during the three months ended March 31, 2012. All economic assumptions were consistent with the prior year end including the weighted-average discount rate of 4.95 percent used for remeasurement of the qualified pension plans.

Net periodic benefit cost of the Corporation's plans for the three months ended March 31, 2012 and 2011 included the following components.

Components of Net Periodic Benefit Cost

(Dollars in millions)	Qualified Pension Plans	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans [1]	Postretirement Health and Life Plans
	Three Months Ended March 31, 2012			
Service cost	**$ 114**	**$ 10**	**$ —**	**$ 4**
Interest cost	**172**	**24**	**35**	**18**
Expected return on plan assets	**(309)**	**(34)**	**(38)**	**(2)**
Amortization of transition obligation	**—**	**—**	**—**	**8**
Amortization of prior service cost (credits)	**5**	**—**	**(2)**	**1**
Amortization of net actuarial loss (gain)	**123**	**(2)**	**3**	**(5)**
Recognized loss due to settlements and curtailments	**58**	**—**	**3**	**—**
Net periodic benefit cost	**$ 163**	**$ (2)**	**$ 1**	**$ 24**
	Three Months Ended March 31, 2011			
Service cost	$ 108	$ 11	$ —	$ 4
Interest cost	188	25	39	21
Expected return on plan assets	(325)	(29)	(35)	(2)
Amortization of transition obligation	—	—	—	8
Amortization of prior service cost (credits)	6	—	(2)	2
Amortization of net actuarial loss	101	—	5	1
Net periodic benefit cost	$ 78	$ 7	$ 7	$ 34

[1] Includes nonqualified pension plans and the terminated Merrill Lynch U.S. pension plan.

The Corporation's best estimate of its contributions to be made to the Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans in 2012 is $114 million, $124 million and $115 million, respectively. For the three months ended March 31, 2012, the Corporation contributed $81 million, $50 million and $29 million, respectively, to these plans. The Corporation does not expect to make a contribution to the Qualified Pension Plans in 2012.

Certain Compensation Plans

During the three months ended March 31, 2012, the Corporation issued 288 million RSUs to certain employees under the Key Associate Stock Plan. Certain awards are earned based on the achievement of specified performance criteria. Vested RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award. Seven million of these RSUs were authorized to be settled in shares of common stock with the remainder in cash only. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances. The compensation cost for cash-settled awards and awards subject to certain clawback provisions, which in the aggregate represents substantially all of the award in 2012, is accrued over the vesting period and adjusted to fair value based upon changes in the share price of the Corporation's common stock. The Corporation hedges a portion of the RSUs using a combination of economic and cash flow hedges as described in *Note 3 – Derivatives*.

NOTE 15 – Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how the Corporation measures fair value, see *Note 1 – Summary of Significant Accounting Principles* and *Note 22 – Fair Value Measurements* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K The Corporation accounts for certain financial instruments under the fair value option. For more information, see *Note 16 – Fair Value Option.*

Valuation Processes

The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office, and periodic re-assessments of models to ensure that they are continuing to perform as designed. In addition, detailed reviews of trading gains and losses are analyzed on a daily basis by personnel who are independent of the front office. A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market prices and market-observable valuation model inputs to ensure that fair values are reasonably estimated. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the three months ended March 31, 2012, there were no changes to the Corporation's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or results of operations.

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis atMarch 31, 2012 and December 31, 2011, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the following tables.

	March 31, 2012				
	Fair Value Measurements				
(Dollars in millions)	Level 1 (1)	Level 2 (1)	Level 3	Netting Adjustments (2)	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 95,003	$ —	$ —	$ 95,003
Trading account assets:					
U.S. government and agency securities	44,083	25,581	—	—	69,664
Corporate securities, trading loans and other	994	32,115	6,001	—	39,110
Equity securities	24,574	8,236	525	—	33,335
Non-U.S. sovereign debt	40,245	11,280	546	—	52,071
Mortgage trading loans and ABS	—	11,583	4,012	—	15,595
Total trading account assets	109,896	88,795	11,084	—	209,775
Derivative assets (3)	2,780	1,488,433	11,315	(1,443,477)	59,051
AFS debt securities:					
U.S. Treasury securities and agency securities	36,539	3,427	—	—	39,966
Mortgage-backed securities:					
Agency	—	175,058	33	—	175,091
Agency-collateralized mortgage obligations	—	42,355	—	—	42,355
Non-agency residential	—	11,441	29	—	11,470
Non-agency commercial	—	4,861	38	—	4,899
Non-U.S. securities	3,363	3,205	—	—	6,568
Corporate/Agency bonds	—	2,290	131	—	2,421
Other taxable securities	20	6,422	4,175	—	10,617
Tax-exempt securities	—	1,758	1,895	—	3,653
Total AFS debt securities	39,922	250,817	6,301	—	297,040
Loans and leases	—	6,410	2,782	—	9,192
Mortgage servicing rights	—	—	7,589	—	7,589
Loans held-for-sale	—	4,696	2,862	—	7,558
Other assets	22,153	10,031	3,487	—	35,671
Total assets	$ 174,751	$ 1,944,185	$ 45,420	$ (1,443,477)	$ 720,879
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 3,191	$ —	$ —	$ 3,191
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	54,434	—	—	54,434
Trading account liabilities:					
U.S. government and agency securities	19,789	761	—	—	20,550
Equity securities	19,571	2,080	—	—	21,651
Non-U.S. sovereign debt	17,866	1,180	—	—	19,046
Corporate securities and other	638	8,405	124	—	9,167
Total trading account liabilities	57,864	12,426	124	—	70,414
Derivative liabilities (3)	2,437	1,468,536	7,128	(1,428,929)	49,172
Other short-term borrowings	—	6,395	—	—	6,395
Accrued expenses and other liabilities	16,775	1,681	3	—	18,459
Long-term debt	—	48,537	2,500	—	51,037
Total liabilities	$ 77,076	$ 1,595,200	$ 9,755	$ (1,428,929)	$ 253,102

(1) During the three months ended March 31, 2012, approximately $1.7 billion and $350 million of assets and liabilities were transferred from Level 1 to Level 2, and approximately $250 million and $40 million of assets and liabilities were transferred from Level 2 to Level 1. Approximately $640 million of the transfer from Level 1 to Level 2 was due to a restriction that became effective for a private equity investment. The remaining transfers were the result of additional information associated with certain equities, derivative contracts and private equity investments.

(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.

(3) For further disaggregation of derivative assets and liabilities, see *Note 3 – Derivatives* .

(Dollars in millions)	December 31, 2011 Fair Value Measurements Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 87,453	$ —	$ —	$ 87,453
Trading account assets:					
U.S. government and agency securities	30,540	22,073	—	—	52,613
Corporate securities, trading loans and other	1,067	28,624	6,880	—	36,571
Equity securities	17,181	5,949	544	—	23,674
Non-U.S. sovereign debt	33,667	8,937	342	—	42,946
Mortgage trading loans and ABS	—	9,826	3,689	—	13,515
Total trading account assets	82,455	75,409	11,455	—	169,319
Derivative assets [3]	2,186	1,865,310	14,366	(1,808,839)	73,023
AFS debt securities:					
U.S. Treasury securities and agency securities	39,389	3,475	—	—	42,864
Mortgage-backed securities:					
Agency	—	142,526	37	—	142,563
Agency-collateralized mortgage obligations	—	44,999	—	—	44,999
Non-agency residential	—	13,907	860	—	14,767
Non-agency commercial	—	5,482	40	—	5,522
Non-U.S. securities	1,664	3,256	—	—	4,920
Corporate/Agency bonds	—	2,873	162	—	3,035
Other taxable securities	20	8,593	4,265	—	12,878
Tax-exempt securities	—	1,955	2,648	—	4,603
Total AFS debt securities	41,073	227,066	8,012	—	276,151
Loans and leases	—	6,060	2,744	—	8,804
Mortgage servicing rights	—	—	7,378	—	7,378
Loans held-for-sale	—	4,243	3,387	—	7,630
Other assets	18,963	13,886	4,235	—	37,084
Total assets	$ 144,677	$ 2,279,427	$ 51,577	$ (1,808,839)	$ 666,842
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 3,297	$ —	$ —	$ 3,297
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	34,235	—	—	34,235
Trading account liabilities:					
U.S. government and agency securities	19,120	1,590	—	—	20,710
Equity securities	13,259	1,335	—	—	14,594
Non-U.S. sovereign debt	16,760	680	—	—	17,440
Corporate securities and other	829	6,821	114	—	7,764
Total trading account liabilities	49,968	10,426	114	—	60,508
Derivative liabilities [3]	2,055	1,850,804	8,500	(1,801,839)	59,520
Other short-term borrowings	—	6,558	—	—	6,558
Accrued expenses and other liabilities	13,832	1,897	14	—	15,743
Long-term debt	—	43,296	2,943	—	46,239
Total liabilities	$ 65,855	$ 1,950,513	$ 11,571	$ (1,801,839)	$ 226,100

[1] Gross transfers between Level 1 and Level 2 during 2011 were not significant.

[2] Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.

[3] For further disaggregation of derivative assets and liabilities, see *Note 3 – Derivatives* .

The following tables present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2012 and 2011, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 – Fair Value Measurements *(1)*

	Three Months Ended March 31, 2012									
				Gross						
(Dollars in millions)	Balance January 1 2012	Gains (Losses) in Earnings	Gains (Losses) in OCI	Purchases	Sales	Issuances	Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance March 31 2012
Trading account assets:										
Corporate securities, trading loans and other(2)	$ 6,880	$ 93	$ —	$ 675	$ (1,065)	$ —	$ (189)	$ 59	$ (452)	$ 6,001
Equity securities	544	15	—	79	(109)	—	(10)	8	(2)	525
Non-U.S. sovereign debt	342	24	—	273	(81)	—	—	—	(12)	546
Mortgage trading loans and ABS	3,689	99	—	184	(455)	—	(89)	742	(158)	4,012
Total trading account assets	11,455	231	—	1,211	(1,710)	—	(288)	809	(624)	11,084
Net derivative assets (3)	5,866	(837)	—	359	(321)	—	(634)	106	(352)	4,187
AFS debt securities:										
Mortgage-backed securities:										
Agency	37	—	—	—	—	—	(4)	—	—	33
Non-agency residential	860	(69)	19	—	(293)	—	—	—	(488)	29
Non-agency commercial	40	—	—	—	—	—	(2)	—	—	38
Corporate/Agency bonds	162	(2)	—	(2)	—	—	—	—	(27)	131
Other taxable securities	4,265	7	17	362	—	—	(418)	—	(58)	4,175
Tax-exempt securities	2,648	26	18	—	(35)	—	(762)	—	—	1,895
Total AFS debt securities	8,012	(38)	54	360	(328)	—	(1,186)	—	(573)	6,301
Loans and leases (2, 4)	2,744	164	—	—	—	—	(117)	—	(9)	2,782
Mortgage servicing rights (4)	7,378	655	—	—	—	77	(521)	—	—	7,589
Loans held-for-sale (2)	3,387	169	—	4	—	—	(97)	31	(632)	2,862
Other assets (5)	4,235	(32)	—	43	(581)	—	(167)	—	(11)	3,487
Trading account liabilities – Corporate securities and other	(114)	—	—	48	(27)	—	—	(65)	34	(124)
Accrued expenses and other liabilities(2)	(14)	3	—	5	—	—	—	—	3	(3)
Long-term debt (2)	(2,943)	(241)	—	76	(33)	(65)	433	(532)	805	(2,500)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.

(2) Amounts represent items that are accounted for under the fair value option.

(3) Net derivatives include derivative assets of $11.3 billion and derivative liabilities of $7.1 billion.

(4) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole loan sales.

(5) Other assets is primarily comprised of net monoline exposure to a single counterparty and private equity investments.

During the three months ended March 31, 2012, the transfers into Level 3 included $809 million of trading account assets, $106 million of net derivative assets and $532 million of long-term debt. Transfers into Level 3 for trading account assets were primarily the result of additional information related to certain CLOs. Transfers into Level 3 for net derivative assets primarily related to decreased market activity (i.e., executed trades) for certain structured rate derivatives. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

During the three months ended March 31, 2012, the transfers out of Level 3 included $624 million of trading account assets, $352 million of net derivative assets, $573 million of AFS debt securities, $632 million of LHFS and $805 million of long-term debt. Transfers out of Level 3 for trading account assets primarily related to increased market liquidity for certain corporate loans and loans backed by commercial real estate. Transfers out of Level 3 for net derivative assets primarily related to increased price observability (i.e., market comparables) for certain total return swaps and foreign exchange swaps. Transfers out of Level 3 for AFS debt securities primarily related to increased price observability for certain non-agency RMBS. Transfers out of Level 3 for LHFS primarily related to increased observable inputs, primarily liquid comparables. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

Level 3 – Fair Value Measurements [(1)]

(Dollars in millions)	Balance January 1 2011	Gains (Losses) in Earnings	Gains (Losses) in OCI	Gross: Purchases	Gross: Sales	Gross: Issuances	Gross: Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance March 31 2011
	Three Months Ended March 31, 2011									
Trading account assets:										
Corporate securities, trading loans and other[(2)]	$ 7,751	$ 494	$ —	$ 1,550	$ (2,350)	$ —	$ (181)	$ 569	$ (255)	$ 7,578
Equity securities	623	43	—	100	(70)	—	—	39	(1)	734
Non-U.S. sovereign debt	243	5	—	48	(4)	—	—	—	(40)	252
Mortgage trading loans and ABS	6,908	562	—	766	(1,086)	—	(64)	1	(390)	6,697
Total trading account assets	15,525	1,104	—	2,464	(3,510)	—	(245)	609	(686)	15,261
Net derivative assets [(3)]	7,745	438	—	502	(748)	—	(1,670)	307	(155)	6,419
AFS debt securities:										
Mortgage-backed securities:										
Agency	4	—	—	—	—	—	—	—	(4)	—
Agency-collateralized mortgage obligations	—	—	—	56	—	—	—	—	—	56
Non-agency residential	1,468	(16)	(22)	—	(237)	—	(262)	272	—	1,203
Non-agency commercial	19	—	—	—	—	—	—	—	—	19
Non-U.S. securities	3	—	—	—	—	—	—	—	(3)	—
Corporate/Agency bonds	137	2	1	—	(7)	—	—	—	—	133
Other taxable securities	13,018	29	57	552	(52)	—	(2,582)	2	—	11,024
Tax-exempt securities	1,224	(3)	6	—	(49)	—	(32)	—	—	1,146
Total AFS debt securities	15,873	12	42	608	(345)	—	(2,876)	274	(7)	13,581
Loans and leases [(2, 4)]	3,321	172	—	—	(109)	846	(616)	5	—	3,619
Mortgage servicing rights [(4)]	14,900	247	—	—	—	841	(706)	—	—	15,282
Loans held-for-sale [(2)]	4,140	178	—	31	(173)	—	(123)	222	(16)	4,259
Other assets [(5)]	6,856	122	—	77	(941)	—	(288)	—	(1,633)	4,193
Trading account liabilities – Corporate securities and other	(7)	—	—	7	(102)	—	—	—	—	(102)
Other short-term borrowings[(2)]	(706)	(46)	—	—	—	—	26	—	—	(726)
Accrued expenses and other liabilities[(2)]	(828)	143	—	—	(4)	—	—	—	—	(689)
Long-term debt [(2)]	(2,986)	(148)	—	84	—	(43)	239	(637)	353	(3,138)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.

(2) Amounts represent items that are accounted for under the fair value option.

(3) Net derivatives include derivative assets of $16.2 billion and derivative liabilities of $9.8 billion.

(4) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole loan sales.

(5) Other assets is primarily comprised of AFS marketable equity securities.

During the three months ended March 31, 2011, the transfers into Level 3 included $609 million of trading account assets and $637 million of long-term debt accounted for under the fair value option. Transfers into Level 3 for trading account assets were primarily certain CLOs that were transferred into Level 3 due to a lack of price transparency. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

During the three months ended March 31, 2011, the transfers out of Level 3 included $686 million of trading account assets and $1.6 billion of other assets. Transfers out of Level 3 for trading account assets were primarily driven by increased price observability on certain RMBS and consumer ABS portfolios. Transfers out of Level 3 for other assets were the result of an initial public offering of an equity investment.

The table below summarizes gains (losses) due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during the three months ended March 31, 2012 and 2011. These amounts include gains (losses) on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

Level 3 – Total Realized and Unrealized Gains (Losses) Included in Earnings

	Three Months Ended March 31, 2012				
(Dollars in millions)	**Equity Investment Income (Loss)**	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss) [1]**	**Other Income (Loss)**	**Total**
Trading account assets:					
Corporate securities, trading loans and other [2]	**$ —**	**$ 93**	**$ —**	**$ —**	**$ 93**
Equity securities	**—**	**15**	**—**	**—**	**15**
Non-U.S. sovereign debt	**—**	**24**	**—**	**—**	**24**
Mortgage trading loans and ABS	**—**	**99**	**—**	**—**	**99**
Total trading account assets	**—**	**231**	**—**	**—**	**231**
Net derivative assets	**—**	**(1,373)**	**536**	**—**	**(837)**
AFS debt securities:					
Non-agency residential MBS	**—**	**—**	**—**	**(69)**	**(69)**
Corporate/Agency bonds	**—**	**—**	**—**	**(2)**	**(2)**
Other taxable securities	**—**	**—**	**—**	**7**	**7**
Tax-exempt securities	**—**	**—**	**—**	**26**	**26**
Total AFS debt securities	**—**	**—**	**—**	**(38)**	**(38)**
Loans and leases [2]	**—**	**—**	**—**	**164**	**164**
Mortgage servicing rights	**—**	**—**	**655**	**—**	**655**
Loans held-for-sale [2]	**—**	**—**	**90**	**79**	**169**
Other assets	**10**	**—**	**(8)**	**(34)**	**(32)**
Accrued expenses and other liabilities [2]	**—**	**—**	**—**	**3**	**3**
Long-term debt [2]	**—**	**(139)**	**—**	**(102)**	**(241)**
Total	**$ 10**	**$ (1,281)**	**$ 1,273**	**$ 72**	**$ 74**
	Three Months Ended March 31, 2011				
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 494	$ —	$ —	$ 494
Equity securities	—	43	—	—	43
Non-U.S. sovereign debt	—	5	—	—	5
Mortgage trading loans and ABS	—	562	—	—	562
Total trading account assets	—	1,104	—	—	1,104
Net derivative assets	—	(459)	897	—	438
AFS debt securities:					
Non-agency residential MBS	—	—	—	(16)	(16)
Corporate/Agency bonds	—	—	—	2	2
Other taxable securities	—	12	—	17	29
Tax-exempt securities	—	(3)	—	—	(3)
Total AFS debt securities	—	9	—	3	12
Loans and leases [2]	—	—	—	172	172
Mortgage servicing rights	—	—	247	—	247
Loans held-for-sale [2]	—	—	2	176	178
Other assets	122	—	—	—	122
Other short-term borrowings [2]	—	—	(46)	—	(46)
Accrued expenses and other liabilities [2]	—	(8)	—	151	143
Long-term debt [2]	—	(92)	—	(56)	(148)
Total	$ 122	$ 554	$ 1,100	$ 446	$ 2,222

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.

(2) Amounts represent instruments that are accounted for under the fair value option.

The table below summarizes changes in unrealized gains (losses) recorded in earnings during thethree months ended March 31, 2012 and 2011 for Level 3 assets and liabilities that were still held at March 31, 2012 and 2011. These amounts include changes in fair value on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

Level 3 – Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

	Three Months Ended March 31, 2012				
(Dollars in millions)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 56	$ —	$ —	$ 56
Equity securities	—	11	—	—	11
Non-U.S. sovereign debt	—	13	—	—	13
Mortgage trading loans and ABS	—	53	—	—	53
Total trading account assets	—	133	—	—	133
Net derivative assets	—	(1,314)	360	—	(954)
Loans and leases [2]	—	—	—	214	214
Mortgage servicing rights	—	—	470	—	470
Loans held-for-sale [2]	—	—	55	23	78
Other assets	(19)	—	6	(34)	(47)
Accrued expenses and other liabilities [2]	—	—	—	3	3
Long-term debt [2]	—	(129)	—	(102)	(231)
Total	$ (19)	$ (1,310)	$ 891	$ 104	$ (334)

	Three Months Ended March 31, 2011				
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 402	$ —	$ —	$ 402
Equity securities	—	19	—	—	19
Non-U.S. sovereign debt	—	3	—	—	3
Mortgage trading loans and ABS	—	509	—	—	509
Total trading account assets	—	933	—	—	933
Net derivative assets	—	(290)	428	—	138
AFS debt securities:					
Non-agency residential MBS	—	—	—	(68)	(68)
Total AFS debt securities	—	—	—	(68)	(68)
Loans and leases [2]	—	—	—	169	169
Mortgage servicing rights	—	—	(64)	—	(64)
Loans held-for-sale [2]	—	—	(12)	159	147
Other assets	(131)	—	—	—	(131)
Other short-term borrowings [2]	—	—	(34)	—	(34)
Accrued expenses and other liabilities [2]	—	(8)	—	108	100
Long-term debt [2]	—	(92)	—	(56)	(148)
Total	$ (131)	$ 543	$ 318	$ 312	$ 1,042

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.

(2) Amounts represent instruments that are accounted for under the fair value option.

The following tables present information about significant unobservable inputs related to the Corporation's material categories of Level 3 financial assets and liabilities at March 31, 2012.

Quantitative Information about Level 3 Fair Value Measurements

(Dollars in millions)		Inputs	
Financial Instrument	**Fair Value**	**Significant Unobservable Inputs**	**Ranges of Inputs**
Loans and Securities [(1)]			
Instruments backed by residential real estate assets	**$ 5,542**	Yield	1% to 25%
Trading account assets – Mortgage trading loans and ABS	689	Prepayment speeds	0% to 25% CPR
Loans and leases	2,332	Default rates	0% to 54% CDR
Loans held-for-sale	2,521	Loss severities	0% to 80%
Instruments backed by commercial real estate assets	**$ 2,449**	Yield	1% to 15%
Trading account assets – Mortgage trading loans and ABS	299	Loss severities	0% to 91%
Loans held-for-sale	341		
Other assets	1,809		
Instruments backed by other assets	**$ 3,089**	Yield	1% to 5%
Trading account assets – Mortgage trading loans and ABS	184		
AFS debt securities – Other taxable securities	2,455		
Loans and leases	450		
Corporate loans and debt securities	**$ 2,773**	Yield	2% to 20%
Trading account assets – Corporate securities, trading loans and other	2,773	Enterprise value/EBITDA multiple	3x to 7x
Corporate CLOs and CDOs	**$ 4,520**	Prepayment speed	5% to 25%
Trading account assets – Corporate securities, trading loans and other	1,219	Default rates	1% to 5%
Trading account assets – Mortgage trading loans and ABS	2,840	Loss severity	25% to 40%
AFS debt securities – Other taxable securities	461	Yield	2% to 20%
Auction rate securities	**$ 5,163**	Weighted-average life	5 years
Trading account assets – Corporate securities, trading loans and other	2,009	Discount rate	LIBOR +200 or JJK +150
AFS debt securities – Other taxable securities	1,259	Projected tender price/Re-financing level	50% to 99%
AFS debt securities – Tax-exempt securities	1,895		
Structured liabilities			
Long-term debt	**$ (2,500)**	Correlation (Index/Index)	50% to 97%
		Correlation (Stock/Stock)	30% to 80%
		Long-dated volatilities	20% to 70%

(1) The total amount of the Level 3 line items that cross multiple categories of loans and securities for which ranges of inputs are provided in the table above is as follows: trading account assets – corporate securities, trading loans and other of $6.0 billion, trading account assets – mortgage trading loans and ABS of $4.0 billion, AFS debt securities – other taxable securities of $4.2 billion, AFS debt securities – tax-exempt securities of $1.9 billion, loans and leases of $2.8 billion, LHFS of $2.9 billion and other assets of $1.8 billion. Such amounts agree to the respective line items in the table on page 194.

CPR = Constant Prepayment Rate

CDR = Constant Default Rate

EBITDA = Earnings before interest, taxes, depreciation and amortization

JJK = J.J. Kenny (tax-exempt municipal rate)

Quantitative Information about Level 3 Fair Value Measurements (continued)

(Dollars in millions)		Inputs	
Financial Instrument	**Fair Value**	**Significant Unobservable Inputs**	**Ranges of Inputs**
Net derivatives assets			
Credit default swaps referencing CLOs and corporate assets	**$ 849**	Prepayment speed	5% to 25%
		Default rates	1% to 5%
		Loss severity	25% to 40%
		Yield	2% to 20%
		Credit spreads	100 bps to 500 bps
		Recovery	30% to 50%
Credit default swaps referencing other assets	**$ 1,072**	Upfront points	53 points to 99 points
		Correlation	45% to 70%
		Spread to index	-1,000 bps to 4,000 bps
		Yield	6% to 25%
		Prepayment speed	0% to 25% CPR
		Default rates	0% to 4% CDR
		Loss severity	0% to 65%
Structured credit derivatives	**$ 2,114**	Default correlation	30% to 80%
		Wrong-way correlation	20% to 50%
		Ratings-based spreads	300 bps to 500 bps
Equity derivatives	**$ (657)**	Correlation (Index/Index)	50% to 97%
		Correlation (Stock/Stock)	30% to 80%
		Long-dated volatilities	20% to 70%
Commodity derivatives	**$ (14)**	Long-term natural gas basis curve	-$0.53 to $0.22
Interest rate derivatives	**$ 823**	Correlation (IR/IR)	46% to 98%
		Correlation (FX/IR)	-65% to 50%
		Long-dated inflation rates	2% to 3%
		Long-dated inflation volatilities	1% to 2%
		Long-dated volatilities (IR, FX)	4% to 45%
		Long-dated swap rates	11% to 12%
Total net derivative assets	**$ 4,187**		

CPR = Constant Prepayment Rate
CDR = Constant Default Rate
IR = Interest Rate
FX = Foreign Exchange

In the tables above, instruments valued using a discounted cash flow model include instruments backed by residential and commercial real estate assets including RMBS, CMBS, whole loans, mortgage CDOs and net monoline exposure, and instruments backed by other assets (i.e., securities backed by non-real estate assets), corporate loans, debt securities, CLOs, CDOs and auction rate securities. In addition, market comparables are used in the valuation of certain corporate loans, debt securities and auction rate securities. Structured liabilities primarily include equity-linked notes that are accounted for under the fair value option. The equity exposure in these instruments is valued using industry standard derivative pricing models such as Monte Carlo simulation and Black Scholes.

CDS referencing CLOs and corporate and other assets, primarily CDS on residential and commercial single name and baskets, and commodity derivatives are valued using a discounted cash flow model. For CDS referencing corporate assets, a hazard rate model, which is an industry standard model for valuing CDS for single names or indices, is also utilized. Structured credit derivatives include tranched portfolio CDS and derivatives with derivative product company (DPC) and monoline counterparties. These instruments are valued using a Stochastic recovery correlation model which is adjusted for counterparty credit risk.

Equity and interest rate derivatives are valued using industry standard derivative pricing models such as Monte Carlo simulation, Black Scholes and other numerical methods that, for example, model the joint dynamics of interest, inflation and foreign exchange rates.

In addition to the instruments in the tables above, the Corporation holds $1.7 billion of instruments consisting primarily of certain direct private equity investments and private equity funds that are classified as Level 3 and reported within other assets. Valuations of direct private equity investments are prepared internally based on the most recent company financial information. Inputs generally include market and acquisition comparables, entry level multiples, as well as other variables. The Corporation selects a valuation methodology (e.g., market comparables) for each investment and, in certain instances, multiple inputs are weighted to derive the most representative value. Discounts are applied as appropriate to consider the lack of liquidity and marketability versus publicly-traded companies. For private equity funds, fair value is determined using the net asset value as provided by the individual fund's general partner.

For information on the inputs and techniques used in the valuation of MSRs, see *Note 18 – Mortgage Servicing Rights.*

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

Loans and Securities

For instruments backed by residential real estate assets, commercial real estate assets, and corporate CLOs and CDOs, a significant increase in market yields, default rates or loss severities would result in a significantly lower fair value for long positions. Short positions would be impacted in a directionally opposite way. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument and, in the case of CLOs, whether prepayments can be reinvested.

For closed-end auction rate securities, a significant increase in discount rates would result in a significantly lower fair value. The impact of a significant change in the weighted-average life on the fair value is dependent upon how the coupon on the auction rate security compares to the discount rate. In cases where the coupon is higher than the discount rate, lengthening of the weighted-average life would result in a higher fair value. Conversely, in cases where the coupon rate is lower than the discount rate, lengthening of the weighted-average life would result in a lower fair value. For student loan and municipal auction rate securities, a significant increase in projected tender price/refinancing levels would result in a significantly higher fair value.

Structured Liabilities and Derivatives

For CDS referencing CLOs and corporate and other assets, a significant increase in market yield, including spreads to indices, upfront points (i.e., a single upfront payment made by a protection buyer at inception) or spreads, default rates or loss severities would result in a significantly lower fair value for protection sellers and higher fair value for protection buyers. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument and, in the case of CLOs, whether prepayments can be reinvested.

Default correlation, which is a parameter that describes the degree of dependence between credit default rates within a credit portfolio that underlies a credit derivative instrument, is utilized in valuing synthetic basket positions and structured credit derivatives. The sensitivity of this input on the fair value varies depending on the level of subordination of the tranche. For senior tranches that are net purchases of protection, a significant increase in default correlation would result in a significantly higher fair value. Net short protection positions would be impacted in a directionally opposite way.

Transactions with DPC counterparties are impacted by ratings-based spreads and wrong-way correlation with the underlying derivative exposure. Ratings-based spreads represent the CDS spread implied from liquid credits with comparable credit ratings. A significant increase in ratings-based spreads would result in a significantly lower fair value for net long positions. Net short positions would be impacted in a directionally opposite way. Wrong-way correlation is a parameter that describes the probability that as exposure to a counterparty increases, the credit quality of the counterparty decreases. A significantly higher degree of wrong-way correlation between the DPC counterparty and underlying derivative exposure would result in a significantly lower fair value.

For equity derivatives, equity-linked long-term debt (structured liabilities) and interest rate derivatives, a significant change in long-dated rates and volatilities and correlation inputs (e.g., the degree of correlation between an equity security to an index, between two different interest rates, or between interest rates and foreign exchange rates) would result in a significant impact to the fair value. However, the magnitude and direction of the impact depends on whether the Corporation is long or short the exposure.

Nonrecurring Fair Value

The Corporation held certain assets that are measured at fair value on a nonrecurring basis and are not included in the previous tables in this Note. These assets primarily include LHFS, certain loans and leases, and foreclosed properties. The amounts below represent only balances measured at fair value during the three months ended March 31, 2012 and 2011, and still held as of the reporting date.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

	March 31, 2012		Three Months Ended March 31, 2012
(Dollars in millions)	**Level 2**	**Level 3**	**Gains (Losses)**
Assets			
Loans held-for-sale	**$ 3,465**	**$ 857**	**$ 68**
Loans and leases [(1)]	**21**	**5,813**	**(1,497)**
Foreclosed properties [(2)]	**—**	**2,149**	**(90)**
Other assets	**—**	**14**	**—**

	March 31, 2011		Three Months Ended March 31, 2011
(Dollars in millions)	Level 2	Level 3	Gains (Losses)
Assets			
Loans held-for-sale	$ 587	$ 5,043	$ 38
Loans and leases [(1)]	22	7,598	(1,609)
Foreclosed properties [(2)]	—	2,028	(72)
Other assets	—	91	(4)

(1) Gains (losses) represent charge-offs on real estate-secured loans.

(2) Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value and related losses on foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

The table below presents information about significant unobservable inputs related to the Corporation's nonrecurring Level 3 financial assets and liabilities at March 31, 2012.

Quantitative Information about Nonrecurring Level 3 Fair Value Measurements

(Dollars in millions)		Inputs	
Financial Instrument	**Fair Value**	**Significant Unobservable Inputs**	**Ranges of Inputs**
Instruments backed by residential real estate assets	**$ 6,537**	Yield	4% to 7%
Loans held-for-sale	724	Prepayment speeds	3% to 24%
Loans and leases	5,813	Default rates	0% to 59%
		Loss severities	0% to 60%
		OREO discount	1% to 28%
		Cost to sell	8%
Instruments backed by commercial real estate assets	**$ 133**	Yield	4% to 15%
Loans held-for-sale	133	Loss severities	0% to 91%

Instruments backed by residential real estate assets represent residential mortgages where the loan has been written down to the fair value of the underlying collateral. These loans are valued based on market comparables. Additionally, whole loans with fair value below cost are included in instruments backed by residential and commercial real estate assets and are valued using a discounted cash flow model.

In addition to the instruments disclosed in the table above, the Corporation holds foreclosed residential properties where the fair value is based on unadjusted third-party appraisals or broker price opinions. Appraisals are conducted every 90 days. Factors considered in determining the fair value include geographic sales trends, the value of comparable surrounding properties as well as the condition of the property.

NOTE 16 – Fair Value Option

The Corporation elected to account for certain financial instruments under the fair value option. For additional information on the primary financial instruments for which the fair value option elections have been made, see *Note 23 – Fair Value Option* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

The table below provides information about the fair value carrying amount and the contractual principal outstanding of assets and liabilities accounted for under the fair value option at March 31, 2012 and December 31, 2011.

Fair Value Option Elections

	March 31, 2012			December 31, 2011		
(Dollars in millions)	**Fair Value Carrying Amount**	**Contractual Principal Outstanding**	**Fair Value Carrying Amount Less Unpaid Principal**	Fair Value Carrying Amount	Contractual Principal Outstanding	Fair Value Carrying Amount Less Unpaid Principal
Loans reported as trading account assets	**$ 1,195**	**$ 2,265**	**$ (1,070)**	$ 1,151	$ 2,371	$ (1,220)
Consumer and commercial loans	**9,192**	**10,885**	**(1,693)**	8,804	10,823	(2,019)
Loans held-for-sale	**7,558**	**9,327**	**(1,769)**	7,630	9,673	(2,043)
Securities financing agreements	**149,437**	**148,868**	**569**	121,688	121,092	596
Other assets	**230**	**n/a**	**n/a**	251	n/a	n/a
Long-term deposits	**3,191**	**2,967**	**224**	3,297	3,035	262
Asset-backed secured financings	**663**	**1,246**	**(583)**	650	1,271	(621)
Unfunded loan commitments	**844**	**n/a**	**n/a**	1,249	n/a	n/a
Other short-term borrowings	**5,732**	**5,732**	**—**	5,908	5,909	(1)
Long-term debt (1)	**51,037**	**54,986**	**(3,949)**	46,239	55,854	(9,615)

(1) The majority of the difference between the fair value carrying amount and contractual principal outstanding at March 31, 2012 and December 31, 2011 relates to the impact of the Corporation's credit spreads, as well as the fair value of the underlying derivative, where applicable.

n/a = not applicable

The table below provides information about where changes in the fair value of assets and liabilities accounted for under the fair value option are included in the Consolidated Statement of Income for the three months ended March 31, 2012 and 2011.

Gains (Losses) Relating to Assets and Liabilities Accounted for Under the Fair Value Option

	Three Months Ended March 31, 2012			
(Dollars in millions)	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss)**	**Other Income (Loss)**	**Total**
Loans reported as trading account assets	**$ 78**	**$ —**	**$ —**	**$ 78**
Consumer and commercial loans	**(1)**	**—**	**302**	**301**
Loans held-for-sale	**56**	**431**	**104**	**591**
Securities financing agreements	**—**	**—**	**(104)**	**(104)**
Other assets	**—**	**—**	**18**	**18**
Long-term deposits	**—**	**—**	**21**	**21**
Asset-backed secured financings	**—**	**(38)**	**—**	**(38)**
Unfunded loan commitments	**—**	**—**	**404**	**404**
Other short-term borrowings	**7**	**—**	**—**	**7**
Long-term debt	**(791)**	**—**	**(3,314)**	**(4,105)**
Total	**$ (651)**	**$ 393**	**$ (2,569)**	**$ (2,827)**

	Three Months Ended March 31, 2011			
Loans reported as trading account assets	$ 69	$ —	$ —	$ 69
Commercial loans	(11)	—	106	95
Loans held-for-sale	—	872	221	1,093
Securities financing agreements	—	—	(111)	(111)
Other assets	—	—	29	29
Long-term deposits	—	—	5	5
Asset-backed secured financings	—	(46)	—	(46)
Unfunded loan commitments	—	—	132	132
Other short-term borrowings	56	—	—	56
Long-term debt	65	—	(586)	(521)
Total	$ 179	$ 826	$ (204)	$ 801

NOTE 17 – Fair Value of Financial Instruments

The fair values of financial instruments and their classifications within the fair value hierarchy have been derived using methodologies described in*Note 22 – Fair Value Measurements* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K The following disclosures include financial instruments where only a portion of the ending balance at March 31, 2012 and December 31, 2011 was carried at fair value on the Corporation’s Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed and other short-term investments, federal funds sold and purchased, resale and certain repurchase agreements, customer and other receivables, customer payables (within accrued expenses and other liabilities), and other short-term borrowings approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The Corporation elected to account for certain repurchase agreements under the fair value option.

Under the fair value hierarchy, cash and cash equivalents are classified as Level 1. Time deposits placed and other short-term investments, such as U.S. government securities and short-term commercial paper, are classified as Level 1 and Level 2. Federal funds sold and purchased are classified as Level 2. Resale and repurchase agreements are classified as Level 2 because they are generally short-dated and/or variable-rate instruments collateralized by U.S. government or agency securities. Customer and other receivables primarily consist of margin loans, servicing advances and other accounts receivable and are classified as Level 2 and Level 3. Customer payables (within accrued expenses and other liabilities) and other short-term borrowings are classified as Level 2.

Held-to-maturity debt securities

HTM debt securities, which consist of U.S. agency debt securities, are classified as Level 2 using the same methodologies as AFS U.S. agency debt securities. For additional information on HTM debt securities, see *Note 4 – Securities*.

Loans

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using a discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation's best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. The carrying value of loans is presented net of the applicable allowance for loan losses and excludes leases. The Corporation elected to account for certain large corporate loans that exceeded the Corporation's single name credit risk concentration guidelines by an amount that would require hedging under the fair value option.

Mortgage Servicing Rights

Commercial and residential reverse MSRs, which are carried at the lower of carrying or market value, are classified as Level 3. For additional information on MSRs, see *Note 18 – Mortgage Servicing Rights.*

Deposits

The fair value for certain deposits with stated maturities was determined by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of non-U.S. time deposits approximates fair value. For deposits with no stated maturities, the carrying value was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation's long-term relationships with depositors. The Corporation accounts for certain long-term fixed-rate deposits that are economically hedged with derivatives under the fair value option.

Long-term Debt

The Corporation uses quoted market prices, when available, to estimate fair value for its long-term debt. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar terms and maturities. The Corporation accounts for certain structured liabilities under the fair value option.

Fair Value of Financial Instruments

The carrying values and fair values by fair value hierarchy of certain financial instruments where only a portion of the ending balance was carried at fair value are presented in the table below.

Fair Value of Financial Instruments

	March 31, 2012			
		Fair Value		
(Dollars in millions)	Carrying Value	Level 2	Level 3	Total
Financial assets				
Loans	$ 848,606	$ 111,541	$ 725,724	$ 837,265
Loans held-for-sale	12,973	8,654	4,324	12,978
Financial liabilities				
Deposits	1,041,311	1,041,388	—	1,041,388
Long-term debt	354,912	345,530	2,500	348,030

The carrying values and fair values of select financial instruments where only a portion of the ending balance was carried at fair value are presented in the table below.

Fair Value of Financial Instruments

	December 31, 2011	
(Dollars in millions)	Carrying Value	Fair Value
Financial assets		
Loans	$ 870,520	$ 843,392
Financial liabilities		
Deposits	1,033,041	1,033,248
Long-term debt	372,265	343,211

NOTE 18 – Mortgage Servicing Rights

The Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives and securities including MBS and U.S. Treasuries. The securities that economically hedge the MSRs are classified in other assets with changes in the fair value of the securities and the related interest income recorded in mortgage banking income.

The table below presents activity for residential first-lien MSRs for thethree months ended March 31, 2012 and 2011. Commercial and residential reverse MSRs, which are carried at the lower of cost or market value and accounted for using the amortization method, totaled $134 million and $132 million at March 31, 2012 and December 31, 2011, and are not included in the tables in this Note.

	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Balance, January 1	**$ 7,378**	$ 14,900
Additions	**77**	841
Impact of customer payments [(1)]	**(521)**	(706)
Impact of changes in interest rates and other market factors [(2)]	**975**	709
Model and other cash flow assumption changes: [(3)]		
Projected cash flows, primarily due to increases in costs to service loans	**(273)**	(528)
Impact of changes in the Home Price Index	**15**	222
Impact of changes to the prepayment model	**—**	(177)
Other model changes	**(62)**	21
Balance, March 31	**$ 7,589**	$ 15,282
Mortgage loans serviced for investors (in billions)	**$ 1,313**	$ 1,610

(1) Represents the change in the market value of the MSR asset due to the impact of customer payments received during the period.

(2) These amounts reflect the changes in modeled MSR fair value primarily due to observed changes in interest rates, volatility, spreads and the shape of the forward swap curve.

(3) These amounts reflect periodic adjustments to the valuation model as well as changes in certain cash flow assumptions such as costs to service and ancillary income per loan.

The Corporation uses an option-adjusted spread (OAS) valuation approach which factors in prepayment risk to determine the fair value of MSRs. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The significant economic assumptions used in determining the fair value of MSRs at March 31, 2012 and December 31, 2011 are presented below.

Significant Economic Assumptions

	March 31, 2012		December 31, 2011	
(Dollars in millions)	**Fixed**	**Adjustable**	Fixed	Adjustable
Weighted-average OAS	**2.82%**	**5.75%**	2.80%	5.61%
Weighted-average life, in years	**4.20**	**2.23**	3.78	2.10

The table below presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of MSRs that continue to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. The below sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Sensitivity Impacts

	March 31, 2012		
	Change in Weighted-average Lives		
(Dollars in millions)	**Fixed**	**Adjustable**	**Change in Fair Value**
Prepayment rates			
Impact of 10% decrease	0.30 years	0.21 years	$ 650
Impact of 20% decrease	0.65	0.45	1,387
Impact of 10% increase	(0.27)	(0.18)	(577)
Impact of 20% increase	(0.51)	(0.34)	(1,093)
OAS level			
Impact of 100 bps decrease	n/a	n/a	$ 435
Impact of 200 bps decrease	n/a	n/a	909
Impact of 100 bps increase	n/a	n/a	(399)
Impact of 200 bps increase	n/a	n/a	(766)

n/a = not applicable

NOTE 19 – Business Segment Information

The Corporation reports the results of its operations through five business segments: *Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2012, the Corporation changed the basis of presentation from six to the above five segments. The former *Deposits* and *Card Services* segments, as well as Business Banking which was included in the former *Global Commercial Banking* segment, are now reflected in *CBB*. The former *Global Commercial Banking* segment was combined with the Global Corporate and Investment Banking business, which was included in the former *Global Banking & Markets (GBAM)* segment, to form *Global Banking*. The remaining global markets business of *GBAM* is now reported as a separate *Global Markets* segment. In addition, certain management accounting methodologies and related allocations were refined. Prior period results have been reclassified to conform to current period presentation.

Consumer & Business Banking

CBB offers a diversified range of credit, banking and investment products and services to consumers and businesses. *CBB* product offerings include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, investment accounts and products as well as credit and debit cards in the U.S. to consumers and small businesses. *CBB* also offers a wide range of lending-related products and services, integrated working capital management and treasury solutions through a network of offices and client relationship teams along with various product partners to U.S. based companies generally with annual sales of $1 million to $50 million.

Consumer Real Estate Services

CRES provides an extensive line of consumer real estate products and services to customers nationwide. *CRES* products include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOC) and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on the Corporation's Consolidated Balance Sheet in *All Other* for ALM purposes. HELOC and home equity loans are retained on the *CRES* balance sheet. *CRES* services mortgage loans, including those loans it owns, loans owned by other business segments and *All Other*, and loans owned by outside investors.

The financial results of the on-balance sheet loans are reported in the business segment that owns the loans or *All Other*. *CRES* is not impacted by the Corporation's first mortgage production retention decisions as *CRES* is compensated for loans held for ALM purposes on a management accounting basis, with a corresponding offset recorded in *All Other*, and for servicing loans owned by other business segments and *All Other*. *CRES* also includes the impact of transferring customers and their related loan balances between *GWIM* and *CRES* based on client segmentation thresholds. Subsequent to the date of transfer, the associated net interest income and noninterest expense are recorded in the business segment to which loans were transferred.

Global Banking

Global Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through the Corporation's network of offices and client relationship teams along with various product partners. *Global Banking's* lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending, asset-based lending and indirect consumer loans. *Global Banking's* treasury solutions business includes treasury management, foreign exchange and short-term investing options. *Global Banking* also works with clients to provide investment banking products such as debt and equity underwriting and distribution, merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through *Global Banking's* global broker/dealer affiliates which are its primary dealers in several countries. The economics of certain investment banking and underwriting activities are shared primarily between *Global Banking* and *Global Markets* based on the activities performed by each segment. *Global Banking* clients include commercial customers, generally defined as companies with annual sales up to $2 billion, which include middle-market companies, commercial real estate firms, federal and state governments and municipalities, and large corporations, generally defined as companies with annual sales greater than $2 billion.

Global Markets

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. *Global Markets* product coverage includes securities and derivative products in both the primary and secondary markets. *Global Markets* provides market-making, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *Global Markets* also works with commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of market-making activities in these products, *Global Markets* may be required to manage risk in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS, commodities and ABS. The economics of certain investment banking and underwriting activities are shared primarily between *Global Markets* and *Global Banking* based on the activities performed by each segment.

Global Wealth & Investment Management

GWIM provides comprehensive wealth management solutions to a broad base of clients from emerging affluent to the ultra-high-net-worth. These services include investment and brokerage services, estate and financial planning, fiduciary portfolio management, cash and liability management and specialty asset management. *GWIM* also provides retirement and benefit plan services, philanthropic management and asset management to individual and institutional clients. *GWIM* results are impacted by the migration of clients and their related deposit and loan balances to or from *CBB*, *CRES* and the ALM portfolio. Subsequent to the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

All Other

All Other consists of equity investment activities. *All Other* also includes liquidating businesses, ALM activities such as the residential mortgage portfolio and investment securities, and activities including economic hedges, gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. Additionally, *All Other* includes certain residential mortgage and discontinued real estate loans that are managed by *CRES*.

Basis of Presentation

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a fully taxable-equivalent (FTE) basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, the Corporation allocates assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation's ALM activities.

The Corporation's ALM activities include an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The majority of the Corporation's ALM activities are allocated to the business segments and fluctuate based on performance. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of the Corporation's internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies that reflect utilization.

The following tables present total revenue, net of interest expense, on a FTE basis and net income (loss) for the three months ended March 31, 2012 and 2011, and total assets at March 31, 2012 and 2011 for each business segment, as well as *All Other.*

Business Segments

At and for the Three Months Ended March 31

	Total Corporation [(1)]		Consumer & Business Banking		Consumer Real Estate Services	
(Dollars in millions)	**2012**	2011	**2012**	2011	**2012**	2011
Net interest income (FTE basis)	**$ 11,053**	$ 12,397	**$ 5,079**	$ 5,600	**$ 775**	$ 896
Noninterest income	**11,432**	14,698	**2,341**	2,864	**1,899**	1,167
Total revenue, net of interest expense (FTE basis)	**22,485**	27,095	**7,420**	8,464	**2,674**	2,063
Provision for credit losses	**2,418**	3,814	**877**	661	**507**	1,098
Amortization of intangibles	**319**	385	**158**	191	**—**	6
Other noninterest expense	**18,822**	19,898	**4,088**	4,370	**3,905**	4,771
Income (loss) before income taxes	**926**	2,998	**2,297**	3,242	**(1,738)**	(3,812)
Income tax expense (benefit) (FTE basis)	**273**	949	**843**	1,201	**(593)**	(1,412)
Net income (loss)	**$ 653**	$ 2,049	**$ 1,454**	$ 2,041	**$ (1,145)**	$ (2,400)
Period-end total assets	**$ 2,181,449**	$ 2,274,532	**$ 543,189**	$ 526,848	**$ 158,207**	$ 204,484

	Global Banking		Global Markets	
	2012	2011	**2012**	2011
Net interest income (FTE basis)	**$ 2,399**	$ 2,482	**$ 798**	$ 1,020
Noninterest income	**2,052**	2,220	**3,395**	4,252
Total revenue, net of interest expense (FTE basis)	**4,451**	4,702	**4,193**	5,272
Provision for credit losses	**(238)**	(123)	**(20)**	(33)
Amortization of intangibles	**20**	25	**15**	16
Other noninterest expense	**2,158**	2,284	**3,061**	3,098
Income before income taxes	**2,511**	2,516	**1,137**	2,191
Income tax expense (FTE basis)	**921**	932	**339**	797
Net income	**$ 1,590**	$ 1,584	**$ 798**	$ 1,394
Period-end total assets	**$ 341,984**	$ 326,936	**$ 548,612**	$ 577,162

	Global Wealth & Investment Management		All Other	
	2012	2011	**2012**	2011
Net interest income (FTE basis)	**$ 1,578**	$ 1,571	**$ 424**	$ 828
Noninterest income (loss)	**2,782**	2,925	**(1,037)**	1,270
Total revenue, net of interest expense (FTE basis)	**4,360**	4,496	**(613)**	2,098
Provision for credit losses	**46**	46	**1,246**	2,165
Amortization of intangibles	**106**	112	**20**	35
Other noninterest expense	**3,344**	3,477	**2,266**	1,898
Income (loss) before income taxes	**864**	861	**(4,145)**	(2,000)
Income tax expense (benefit) (FTE basis)	**317**	319	**(1,554)**	(888)
Net income (loss)	**$ 547**	$ 542	**$ (2,591)**	$ (1,112)
Period-end total assets	**$ 278,185**	$ 285,690	**$ 311,272**	$ 353,412

[(1)] There were no material intersegment revenues.

The tables below present a reconciliation of the five business segments' total revenue, net of interest expense, on a FTE basis, and net income to the Consolidated Statement of Income, and total assets to the Consolidated Balance Sheet. The adjustments presented in the following tables include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

Business Segment Reconciliations	Three Months Ended March 31	
(Dollars in millions)	**2012**	2011
Segments' total revenue, net of interest expense (FTE basis)	**$ 23,098**	$ 24,997
Adjustments:		
ALM activities	**(1,170)**	(236)
Equity investment income	**417**	1,415
Liquidating businesses	**363**	1,019
FTE basis adjustment	**(207)**	(218)
Other	**(223)**	(100)
Consolidated revenue, net of interest expense	**$ 22,278**	$ 26,877
Segments' net income	**$ 3,244**	$ 3,161
Adjustments, net-of-taxes:		
ALM activities	**(1,823)**	(1,415)
Equity investment income	**263**	891
Liquidating businesses	**52**	133
Merger and restructuring charges	—	(127)
Other	**(1,083)**	(594)
Consolidated net income	**$ 653**	$ 2,049

	March 31	
	2012	2011
Segments' total assets	**$ 1,870,177**	$ 1,921,120
Adjustments:		
ALM activities, including securities portfolio	**625,704**	641,975
Equity investments	**6,080**	35,146
Liquidating businesses	**29,205**	42,706
Elimination of segment excess asset allocations to match liabilities	**(519,910)**	(495,772)
Other	**170,193**	129,357
Consolidated total assets	**$ 2,181,449**	$ 2,274,532

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

See Litigation and Regulatory Matters in *Note 10 – Commitments and Contingencies* to the Consolidated Financial Statements, which is incorporated by reference in this Item 1, for litigation and regulatory disclosure that supplements the disclosure in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part 1, Item 1A. Risk Factors in the Corporation's 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below presents share repurchase activity for the three months ended March 31, 2012. The common shares repurchased consist of shares acquired by the Corporation in connection with satisfaction of tax withholding obligations on vested restricted stock or restricted stock units and certain forfeitures and terminations of employment related to awards under equity incentive plans. The primary source of funds for cash distributions by the Corporation to its shareholders is dividends received from its banking subsidiaries. Each of the banking subsidiaries is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. All of the Corporation's preferred stock outstanding has preference over the Corporation's common stock with respect to the payment of dividends.

				Remaining Buyback Authority	
(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased	Weighted-Average Per Share Price	Shares Purchased as Part of Publicly Announced Programs	Amounts	Shares
January 1-31, 2012	5,994	$ 5.56	—	$ —	—
February 1-29, 2012	95,505	7.82	—	—	—
March 1-31, 2012	1,602	7.78	—	—	—
Three months ended March 31, 2012	103,101	7.69			

On February 3, February 6, February 7, February 8, February 9, February 10, February 13, February 14, February 15, February 16, February 21, February 22, February 23, February 24, February 27, February 29, March 1, March 5, March 6, March 7, March 8 and March 9, 2012, the Corporation entered into agreements with a certain institutional preferred and trust preferred security holders pursuant to which the Corporation agreed to exchange shares, or depositary shares representing fractional interests in shares, of various series of the Corporation's outstanding preferred stock or trust preferred securities of various trusts formed by or on behalf of the Corporation or its predecessor companies, as applicable, for shares of the corporation's common stock and cash consideration.

In the aggregate, the Corporation agreed to issue 49,867,364 shares of common stock and paid $1.1 million in cash in exchange for (i) outstanding shares of preferred stock with an aggregate liquidation preference of approximately $295.8 million consisting of shares of Floating Rate Non-Cumulative Preferred Stock, Series E with an aggregate liquidation preference of $22.1 million; shares of Floating Rate Non-Cumulative Preferred Stock, Series 1 with an aggregate liquidation preference of $11.2 million; shares of Floating Rate Non-Cumulative Preferred Stock, Series 2 with an aggregate liquidation preference of $64.3 million; and shares of Floating Rate Non-Cumulative Preferred Stock, Series 4 with an aggregate liquidation preference of $112.9 million; and shares of Floating Rate Non-Cumulative Preferred Stock, Series 5 with an aggregate liquidation preference of $85.4 million; and (ii) outstanding Trust Preferred Securities with an aggregate liquidation preference of approximately $168.3 million, consisting of shares of 5 7/8% Capital Securities of BAC Capital Trust IV with an aggregate liquidation preference of $14.4 million; shares of 6% Capital Securities of BAC Capital Trust V with an aggregate liquidation preference of $16.6 million; shares of 5 5/8% Capital Securities of BAC Capital Trust VI with an aggregate liquidation preference of $7.4 million; shares of 5 1/4% Capital Securities of BAC Capital Trust VII with an aggregate liquidation preference of $83.4 million; shares of 6% Capital Securities of BAC Capital Trust VIII with an aggregate liquidation preference of $1.9 million; shares of 6 1/4 % Capital Securities of BAC Capital Trust X with an aggregate liquidation preference of $2.8 million; shares of 6 5/8% Capital Securities of BAC Capital Trust XI with an aggregate liquidation preference of $39.5 million; and shares of 6% Preferred Securities of Fleet Capital Trust IX with an aggregate liquidation preference of $2.5 million.

The shares of common stock were issued in reliance upon the exemption set forth in Section 3(a)(9) of the Securities Act of 1933, as amended, for securities exchanged by the issuer and an existing security holder where no commission or other remuneration is paid or given directly or indirectly by the issuer for soliciting such exchange.

Item 6. Exhibits

Exhibit 3(a)	Amended and Restated Certificate of Incorporation of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3(a) of registrant's Quarterly Report on Form10-Q (File No. 1-6523) for the quarterly period ended September 30, 2011 filed on November 3, 2011
Exhibit 3(b)	Amended and Restated Bylaws of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3(b) of registrant's 2010 Annual Report on Form 10-K (File No. 1-6523) filed on February 25, 2011
Exhibit 4(a)	Supplemental Agreement to the Amended and Restated Agency Agreement dated as of March 15, 2012 among registrant, Bank of America, N.A. (operating through its London branch), as Principal Agent, and Merrill Lynch International Bank Limited, as Registrar and Transfer Agent [(1)]
Exhibit 4(b)	Form of Global Senior Medium-Term Note, Series L, incorporated by reference to Exhibit 4.13 of registrant's Registration Statement on Form S-3 (Registration No. 333-180488) filed on March 30, 2012
Exhibit 4(c)	Form of Master Global Senior Medium-Term Note, Series L, incorporated by reference to Exhibit 4.14 of registrant's Registration Statement on Form S-3 (Registration No. 333-180488) filed on March 30, 2012
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Exhibit 10(b)	Long-Term Cash Award Agreement for Gary G. Lynch dated July 12, 2011[1, 2]
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Exhibit 11	Earnings Per Share Computation – included in *Note 13 – Earnings Per Common Share* to the Consolidated Financial Statements [(1)]
Exhibit 12	Ratio of Earnings to Fixed Charges [(1)] Ratio of Earnings to Fixed Charges and Preferred Dividends [(1)]
Exhibit 31(a)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 [(1)]
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Exhibit 99	Consent Judgment filed on March 12, 2012 in the U.S District Court for the District of Columbia, together with its exhibits, by and among registrant, certain of its affiliates and subsidiaries, 49 state attorneys general, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development and other federal agencies [(1)]
Exhibit 101.INS	XBRL Instance Document [(1)]
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document [(1)]
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document [(1)]
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document [(1)]
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document [(1)]
Exhibit 101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document [(1)]

(1) Included herewith

(2) Exhibit is a management contract or a compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bank of America Corporation
Registrant

Date: May 3, 2012

/s/ Neil A. Cotty

Neil A. Cotty
Chief Accounting Officer(Duly Authorized Officer)

Bank of America Corporation
Form 10-Q
Index to Exhibits

Exhibit	Description
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Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document[(1)]
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document[(1)]
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document[(1)]
Exhibit 101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document[(1)]

(1) Included herewith

(2) Exhibit is a management contract or a compensatory plan or arrangement

SUPPLEMENTAL AGREEMENT TO THE AMENDED AND RESTATED AGENCY AGREEMENT

relating to

BANK OF AMERICA CORPORATION

U.S. $65,000,000,000
Euro Medium-Term Note Program

among

BANK OF AMERICA CORPORATION
as Issuer

and

BANK OF AMERICA, N.A.
as Principal Agent

and

MERRILL LYNCH INTERNATIONAL BANK LIMITED
as Transfer Agent and Registrar

DATED AS OF MARCH 15, 2012

MORRISON | FOERSTER

CityPoint, One Ropemaker Street | London EC2Y 9AW
Tel: +44 20 7920 4000 | Fax: +44 20 7496 8500

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THIS SUPPLEMENTAL AGREEMENT TO THE AMENDED AND RESTATED AGENCY AGREEMENT dated as of March 15, 2012 (the "**Agreement**") among:

(i) Bank of America Corporation, a Delaware corporation (the "**Issuer**");

(ii) Bank of America, N.A. (operating through its London Branch) (the "**Principal Agent**"); and

(iii) Merrill Lynch International Bank Limited (the "**Transfer Agent**" and the "**Registrar**", together with the Principal Agent, the "**Agents**", and each of them individually, an "**Agent**").

WHEREAS, the Issuer and the Agents originally entered into an Amended and Restated Agency Agreement dated July 22, 2010, as amended and supplemented by the Supplemental Agreement to the Amended and Restated Agency Agreement dated July 22, 2011 (the " **First Supplemental Agreement**") (as so amended and supplemented, the "**Original Agreement**"), in connection with the issuance and offering of the Notes;

WHEREAS, the Issuer and the Agents wish to amend the Original Agreement in accordance with the terms of this Agreement, with respect to the Notes to be issued by the Issuer on and after the date hereof; and

WHEREAS, the existing Notes issued on or after July 22, 2011 and prior to the date hereof will continue to be governed by the terms of the Original Agreement.

NOW, THEREFORE, it is agreed as follows:

1. Definitions and Interpretation

Terms and expressions defined or specifically interpreted in the Original Agreement and not otherwise defined or specifically interpreted in this Agreement shall have the same meanings or interpretations in this Agreement, except where the context requires otherwise.

2. Amendment of the Original Agreement

The Original Agreement shall be amended as follows:

(a) Clause 5(1)(a) of the Original Agreement shall be deleted and replaced by the following:

"to prepare a Bearer Temporary Global Note in accordance with such Confirmation by attaching a copy of the applicable Final Terms to a copy of the master Bearer Temporary Global Note and authenticate (or cause to be authenticated) such Bearer Temporary Global Note or, in the case of Registered Notes, to notify the Registrar of all relevant information, whereupon the Registrar shall prepare a Registered Global Certificate by completing the relevant details (including referencing the aggregate nominal amount set forth in the applicable Final Terms to be attached thereto) on the face of a copy of the master Registered Global Certificate and attaching a copy of the applicable Final Terms thereto (unless the Principal Agent is to do so in its capacity as agent for the Registrar), authenticate (or cause to be authenticated) such Registered Global Certificate and deliver it to the Principal Agent no later than the time specified by the Principal Agent (which shall be no earlier than one Business Day after receipt by the Registrar of such instructions)."

(b) Clause 5(2) of the Original Agreement shall be deleted and replaced by the following:

"Each of the Principal Agent and the Registrar shall only be required to perform their respective obligations under sub-clause (1) relating to Bearer Notes or Registered Notes if it holds, as applicable:

(a) a master Bearer Temporary Global Note, duly executed by a person or persons authorized to execute the same on behalf of the Issuer, which may be used by the Principal Agent for the purpose of preparing Bearer Temporary Global Notes in accordance with Clause 5(1)(a);

(b) a master Bearer Permanent Global Note, duly executed by a person or persons authorized to execute the same on behalf of the Issuer, which may be used by the Principal Agent for the purpose of preparing Bearer Permanent Global Notes in accordance with Clause 6 below; and

(c) a master Registered Global Certificate, duly executed by a person or persons authorized to execute the same on behalf of the Issuer, which may be used by the Principal Agent or the Registrar for the purpose of preparing Registered Global Certificates in accordance with Clause 5(1)(a)."

(c) The words "or alternative clearing system" shall be added after the word "Clearstream, Luxembourg" in the third line of Clause 7(2).

(d) The form of Registered Global Certificates, as set out in Exhibit A of this Agreement, shall replace that set out in Schedule 4 to the Original Agreement.

All other provisions in the Original Agreement shall remain in full force and effect.

For the avoidance of doubt, the Original Agreement shall continue in full force and effect for the existing Notes issued on or after July 22, 2011 but prior to the date of this Agreement and this Agreement shall not affect such Notes. Any Notes issued on or after the date of this Agreement shall be issued pursuant to the Original Agreement as supplemented by this Agreement.

3. Governing Law and Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

The Issuer hereby submits to the non-exclusive jurisdiction of any United States federal court sitting in the Borough of Manhattan, New York City, solely for the purpose of any legal action or proceeding brought to enforce its obligations hereunder. As long as any Note or Coupon remains outstanding, the Issuer shall have either an authorized agent or maintain an office in New York City upon whom process may be served in any such legal action or proceeding. Service of process upon the Issuer at its office or upon its agent with written notice of such service mailed or delivered to the Issuer shall to the fullest extent permitted by applicable law be deemed in every respect effective service of process upon such Offeror in any such legal action or proceeding. The Issuer hereby continues the appointment of CT Corporation System, presently situated at 111 Eighth Avenue, 13 th Floor, New York, New York 10011, U.S.A., as its agent for such purposes and covenants and agrees that service of process in any legal action or proceeding may be made upon it at its office, or upon its agent if any such agent is appointed, in New York City.

4. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original. Any party may enter into this Agreement by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their respective officers thereunto duly authorized as of the date and year first above written.

BANK OF AMERICA CORPORATION
as Issuer

By: /s/ Angela C. Jones
Name: Angela C. Jones
Title: Senior Vice President

BANK OF AMERICA, N.A.
as Principal Agent

By: /s/ Chad Burge
Name: Chad Burge
Title: VP

By: /s/ Michael Leong
Name: Michael Leong
Title: AVP

MERRILL LYNCH INTERNATIONAL BANK LIMITED
as Transfer Agent and Registrar

By: /s/ Sheila McGowan
Name: Sheila McGowan
Title:

By: /s/ Michael Culherny
Name: Michael Culherny
Title:

EXHIBIT 1

Schedule 4 to
Agency Agreement
FORM OF REGISTERED GLOBAL CERTIFICATE

THIS REGISTERED GLOBAL CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE NOTES REPRESENTED BY THIS REGISTERED GLOBAL CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA), ITS TERRITORIES, ITS POSSESSIONS, AND OTHER AREAS SUBJECT TO ITS JURISDICTION OR TO ANY PERSON DEEMED A U.S. PERSON UNDER REGULATION S UNDER THE SECURITIES ACT, UNLESS THE NOTES REPRESENTED BY THIS REGISTERED GLOBAL CERTIFICATE ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

NEITHER THIS REGISTERED GLOBAL CERTIFICATE NOR THE NOTES REPRESENTED HEREBY IS A SAVINGS ACCOUNT OR A DEPOSIT, IS AN OBLIGATION OF OR GUARANTEED BY ANY BANKING OR NONBANKING AFFILIATE OF BANK OF AMERICA CORPORATION AND IS NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

THE NOTES REPRESENTED BY THIS REGISTERED GLOBAL CERTIFICATE ARE NOT OBLIGATIONS OF OR GUARANTEED BY BANK OF AMERICA, N.A. OR ANY OTHER BANKING OR NONBANKING AFFILIATE OF BANK OF AMERICA CORPORATION.

BANK OF AMERICA CORPORATION

Name and Address of Registered Holder (Select by ticking the appropriate box below)

Bank of America GSS Nominees Ltd £
Bank of America Merrill Lynch
L10, 5 Canada Square
London, E14 5AQ

Euroclear Nominees Limited £
2 Lambs Passage
London EC1Y 8BB
United Kingdom

Nominal amount of Notes
Represented by this Registered Global Certificate: See attached Final Terms

This Registered Global Certificate ("Registered Global Certificate") is issued in respect of the nominal amount of the Notes (the "Notes") of the Tranche and Series specified in the Final Terms attached hereto of Bank of America Corporation, a Delaware corporation (the "Issuer"). This Registered Global Certificate certifies that the Registered Holder (as specified above) is registered as the holder of such nominal amount of the Notes at the date hereof.

Interpretation and Definitions

References in this Registered Global Certificate to the "Terms and Conditions" are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedules 6-1 and 6-2 to the Amended and Restated Agency Agreement dated July 22, 2010 (as amended, restated and/or supplemented from time to time, the "Agency Agreement"), among the Issuer, Bank of America, N.A. (operating through its London Branch), as Principal Agent, and Merrill Lynch International Bank Limited, as Transfer Agent and Registrar in respect of Registered Notes, as such form is supplemented and/or modified and/or superseded by the provisions of this Registered Global Certificate (including the supplemental definitions and any modifications or additions set out in the Final Terms attached hereto), which in the event of any conflict shall prevail). Other capitalized terms used in this Registered Global Certificate shall have the meanings given to them in the Terms and Conditions or the Agency Agreement.

Promise to Pay

The Issuer, for value received, promises to pay to the Registered Holder of the Notes represented by this Registered Global Certificate upon presentation and (when no further payment is due in respect of the Notes represented by this Registered Global Certificate) surrender of this Registered Global Certificate on the Maturity Date (or on such earlier date specified in the Terms and Conditions) the amount payable upon redemption as specified in the Terms and Conditions and any interest in respect of such Notes from the Interest Commencement Date at the rates, in the amounts and on the dates for payment as specified in the Terms and Conditions, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

For purposes of this Registered Global Certificate, (a) the holder of the Notes represented by this Registered Global Certificate is bound by the provisions of the Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Notes represented by this Registered Global Certificate, (c) this Registered Global Certificate is evidence of entitlement only, (d) title to the Notes represented by this Registered Global Certificate passes only on due registration on the Register, and (e) only the Registered Holder of the Notes represented by this Registered Global Certificate is entitled to payments in respect of the Notes represented by this Registered Global Certificate. The Register will be conclusive as to the issue outstanding amount.

Exchanges of Notes Represented by Registered Global Certificates for Registered Definitive Certificates
Interests in the Notes represented by this Registered Global Certificate will be exchangeable for the Notes represented by Registered Definitive Certificates only:

1. if the Notes represented by this Registered Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any alternative clearing system and if the Issuer is notified that any such clearing system has been closed for business for a continuous period of 14 calendar days after the issuance of the Registered Global Note (other than by reason of holidays, statutory requirement or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system approved by the Noteholders is available; or

2. if an Event of Default (as defined in the Terms and Conditions) occurs and is continuing; or

3. if the Issuer, after notice to the Principal Agent, determines to issue the Registered Notes in definitive form.

In the case of an exchange of the Notes represented by a Registered Global Certificate for the Notes represented by one or more Registered Definitive Certificates, the Registrar will reflect any such exchange on the Register and one or more new Registered Definitive Certificates will be issued to the designated transferee or transferees.

Transfers and Partial Redemption of Notes
As provided in the Agency Agreement and subject to the limitations set forth therein, the transfer of the Notes represented by this Registered Global Certificate is registrable in the Register maintained by the Registrar upon surrender (at the specified office of the Registrar or the Transfer Agent) of this Registered Global Certificate for registration of transfer, together with the form of transfer endorsed on this Registered Global Certificate duly completed and executed by the person shown as the Registered Holder on the Register, or its attorney duly authorized in writing, and such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of the transfer of all of the Notes represented by this Registered Global Certificate, the Registrar will reflect any such transfer on the Register and cancel this Registered Global Certificate; and one new Registered Global Certificate will be issued to the designated transferee. In the case of the exercise of the Issuer's or a holder's option in respect of, or partial redemption of, the Notes represented by this Registered Global Certificate, the Registrar will make such entries in the Register to reflect the exercise of such option and the balance of the holding not redeemed.

Exchange or Transfer Free of Charge
Any exchange or transfer of the Notes on registration, transfer, partial redemption, or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar, or the Transfer Agent, but upon payment by the Registered Holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Transfer Agent may require).

Governing Law
This Registered Global Certificate and the Notes represented hereby shall be governed by and construed in accordance with the laws of the State of New York, United States of America without regard to principles of conflicts of laws.

This Registered Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar, and, if applicable, effectuated by the common safekeeper.

IN WITNESS WHEREOF the Issuer has caused this Registered Global Certificate to be signed on its behalf.

BANK OF AMERICA CORPORATION

By: ______________________________

Name:

Title:

Certificate of Authentication

This Registered Global Certificate is authenticated without recourse, warranty or liability by or on behalf of the Registrar.

MERRILL LYNCH INTERNATIONAL BANK LIMITED
as Registrar

By: ____________________________
Name:
Title:
Authorized Signatory
For the purposes of authentication only

CERTIFICATE OF EFFECTUATION

This Registered Global Certificate is effectuated by or on behalf of the common safekeeper.

EUROCLEAR BANK S.A./N.V
as common safekeeper

By: ______________________
Authorized Signatory
For the purposes of effectuation only

EXHIBIT 2

FORM OF TRANSFER
BANK OF AMERICA CORPORATION

To: Merrill Lynch International Bank Limited
Dublin Road
Carrick on Shannon
Ireland

For the attention of: []
Fax number: []

FOR VALUE RECEIVED
(Please print or type name and address (including postal code) of Transferor)

Registration name: ______________________________

Address: ______________________________
____
____
____

Contact Name: ______________________________

Telephone number: ______________________________

Hereby sell(s), assign(s) and transfer(s) to:
(Please print or type name and address (including postal code) and account details of transferee)

Registration name: ______________________________

Address: ______________________________
____
____

Contact Name: ______________________________

Telephone number: ______________________________

Bank Account Details: ______________________________

[ ] Notes and all rights in respect thereof, hereby irrevocably constituting and appointing the Registrar as attorney to transfer such principal amount of the Notes in the Register maintained by the Registrar with full power of substitution.

Signature(s)

____

Date:

____

N.B.

1. This form of transfer must be accompanied by such documents, evidence and information as may be required pursuant to the Terms and Conditions of the Notes and the Amended and Restated Agency Agreement dated July 22, 2010, (as amended, restated and/or supplemented from time to time) among Bank of America Corporation, as Issuer, Bank of America, N.A. (operating through its London Branch), as Principal Agent and Merrill Lynch International Bank Limited, as Transfer Agent and Registrar in respect of Registered Notes, must be executed under the hand of the Transferor or, if the Transferor is a corporation, under the hand of two of its officers duly authorized in writing and, in such latter case, the document so authorizing such officers must be delivered with this form of transfer.

2. In each case, the signature(s) must be supported by such evidence as the Transfer Agent or the Registrar may reasonably require.

3. The signature(s) on this form of transfer must correspond with the name(s) as it/they appear(s) on the face of this form of transfer in every particular, without alteration or enlargement or any change whatever.

Exhibit 10(a)

Bank of America

This document contains your Award Agreement under the Bank of America Corporation 2003 Key Associate Stock Plan.

What you need to do

1. Review the Award Agreement to ensure you understand its provisions. With each award you receive, provisions of your Award Agreement may change so it is important to review your Award Agreement.
2. Print the Award Agreement and file it with your important papers.
3. Accept your Award Agreement through the online acceptance process.*
4. Designate your beneficiary on the Benefits OnLine® Beneficiary tab.

*If you do not accept your Award Agreement through the online acceptance process by the date communicated to you, Bank of America will automatically accept the Award Agreement on your behalf.

2003 KEY ASSOCIATE STOCK PLAN
RESTRICTED STOCK UNITS AWARD AGREEMENT

Granted To :	GARY G LYNCH
Grant Date :	July 12, 2011
Grant Type :	Restricted Unit
Number Granted :	415,168

Note: The number of Restricted Stock Units is based on a "divisor price" of $10.79, which is the ten-day average closing price of Bank of America Corporation common stock for the ten business days immediately preceding and including July 12, 2011.

This Restricted Stock Units Award Agreement and all Exhibits hereto (the "Agreement") is made between Bank of America Corporation, a Delaware corporation ("Bank of America"), and you, an associate of Bank of America or one of its Subsidiaries.

Bank of America sponsors the Bank of America Corporation 2003 Key Associate Stock Plan (the "Stock Plan"). A Prospectus describing the Stock Plan has been delivered to you. The Stock Plan itself is available upon request, and its terms and provisions are incorporated herein by reference. When used herein, the terms which are defined in the Stock Plan shall have the meanings given to them in the Stock Plan, as modified herein (if applicable).

The Restricted Stock Units covered by this Agreement are being awarded to you subject to the following terms and provisions.

1. Subject to the terms and conditions of the Stock Plan and this Agreement, Bank of America awards to you the number of Restricted Stock Units shown above. Each Restricted Stock Unit shall have a value equal to the Fair Market Value of one (1) share of Bank of America common stock.

2. You acknowledge having read the Prospectus and agree to be bound by all the terms and conditions of the Stock Plan and this Agreement.

3. The Restricted Stock Units covered by this Award shall become earned by, and payable to, you in the amounts and on the dates shown on the enclosed Exhibit A.

4. If a cash dividend is paid with respect to Bank of America common stock, a cash dividend equivalent equal to the total cash dividend you would have received had your Restricted Stock Units been actual shares of Bank of America common stock will be accumulated and paid (along with the interest described in the next sentence) in cash through payroll when the Restricted Stock Units become earned and payable. Dividend equivalents are credited with interest at the three-year constant maturity Treasury rate in effect on the date of grant until the payment date.

5. You agree that you shall comply with (or provide adequate assurance as to future compliance with) all applicable securities laws as determined by Bank of America as a condition precedent to the delivery of any shares of Bank of America common stock pursuant to this Agreement. In addition, you agree that, upon request, you will furnish a letter agreement providing that (i) you will not distribute or resell any of said shares in violation of the Securities Act of 1933, as amended, (ii) you will indemnify and hold Bank of America harmless against all liability for any such violation and (iii) you will accept all liability for any such violation.

6. To the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time that you have engaged in Detrimental Conduct or engaged in any hedging or derivative transactions involving Bank of America common stock in violation of the Bank of America Corporation Code of Ethics that would undermine the long-term performance incentives created by the Award, Bank of America will be entitled to recover from you in its sole discretion some or all of the shares of Bank of America common stock (and any related dividend equivalents) paid to you pursuant to this Agreement. You recognize that if you engage in Detrimental Conduct or any hedging or derivative transactions involving Bank of America common stock, the losses to Bank of America and/or its Subsidiaries may amount to the full value of any shares of Bank of America common stock (and any related dividend equivalents) paid to you pursuant to this Agreement. In addition, Awards are subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction and (iii) any policies adopted by Bank of America to implement such requirements, all to the extent determined by Bank of America in its discretion to be applicable to you.

7. You may designate a beneficiary to receive payment in connection with the Restricted Stock Units awarded hereunder in the event of your death while in service with Bank of America or its Subsidiaries in accordance with Bank of America's beneficiary designation procedures, as in effect from time to time. If you do not designate a beneficiary or if your designated beneficiary does not survive you, then your beneficiary will be your estate.

8. The existence of this Award shall not affect in any way the right or power of Bank of America or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Bank of America's capital structure or its business, or any merger or consolidation of Bank of America, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the Bank of America common stock or the rights thereof, or the dissolution or liquidation of Bank of America, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

9. Bank of America may, in its sole discretion, decide to deliver any documents related to this grant or future Awards that may be granted under the Stock Plan by electronic means or request your consent to participate in the Stock Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Stock Plan through an on-line or electronic system established and maintained by Bank of America or a third party designated by Bank of America.

Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as Bank of America may notify you from time to time; and to you at your electronic mail or postal address as shown on the records of Bank of America from time to time, or at such other electronic mail or postal address as you, by notice to Bank of America, may designate in writing from time to time.

10. Regardless of any action Bank of America or your employer takes with respect to any or all income tax, payroll tax or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items owed by you is and remains your responsibility and may exceed the amount actually withheld by Bank of America or your employer. You further acknowledge that Bank of America and/or your employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the grant of Restricted Stock Units, including the grant and vesting of the Restricted Stock Units, the subsequent sale of Shares acquired upon the vesting of the Restricted Stock Units and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items. Further, if you have become subject to the Tax-Related Items in connection with the Award in more than one jurisdiction, you acknowledge that Bank of America or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In the event Bank of America determines that it and/or your employer must withhold any Tax-Related Items as a result of your participation in the Stock Plan, you agree as a condition of the grant of the Restricted Stock Units to make arrangements satisfactory to Bank of America and/or your employer to enable it to satisfy all withholding requirements, including, but not limited to, withholding any applicable Tax-Related Items from the pay-out of the Restricted Stock Units. In addition, you authorize Bank of America and/or your employer to fulfill its withholding obligations by all legal means, including, but not limited to, withholding Tax-Related Items from your wages, salary or other cash compensation your employer pays to you, withholding Tax-Related Items from the cash proceeds, if any, received upon any sale of any Shares received in payment for your Restricted Stock Units and, at the time of payment, withholding Shares sufficient to meet minimum withholding obligations for Tax-Related Items. Bank of America may refuse to issue and deliver Shares in payment of any earned Restricted Stock Units if you fail to comply with any withholding obligation.

11. The validity, construction and effect of this Agreement are governed by, and subject to, the laws of the State of Delaware and the laws of the United States, as provided in the Stock Plan. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of North Carolina and agree that such litigation shall be conducted solely in the courts of Mecklenburg County, North Carolina or the federal courts for the United States for the Western District of North Carolina, where this grant is made and/or to be performed, and no other courts.

12. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. This Agreement constitutes the final understanding between you and Bank of America regarding the Restricted Stock Units. Any prior agreements, commitments or negotiations concerning the Restricted Stock Units are superseded. Subject to the terms of the Stock Plan, this Agreement may only be amended by a written instrument signed by both parties.

13. This Agreement is intended to comply with Section 409A of the Internal Revenue Code to the extent applicable. Notwithstanding any provision of the Agreement to the contrary, the Agreement shall be interpreted, operated and administered consistent with this intent.

14. If you move to any country outside of the United States during the term of your Award, additional terms and conditions may apply to your Award. Bank of America reserves the right to impose other requirements on the Award to the extent Bank of America determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Exhibit A

Bank of America Corporation
2003 Key Associate Stock Plan

PAYMENT OF RESTRICTED STOCK UNITS

(a) PAYMENT SCHEDULE. Subject to the provisions of paragraphs (b) and (c) below, the Restricted Stock Units (and any related dividend equivalents) shall be earned and payable in three (3) installments if you remain employed with Bank of America and its Subsidiaries through each of the payment dates as follows.

Payment Date*	Number of Restricted Stock Units That Become Earned and Payable
February 1, 2012	169,105
February 1, 2013	166,988
February 1, 2014	79,075

* *Payment will be made as soon as administratively practicable, generally within 30 days after the payment date.*

(b) IMPACT OF TERMINATION OF EMPLOYMENT ON RESTRICTED STOCK UNITS. If your employment with Bank of America and its Subsidiaries terminates prior to any of the above payment date(s), then any unearned Restricted Stock Units (and any related dividend equivalents) shall become earned and payable or be canceled depending on the reason for termination as follows.

(i) Death. Any unearned Restricted Stock Units (and any related dividend equivalents) shall become immediately earned and payable as of the date of your termination of employment if your termination is due to death. Payment will be made as soon as administratively practicable, generally within 30 days after notification of termination from the payroll system.

(ii) Termination by Bank of America Without Cause or Due to Retirement. If your employment is terminated (x) by Bank of America or its Subsidiaries without Cause (including due to Disability, Workforce Reduction or Divestiture) or (y) due to your Retirement, then any unearned portion of the Award shall continue to become earned and payable at such time as provided in the Payment Schedule described in paragraph (a) above (without regard to whether you are employed by Bank of America and its Subsidiaries), subject to your complying with the covenants set forth in paragraph (c) below.

(iii) Termination by Bank of America With Cause. If your employment is terminated by Bank of America or its Subsidiaries with Cause, then any Restricted Stock Units (and any related dividend equivalents) that were not already earned and payable pursuant to paragraph (a) above as of the date of termination of employment shall be canceled as of that date.

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary, if (A) a Change in Control occurs and (B) on or after the Change in Control and on or before the second anniversary of the Change in Control either (1) your employment is terminated by Bank of America or its Subsidiaries without Cause or (2) you terminate your employment with Bank of America or its Subsidiaries for Good Reason, then any Restricted Stock Units (and any related dividend equivalents) shall become immediately earned as of the date of such termination and shall be payable at such time as provided in the Payment Schedule described in paragraph (a) above, without regard to the covenants set forth in paragraph (c) below.

(v) All Other Terminations. In the case of All Other Terminations any Restricted Stock Units (and any related dividend equivalents) that were not already earned and payable pursuant to paragraph (a) above as of the date of termination of employment shall be canceled as of that date.

(c) COVENANTS.

(i) Non-Solicitation. You agree that during any period in which Restricted Stock Units (and any related dividend equivalents) remain payable, (A) you will not directly or indirectly solicit or recruit for employment or encourage to leave employment with Bank of America or its Subsidiaries, on your own behalf or on behalf of any other person or entity other than Bank of America or its Subsidiaries, any person who is an associate of Bank of America and its Subsidiaries and (B) to the extent permissible under applicable law, you will not, directly or indirectly, on your own behalf or on behalf of any other person or entity other than Bank of America or its Subsidiaries, solicit any client or customer of Bank of America and its Subsidiaries which you actively solicited or with whom you worked or otherwise had material contact in the course of your employment with Bank of America and its Subsidiaries. Notwithstanding anything in this Agreement to the contrary, if (1) you are a permanent resident of California or (2) you are a tax resident of California who is assigned to perform services for Bank of America or any Subsidiary from an office located in California, the solicitation restriction described in (B) above will not apply to this Award.

(ii) Detrimental Conduct. You agree that during any period in which Restricted Stock Units (and any related dividend equivalents) remain payable, you will not engage in Detrimental Conduct.

(iii) Hedging or Derivative Transactions. You agree that during any period in which Restricted Stock Units (and any related dividend equivalents) remain payable, you will not engage in any hedging or derivative transactions involving Bank of America common stock in violation of the Bank of America Corporation Code of Ethics that would undermine the long-term performance incentive created by the Restricted Stock Units.

(iv) Remedies. Payment of the Restricted Stock Units (and any related dividend equivalents) in accordance with the Payment Schedule set forth in paragraph (a) above is specifically conditioned on the requirement that at all times prior to each payment, you do not engage in solicitation, Detrimental Conduct or hedging or derivative transactions, as described in paragraphs (c)(i), (ii) and (iii), during such period. If Bank of America determines in its reasonable business judgment that you have failed to satisfy such requirements, then any Restricted Stock Units (and any related dividend equivalents) that have not yet been paid as of the date of such determination shall be canceled as of such date of determination.

(d) FORM OF PAYMENT. Payment of Restricted Stock Units shall be made in the form of one (1) share of Bank of America common stock for each Restricted Stock Unit that is payable.

(e) DEFINITIONS. For purposes hereof, the following terms shall have the following meanings.

All Other Terminations means any termination of your employment with Bank of America and its Subsidiaries, whether initiated by you or your employer, other than (i) a termination due to your death, Disability or Retirement, (ii) a termination by Bank of America or its Subsidiaries without Cause (including, a Workforce Reduction or Divestiture), (iii) a termination with Cause and (iv) a termination in connection with a Change in Control as described in paragraph (b)(iv) above.

Cause shall be defined as that term is defined in your offer letter or other applicable employment agreement; or, if there is no such definition, “Cause” means a termination of your employment with Bank of America and its Subsidiaries if it occurs in conjunction with a determination by your employer that you have (i) committed an act of fraud or dishonesty in the course of your employment; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law (as determined by Bank of America in its sole discretion); (iii) committed an act or omission which causes you or Bank of America or its Subsidiaries to be in violation of federal or state securities laws, rules or regulations and/or the rules of any exchange or association of which Bank of America or its Subsidiaries is a member, including statutory disqualification; (iv) failed to perform your job duties where such failure is injurious to Bank of America or any

Subsidiary, or to Bank of America's or such Subsidiary's business interests or reputation; (v) materially breached any written policy applicable to your employment with Bank of America or any of its Subsidiaries including, but not limited to, the Bank of America Corporation Code of Ethics and General Policy on Insider Trading; or (vi) made an unauthorized disclosure of any confidential or proprietary information of Bank of America or its Subsidiaries or have committed any other material violation of Bank of America's written policy regarding Confidential and Proprietary Information.

Detrimental Conduct means (i) any conduct that would constitute Cause or (ii) any one of the following: (A) any act or omission by you resulting or intended to result in personal gain at the expense of Bank of America or its Subsidiaries; (B) the improper disclosure by you of proprietary, privileged or confidential information of Bank of America or its Subsidiaries or a client or former client of Bank of America or its Subsidiaries or breach of a fiduciary duty owed to Bank of America or its Subsidiaries or a client or former client of Bank of America or its Subsidiaries; (C) improper conduct by you including, but not limited to, fraud, unethical conduct, falsification of the records of Bank of America or its Subsidiaries, unauthorized removal of property or information of Bank of America or its Subsidiaries, intentional violation or negligent disregard for Bank of America's or its Subsidiaries' policies, rules and procedures, insubordination, theft, violent acts or threats of violence, unauthorized possession of controlled substances on the property of Bank of America or its Subsidiaries, conduct causing reputational harm to Bank of America or its Subsidiaries or a client of Bank of America or its Subsidiaries, or the use of the property, facilities or services of Bank of America or its Subsidiaries for unauthorized or illegal purposes; (D) the performance by you of your employment duties in a manner deemed by Bank of America or its Subsidiaries to be grossly negligent; (E) the commission of a criminal act by you, whether or not performed in the workplace, that subjects, or if generally known, would subject Bank of America or its Subsidiaries to public ridicule or embarrassment; or (F) you taking or maintaining trading positions that result in a need to restate financial results in a subsequent reporting period or that result in a significant financial loss to Bank of America or its Subsidiaries during or after the performance year.

Disability is as defined in the Stock Plan.

Divestiture means a termination of your employment with Bank of America and its Subsidiaries as the result of a divestiture or sale of a business unit as determined by your employer based on the personnel records of Bank of America and its Subsidiaries.

Good Reason means, provided that you have complied with the Good Reason Process, the occurrence of any of the following events without your consent: (i) a material diminution in your responsibility, authority or duty; (ii) a material diminution in your base salary except for across-the-board salary reductions based on Bank of America and its Subsidiaries' financial performance similarly affecting all or substantially all management employees of Bank of America and its Subsidiaries; or (iii) the relocation of the office at which you were principally employed immediately prior to a Change in Control to a location more than fifty (50) miles from the location of such office, or your being required to be based anywhere other than such office, except to the extent you were not previously assigned to a principal location and except for required travel on your employer's business to an extent substantially consistent with your business travel obligations at the time of the Change in Control.

Good Reason Process means that (i) you reasonably determine in good faith that a Good Reason condition has occurred; (ii) you notify Bank of America and its Subsidiaries in writing of the occurrence of the Good Reason condition within sixty (60) days of such occurrence; (iii) you cooperate in good faith with Bank of America and its Subsidiaries' efforts, for a period of not less than thirty (30) days following such notice (the “Cure Period”), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) you terminate your employment for Good Reason within sixty (60) days after the end of the Cure Period. If Bank of America or its Subsidiaries cures the Good Reason condition during the Cure Period, and you terminate your employment with Bank of America and its Subsidiaries due to such condition (notwithstanding its cure), then you will not be deemed to have terminated your employment for Good Reason.

Retirement means your voluntary termination of employment on or after the second anniversary of your date of hire with the Company, or if the Company terminates your employment for any reason other than for Cause on or after the second anniversary of your date of hire with the Company.

Workforce Reduction means your termination of employment with Bank of America and its Subsidiaries as a result of a labor force reduction, realignment or similar measure as determined by your employer and (i) you are officially notified in writing of your termination of employment due to a workforce reduction and eligibility for the Corporate Severance Program (or any successor program), or (ii) if not eligible for the Corporate Severance Program, you are notified in writing by an authorized officer of Bank of America or any Subsidiary that the termination is as a result of such action. Your termination of employment shall not be considered due to Workforce Reduction unless you execute all documents required under the Corporate Severance Program or otherwise, including without limitation any required release of claims, within the applicable time frames set forth in such documents or as prescribed by Bank of America. In the event you fail to execute all required documents in a timely fashion, your termination of employment will not be treated as a Workforce Reduction, and if any portion of your Award has been earned or paid to you after your termination of employment but before your failure to execute all required documents, you covenant and agree that you will have no right, title or interest in such amount earned or paid and that you will cause such amount to be returned immediately to Bank of America upon notice.

IN WITNESS WHEREOF, Bank of America has caused this Agreement to be executed by its duly authorized officer, and you have hereunto set your hand, all effective as of the Grant Date listed above.

Brian T. Moynihan
Chief Executive Officer and President

Exhibit 10(b)

This document contains your Long-Term Cash Award Agreement.

What you need to do

1. Review the Award Agreement to ensure you understand its provisions. With each award you receive, provisions of your Award Agreement may change so it is important to review your Award Agreement.
2. Print the Award Agreement and file it with your important papers.
3. Accept your Award Agreement through the online acceptance process.*
4. Designate your beneficiary on the Benefits OnLine® Beneficiary tab.

* If you do not accept your Award Agreement through the online acceptance process by the date communicated to you, Bank of America will automatically accept the Award Agreement on your behalf.

LONG-TERM CASH AWARD AGREEMENT

Granted To :	GARY G LYNCH
Grant Date :	July 12, 2011
Grant Type :	Long-Term Cash
Amount Granted :	3,600,508

This Long-Term Cash Award Agreement and all Exhibits hereto (the "Agreement") is made between Bank of America Corporation, a Delaware corporation ("Bank of America"), and you, an associate of Bank of America or one of its Subsidiaries.

The long-term cash award covered by this Agreement (the "Award") is being granted to you subject to the following terms and provisions:

1. Subject to the terms and conditions of this Agreement, Bank of America grants to you the Award in the total amount shown above, payable in cash. The Award amount was calculated to include interest, and no additional interest will be credited with respect to the Award.

2. You acknowledge having read and agree to be bound by all the terms and conditions of this Agreement.

3. The Award shall become earned by, and payable to, you in the increments and on the dates shown on the enclosed Exhibit A.

4. To the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time that you have engaged in Detrimental Conduct, Bank of America will be entitled to recover from you in its sole discretion some or all of any cash paid to you pursuant to this Agreement. You recognize that if you engage in Detrimental Conduct, the losses to Bank of America and/or its Subsidiaries may amount to the full value of any cash paid to you pursuant to this Agreement. In addition, Awards are subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) similar rules under the laws of any other jurisdiction and (iii) any policies adopted by Bank of America to implement such requirements, all to the extent determined by Bank of America in its discretion to be applicable to you.

5. You may designate a beneficiary to receive payment of the Award in the event of your death while in service with Bank of America or its Subsidiaries in accordance with Bank of America's beneficiary designation procedures, as in effect from time to time. If you do not designate a beneficiary or if your designated beneficiary does not survive you, then your beneficiary will be your estate.

6. Bank of America may, in its sole discretion, decide to deliver any documents related to this Award by electronic means or request your consent to participate in the Award by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Award through an on-line or electronic system established and maintained by Bank of America or a third party designated by Bank of America.

Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as Bank of America may notify you from time to time; and to you at your electronic mail or postal address as shown on the records of Bank of America from time to time, or at such other electronic mail or postal address as you, by notice to Bank of America, may designate in writing from time to time.

7. Regardless of any action Bank of America or your employer takes with respect to any or all income tax, payroll tax or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items owed by you is and remains your responsibility and may exceed the amount actually withheld by Bank of America or your employer. You further acknowledge that Bank of America and/or your employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award including the grant and vesting or payout of the Award; and (ii) do not commit to structure the terms of the Award or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items. Further, if you have become subject to Tax-Related Items in connection with the Award in more than one jurisdiction, you acknowledge that Bank of America or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In the event Bank of America determines that it and/or your employer must withhold any Tax-Related Items as a result of your Award, you agree as a condition of the grant of the Award to make arrangements satisfactory to Bank of America and/or your employer to enable it to satisfy all withholding requirements, including, but not limited to, withholding any applicable Tax-Related Items from the pay-out of the Award. In addition, you authorize Bank of America and/or your employer to fulfill its withholding obligations by all legal means, including, but not limited to, withholding Tax-Related Items from your wages, salary or other cash compensation your employer pays to you. Bank of America may refuse to pay any earned portion of the Award if you fail to comply with any withholding obligation.

8. The validity, construction and effect of this Agreement are governed by, and subject to, the laws of the State of Delaware and the laws of the United States. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of North Carolina and agree that such litigation shall be conducted solely in the courts of Mecklenburg County, North Carolina or the federal courts for the United States for the Western District of North Carolina, where this grant is made and/or to be performed, and no other courts.

9. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. This Agreement constitutes the final understanding between you and Bank of America regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded. This Agreement may only be amended by a written instrument signed by both parties.

10. This Agreement is intended to comply with Section 409A of the Internal Revenue Code to the extent applicable. Notwithstanding any provision of the Agreement to the contrary, the Agreement shall be interpreted, operated and administered consistent with this intent.

11. If you move to any country outside of the United States during the term of your Award, additional terms and conditions may apply to your Award. Bank of America reserves the right to impose other requirements on the Award to the extent Bank of America determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Award and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Exhibit A

Bank of America Corporation
Long-Term Cash Award

PAYMENT OF AWARD

(a) PAYMENT SCHEDULE. Subject to the provisions of paragraphs (b) and (c) below, the Award shall become earned and payable in three (3) installments if you remain employed with Bank of America and its Subsidiaries through each of the payment dates as follows.

Payment Date*	Portion of Cash that Becomes Earned and Payable
February 1, 2012	1,750,854
February 1, 2013	1,346,840
February 1, 2014	502,814

**Payment will be made as soon as administratively practicable, generally within 30 days after the payment date.*

(b) IMPACT OF TERMINATION OF EMPLOYMENT ON YOUR AWARD. If your employment with Bank of America and its Subsidiaries terminates prior to any of the above payment date(s), then any unearned portion of the Award shall become earned and payable or be canceled depending on the reason for termination as follows.

(i) Death. Any unearned portion of the Award shall become immediately earned and payable as of the date of your termination of employment if your termination is due to death. Payment will be made as soon as administratively practicable, generally within 30 days after notification of termination from the payroll system.

(ii) Termination by Bank of America Without Cause or Due to Retirement. If your employment is terminated (x) by Bank of America or its Subsidiaries without Cause (including due to Disability, Workforce Reduction or Divestiture) or (y) due to your Retirement, then any unearned portion of the Award shall continue to become earned and payable at such time as provided in the Payment Schedule described in paragraph (a) above (without regard to whether you are employed by Bank of America and its Subsidiaries), subject to your complying with the covenants set forth in paragraph (c) below.

(iii) Termination by Bank of America With Cause. If your employment is terminated by Bank of America or its Subsidiaries with Cause, then any portion of the Award that was not already earned and payable pursuant to paragraph (a) above as of the date of termination of employment shall be canceled as of that date.

(iv) Change in Control. Notwithstanding anything in this Agreement to the contrary, if (A) a Change in Control occurs and (B) on or after the Change in Control and on or before the second anniversary of the Change in Control either (1) your employment is terminated by Bank of America or its Subsidiaries without Cause or (2) you terminate your employment with Bank of America or its Subsidiaries for Good Reason, then any unearned portion of the Award shall become immediately earned as of the date of such termination and shall be payable at such time as provided in the Payment Schedule described in paragraph (a) above, without regard to the covenants set forth in paragraph (c) below.

(v) All Other Terminations. In the case of All Other Terminations, any portion of the Award that was not already earned and payable pursuant to paragraph (a) above as of the date of termination of employment shall be canceled as of that date.

(c) COVENANTS.

(i) Non-Solicitation. You agree that during any period in which any portion of the Award remains payable, (A) you will not directly or indirectly solicit or recruit for employment or encourage to leave employment with Bank of America or its Subsidiaries, on your own behalf or on behalf of any other person or entity other than Bank of America or its Subsidiaries, any person who is an associate of Bank of America and its Subsidiaries and (B) to the extent permissible under applicable law, you will not, directly or indirectly, on your own behalf or on behalf of any other person or entity other than Bank of America or its Subsidiaries, solicit any client or customer of Bank of America and its Subsidiaries which you actively solicited or with whom you worked or otherwise had material contact in the course of your employment with Bank of America and its Subsidiaries. Notwithstanding anything in this Agreement to the contrary, if (1) you are a permanent resident of California or (2) you are a tax resident of California who is assigned to perform services for Bank of America or any Subsidiary from an office located in California, the solicitation restriction described in (B) above will not apply to this Award.

(ii) Detrimental Conduct. You agree that during any period in which any portion of the Award remains payable, you will not engage in Detrimental Conduct.

(iii) Remedies. Payment of the Award in accordance with the Payment Schedule set forth in paragraph (a) above is specifically conditioned on the requirement that at all times prior to each payment, you do not engage in solicitation or Detrimental Conduct as described in paragraphs (c)(i) and (ii), during such period. If Bank of America determines in its reasonable business judgment that you have failed to satisfy such requirements, then any portion of the Award that has not yet been paid as of the date of such determination shall be canceled as of such date of determination.

(d) DEFINITIONS. For purposes hereof, the following terms shall have the following meanings:

All Other Terminations means any termination of your employment with Bank of America and its Subsidiaries, whether initiated by you or your employer, other than (i) a termination due to your death, Disability or Retirement, (ii) a termination by Bank of America or its Subsidiaries without Cause (including Workforce Reduction or Divestiture), (iii) a termination with Cause and (iv) a termination in connection with a Change in Control as described in paragraph (b)(iv) above.

Cause shall be defined as that term is defined in your offer letter or other applicable employment agreement; or, if there is no such definition, “Cause” means a termination of your employment with Bank of America and its Subsidiaries if it occurs in conjunction with a determination by your employer that you have (i) committed an act of fraud or dishonesty in the course of your employment; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law (as determined by Bank of America in its sole discretion); (iii) committed an act or omission which causes you or Bank of America or its Subsidiaries to be in violation of federal or state securities laws, rules or regulations, and/or the rules of any exchange or association of which Bank of America or its Subsidiaries is a member, including statutory disqualification; (iv) failed to perform your job duties where such failure is injurious to Bank of America or any Subsidiary, or to Bank of America's or such Subsidiary's business interests or reputation; (v) materially breached any written policy applicable to your employment with Bank of America or any of its Subsidiaries including, but not limited to, the Bank of America Corporation Code of Ethics and General Policy on Insider Trading; or (vi) made an unauthorized disclosure of any confidential or proprietary information of Bank of America or its Subsidiaries or have committed any other material violation of Bank of America's written policy regarding Confidential and Proprietary Information.

Change in Control shall be defined as that term is defined in the Bank of America Corporation 2003 Key Associate Stock Plan.

Detrimental Conduct means (i) any conduct that would constitute Cause or (ii) any one of the following: (A) any act or omission by you resulting or intended to result in personal gain at the expense of Bank of America or its Subsidiaries; (B) the improper disclosure by you of proprietary, privileged or confidential information of Bank of America or its Subsidiaries or a client or former client of Bank of America or its Subsidiaries or breach of a fiduciary duty owed to Bank of America or its Subsidiaries or a client or former client of Bank of America or its Subsidiaries; (C) improper conduct by you including, but not limited to, fraud, unethical conduct, falsification of the records of Bank of America or its Subsidiaries, unauthorized removal of property or information of Bank of America or its Subsidiaries, intentional violation or negligent disregard for Bank of America's or its Subsidiaries' policies, rules and procedures, insubordination, theft, violent acts or threats of violence, unauthorized possession of controlled substances on the property of Bank of America or its Subsidiaries, conduct causing reputational harm to Bank of America or its Subsidiaries or a client of Bank of America or its Subsidiaries, or the use of the property, facilities or services of Bank of America or its Subsidiaries for unauthorized or illegal purposes; (D) the performance by you of your employment duties in a manner deemed by Bank of America or its Subsidiaries to be grossly negligent; (E) the commission of a criminal act by you, whether or not performed in the workplace, that subjects, or if generally known, would subject Bank of America or its Subsidiaries to public ridicule or embarrassment; or (F) you taking or maintaining trading positions that result in a need to restate financial results in a subsequent reporting period or that result in a significant financial loss to Bank of America or its Subsidiaries during or after the performance year.

Disability means “disability” as defined from time to time under any long-term disability plan of Bank of America or your employer.

Divestiture means a termination of your employment with Bank of America and its Subsidiaries as the result of a divestiture or sale of a business unit as determined by your employer based on the personnel records of Bank of America and its Subsidiaries.

Good Reason means, provided that you have complied with the Good Reason Process, the occurrence of any of the following events without your consent: (i) a material diminution in your responsibility, authority or duty; (ii) a material diminution in your base salary except for across-the-board salary reductions based on Bank of America and its Subsidiaries' financial performance similarly affecting all or substantially all management employees of Bank of America and its Subsidiaries; or (iii) the relocation of the office at which you were principally employed immediately prior to a Change in Control to a location more than fifty (50) miles from the location of such office, or your being required to be based anywhere other than such office, except to the extent you were not previously assigned to a principal location and except for required travel on your employer's business to an extent substantially consistent with your business travel obligations at the time of the Change in Control.

Good Reason Process means that (i) you reasonably determine in good faith that a Good Reason condition has occurred; (ii) you notify Bank of America and its Subsidiaries in writing of the occurrence of the Good Reason condition within sixty (60) days of such occurrence; (iii) you cooperate in good faith with Bank of America and its Subsidiaries' efforts, for a period of not less than thirty (30) days following such notice (the “Cure Period”), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) you terminate your employment for Good Reason within sixty (60) days after the end of the Cure Period. If Bank of America or its Subsidiaries cures the Good Reason condition during the Cure Period, and you terminate your employment with Bank of America and its Subsidiaries due to such condition (notwithstanding its cure), then you will not be deemed to have terminated your employment for Good Reason.

Subsidiary means any corporation, partnership, joint venture, affiliate or other entity in which Bank of America owns more than eighty percent (80%) of the voting stock or voting ownership interest, as applicable, or any other business entity designated by Bank of America as a Subsidiary for purposes of this Agreement.

Retirement means your voluntary termination of employment on or after the second anniversary of your date of hire with the Company, or if the Company terminates your employment for any reason other than for Cause on or after the second anniversary of your date of hire with the Company.

Workforce Reduction means your termination of employment with Bank of America and its Subsidiaries as a result of a labor force reduction, realignment or similar measure as determined by your employer and (i) you are officially notified in writing of your termination of employment due to a workforce reduction and eligibility for the Corporate Severance Program (or any successor program), or (ii) if not eligible for the Corporate Severance Program, you are notified in writing by an authorized officer of Bank of America or any Subsidiary that the termination is as a result of such action. Your termination of employment shall not be considered due to Workforce Reduction unless you execute all documents required under the Corporate Severance Program or otherwise, including without limitation any required release of claims, within the applicable time frames set forth in such documents or as prescribed by Bank of America. In the event you fail to execute all required documents in a timely fashion, your termination of employment will not be treated as a Workforce Reduction, and if any portion of your Award has been earned or paid to you after your termination of employment but before your failure to execute all required documents, you covenant and agree that you will have no right, title or interest in such amount earned or paid and that you will cause such amount to be returned immediately to Bank of America upon notice.

IN WITNESS WHEREOF, Bank of America has caused this Agreement to be executed by its duly authorized officer, and you have hereunto set your hand, all effective as of the Grant Date listed above.

Brian T. Moynihan
Chief Executive Officer and President

Exhibit 10(c)

Bank of America
Bank of Opportunity™

April 14, 2011

Gary G. Lynch
New York, New York

Dear Gary:

We are pleased that you are considering joining Bank of America Corporation (the "Company" or "Bank of America") in New York, New York. This letter confirms the terms of our offer with respect to your planned employment. You will join the Company as the Global Chief of Legal, Compliance and Regulatory Relations, reporting to the Chief Executive Officer of the Company. The details of our offer are outlined below.

Anticipated Start Date

- We anticipate that your first day of employment will be September 1, 2011 or such earlier date that is permitted by your current employer and that you begin work upon (the date your employment with the Company commences, "Start Date").

Compensation

Signing Bonus

- You will receive a one-time signing bonus of One Hundred Fifty Thousand Dollars ($150,000) within thirty (30) days of your Start Date ("Signing Bonus"). This Signing Bonus is being paid to encourage you to accept our offer and to begin your employment with the Company on an expedited basis. This Signing Bonus payment must be repaid to the Company within thirty (30) days should you voluntarily terminate your employment within twelve (12) months of your receipt of payment as is reflected in the attached Reimbursement Agreement For Signing Bonuses.

Equity and Non-Equity Incentive Award Buyout Paid in Stock and Long-Term Cash

- To buy out the equity-based awards of your current employer that would be forfeited by you or canceled in connection with your departure from your current employer, commencement of your employment with Bank of America, or execution of this letter agreement, you will receive an award of Restricted Stock Units (the "RSU Award") under the Bank of America Key Associate Stock Plan valued as of the closing stock price on the Start Date or, if earlier, the date of forfeiture of such awards, provided you submit to your Staffing contact reasonable documentation to validate your loss or forfeiture. There will be no change in this value after the grant date based on the performance of the equity forfeited upon your departure from your current employer.

- To buy out the incentive awards that are not based on your current employer equity and that would be forfeited or canceled in connection with your departure from your current employer, commencement of your employment with Bank of America, or execution of this letter agreement, you will receive a Long-Term Cash award (the "LTC Award") valued as of the Start Date or, if earlier, the date of forfeiture of such awards payable in cash as described below, provided you submit to your Staffing contact reasonable documentation to validate your loss or forfeiture. There will be no change in this value after the grant date based on the performance of the non-equity investments forfeited upon your departure from your current employer.

Initials
The Company ABS
Candidate GGL

- The grant date for the RSU Award and the LTC Award will be the later of the (1) first business day following your Start Date, and (2) first business day after you submit to the Company reasonable documentation to validate your loss or forfeiture from your current employer as required under this letter.

- The RSU Award and LTC Award will become earned and vested in accordance with the terms and schedule provided in the respective award agreements.

- The impact of termination of employment on your RSU Award or LTC Award will be as set forth in your RSU Award Agreement and your LTC Award Agreement, respectively. You will receive a detailed package related to these awards shortly after the grant date. This package will include your RSU Award Agreement and LTC Award Agreement, which contain the specific terms of your awards, including vesting and forfeiture provisions, and will in all events be the governing document for your awards, and shall be substantially identical to the form agreements for the RSU Award and LTC Award that are attached to this letter.

Base Salary

- You will receive a base salary of $850,000, payable on a semi-monthly basis in accordance with the Company's normal payroll practices.

Performance Incentive Awards

- You will be eligible to participate in one of the Company's discretionary performance incentive plans. Performance incentive awards granted under the plan (“Performance Incentive Awards”) acknowledge exceptional performance and are intended to attract and retain top talent for the Company.

- For performance year 2011, you will be eligible to receive a Performance Incentive Award with a target value of $6,150,000, pro-rated based on the number of days you are employed with the Company in 2011. Notwithstanding the immediately preceding sentence, if your Start Date is on or before June 30, 2011, your performance year 2011 Performance Incentive Award will not be pro-rated based on your Start Date.

- This target award is not a commitment for an award in any particular dollar amount. The actual value of such award will be determined by management and reviewed and approved by the Board of Director's Compensation and Benefits Committee (the “Committee”) and therefore could be greater or less than the stated target amount based upon: [i] your overall level of performance and the satisfactory performance of your job objectives; [ii] the performance and contributions of your line of business and / or group; and [iii] the overall success of the Company.

- In order to be eligible to receive a Performance Incentive Award, you must remain continuously employed by the Company or any of its affiliates in good standing through the date the award is actually granted. Performance Incentive Awards are generally granted in February following the close of the applicable performance year.

- Although generally granted in February following the close of the applicable performance year, a portion of this award is offered to you as incentive to encourage you, as a valued associate, to remain employed by the Company. Therefore, the Performance Incentive Award may be granted in any combination of cash, a long term cash award, restricted stock shares / units or other forms of compensation, and will be valued according to the Company's method of valuing all forms of compensation. The Company reserves the right in its sole discretion to change or modify the manner or mode of delivering such compensation for a performance year, including the right to grant awards in any form that Bank of America, in its sole discretion, deems equivalent. In regard to the form in which performance incentive awards are delivered (including, without limitation, vesting), you shall be treated no less favorably than other executive officers reporting directly to the Chief Executive Officer (“Senior Executives”).

Initials
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- Any award made as part of your Performance Incentive Award is subject to the terms and conditions of the applicable plan document and individual award agreement, if any, and the Equity Award Retirement Eligibility terms set forth below in this offer letter. The Company reserves the right to amend, modify or terminate any of its plans or programs at any time in its sole discretion; provided, however, that any such amendment, modification or termination shall not adversely affect your rights under any award previously granted to you without your consent or your right to Equity Award Retirement Eligibility, and shall comply with Section 409A (as defined below).

Detrimental Conduct and Clawback

- You will not be eligible to be paid the described financial commitments if you engage in “Detrimental Conduct”. In addition, to the extent allowed by and consistent with applicable law and any applicable limitations period, if it is determined at any time that you have engaged in Detrimental Conduct, the Company will be entitled to recover from you in its sole discretion, any and all component(s) of the financial commitments described herein.

- Detrimental Conduct means (A) any conduct that would constitute “Cause” [(as defined below)] or (B) any one of the following: [i] any act or omission by you resulting or intended to result in personal gain at the expense of the Company; [ii] the improper disclosure by you of proprietary, privileged or confidential information of the Company or a Company client or former client or breach of a fiduciary duty owed to the Company or a Company client or former client; [iii] improper conduct by you including, but not limited to, fraud, unethical conduct, falsification of Company records, unauthorized removal of Company property or information, intentional violation or negligent disregard for the Company's policies, rules and procedures, insubordination, theft, violent acts or threats of violence, unauthorized possession of controlled substances on the property of the Company, conduct causing reputational harm to the Company or its clients, or the use of the Company's property, facilities or services for unauthorized or illegal purposes; [iv] the performance by you of your employment duties in a manner deemed by the Company to be grossly negligent; [v] the commission of a criminal act by you, whether or not performed in the workplace, that subjects, or if generally known, would subject the Company to public ridicule or embarrassment; [vi] your taking or maintaining trading positions that result in a need to restate financial results in a subsequent reporting period or that result in a significant financial loss to the Company during or after your employment with the Company.

Eligibility for Participation in Other Benefit or Incentive Plans

- You will be or may become eligible for other benefit or incentive plans as adopted by the Company from time to time. The terms of these plans shall be determined by the Company or as thereafter amended. Any grants or awards made in accordance with these plans shall be governed by the terms of the applicable plans and the grant or award agreement provided to you at the time of issuance. You will receive perquisites generally no less favorable than those provided to other Senior Executives and shall travel at a level of transportation and accommodation generally no less favorable than provided for other Senior Executives.

Equity Award Retirement Eligibility

- Notwithstanding any language elsewhere in this letter to the contrary, should you voluntarily terminate your employment on or after the second anniversary of your Start Date, or if the Company should terminate your employment for any reason other than for “Cause” (as defined below) on or after the second anniversary of your Start Date, any outstanding equity award(s) and any long-term cash awards previously made to you by the Company will continue to vest and be paid out per the original schedule in the award agreement(s) (and with respect to option or stock appreciation right awards, if any, remain exercisable during their original term), subject to your compliance with any and all covenants and other terms and conditions of the applicable award agreement(s) and execution by you of a General Release Agreement which shall be delivered to you by the Company within ten (10) business days following your termination of employment and executed by you within twenty-five (25) calendar days following delivery in a form to be determined by the Company within its reasonable discretion.

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No Other Financial Commitments

Other than as expressly stated in this letter, you acknowledge that the Company has not extended to you any further bonus or incentive-related commitments. You further acknowledge and understand that with regard to all future bonus or incentive-related commitments, to be effective and binding on the Company, these commitments must be expressly and specifically agreed to in writing, and signed by an authorized officer of the Company.

Payments Subject To Withholdings & Deductions

The amount of any payment made to you by the Company under the terms of this letter will be reduced by any required withholdings and other authorized employee deductions as may be required by law or as you have elected under the applicable benefit plans.

Cause

For the purposes of this letter, Cause shall mean: [i] your knowing act of fraud or dishonesty in the course of your employment; [ii] your conviction of (or a plea of no contest with respect to) a crime constituting a felony; [iii] your act or omission which causes you or the Company to be in violation of federal or state securities laws, rules or regulations, and / or the rules of any exchange or association of which the Company is a member, including statutory disqualification; [iv] your failure to perform your essential job duties where such failure is injurious to the Company, its business interests or its reputation under circumstances where you have not remedied such failure or deficiency within thirty (30) days of the Company's delivery to you of written notice describing the nature of such failure or deficiency, provided such failure or deficiency can be cured; [v] your material breach of any written policy applicable to your employment with the Company including, but not limited to, the Bank of America Corporation Code of Ethics and General Policy on Insider Trading; or [vi] your material violation of the Company's written Confidentiality Agreement, a copy of which is being provided with this letter.

Notice and Non-Solicitation Restrictions

To further protect the Company's confidential and proprietary information regarding the Company's client and employee relationships, your offer of employment is further conditioned upon your agreeing to the following terms and conditions.

Notice

- You shall provide the Company with one hundred eighty (180) calendar days advance written notice (the “Notice Period”) of your voluntary termination of employment (unless the Company materially breaches this offer letter, in which case such Notice Period shall be sixty (60) calendar days).

- During the Notice Period, you will remain a Company employee and thus cannot become an employee of any other employer. As such, you may be assigned whatever duties and responsibilities (at a senior officer level), if any, the Company decides. Additionally, during the Notice Period, any contact you have with Company clients, potential clients and employees must be consistent with Bank of America's business interests and not in aid of any third party, including a subsequent employer. Any such contacts with clients and prospective clients must be disclosed immediately to your manager. During the Notice Period, you will continue to receive your base salary and certain benefits until separation, but you will ***not*** receive any payments or distributions, or accrue any rights to payments or distributions under the Company's discretionary performance incentive plans, *pro rata* or otherwise; provided that, previously granted incentive awards, including the RSU Award and the LTC Award will continue to vest during the Notice Period.

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Non-Solicitation Restrictions [1]

- During your Notice Period, and for one hundred eighty (180) calendar days after the expiration of the Notice Period, you shall not directly or indirectly induce or solicit any employee working for the Company to terminate their employment with the Company; and

- During your Notice Period, and for one hundred eighty (180) calendar days after the expiration of the Notice Period, you shall not directly or indirectly induce or solicit any Company client to terminate or modify its relationship with the Company.

Remedies

- You agree that any breach or threatened breach of the Notice and Non-Solicitation Restrictions will irreparably injure the Company, and money damages will not be an adequate remedy. Therefore, you agree that in the event of a breach or threatened breach of the Notice and Non-Solicitation Restrictions, an injunction should be issued that prohibits you, to the extent allowed by applicable law, from violating or threatening to violate the Notice and Non-Solicitation Restrictions in this offer letter. This is not the Company's only remedy; it is in addition to any other remedy available. ***Should you not comply with these terms, whether or not you have provided the requisite notice at the time of your resignation, you agree that the Company shall have the right to enforce them by injunctive relief.***

- The terms and conditions of this offer letter, including but not limited to Cause provisions and the Notice and Non-Solicitation Restrictions, do not change your status as an at-will employee.

Benefits

- You will be eligible to participate in the employee benefit plans and programs that Bank of America offers to its associates, subject to the provisions of those plans, and at the same level as other Senior Executives. These benefits include, without limitation, a 401(k) plan, cash balance pension plan, and health and other welfare benefits such as medical, dental, vision, life, and long-term disability insurance. Bank of America also offers paid time off benefits such as occasional illness days, short-term disability, and vacation.

- You will be eligible to enroll in health care coverage the first of the month after you have completed one full month of continuous service, not counting the month you began working. For example, an associate whose employment begins January 1 would be eligible to begin coverage on March 1. To further illustrate, an associate who begins employment on May 25 would become eligible to participate on July 1.

Should you need additional information regarding benefits or other associate programs, feel free to contact the Personnel Center at 1.800.556.6044 (TDD 1.800.930.8044).

Indemnification

- The Company agrees and confirms that your rights to indemnification shall be governed by Bank of America's Certificate of Incorporation, By-Laws and applicable law, and you shall be provided with the same Directors and Officers Liability Insurance coverage as provided for other Senior Executives.

[1] The non-solicitation restrictions referenced in this letter are intended to be read harmoniously with similar restrictions contained in the Company's Confidentiality Agreement. To the extent that the terms and conditions of the Confidentiality Agreement are deemed more protective of the Company's interests, those terms and conditions govern.

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Other Terms & Conditions

- **"Interim Period."** Assuming that you accept and agree to the terms of this letter, during the period which begins immediately after you sign and date this letter, and ends upon your actual Start Date, you acknowledge and agree that your employment with the Company has not yet begun. You further acknowledge and agree that your employment with the Company will begin on the Start Date when you start work for the Company. During the described interim period, this offer remains subject to rescission / revocation by the Company, in its sole discretion upon discovery of conduct or behavior by you which: [i] if you were already in the Company's employ, would constitute Detrimental Conduct or Cause; [ii] if you were already in the Company's employ, would constitute a breach of the representations and warranties set out in this letter; or [iii] such other behavior or conduct as is plainly and materially injurious to the Company, its business interests or its reputation.

- **Employment At Will.** The terms of this letter do not imply employment for any specific period of time. Rather, as is the case with all employees within the Company and Bank of America generally, your employment is at will. You have the right to terminate your employment at any time with or without cause or notice, unless it is otherwise required as stated herein, and the Company reserves for itself an equal right, subject to the terms of this letter.

- **Background Checks.** Any offer with Bank of America is contingent upon the satisfactory completion of various background investigations that include employment and education verification, a federal / national and county level criminal conviction investigation, and a FINRA Pre-Hire review. Prior to the issuance of this offer letter you were required to sign and return the Pre-Hire Authorization, and Fair Credit Reporting Act forms. In addition, if you have not already done so, please complete the background investigation authorization form and return it promptly to your Recruiting contact. All information disclosed must be accurate and complete. You will not be permitted to begin your employment until a successful background investigation has been completed.

- **Confidentiality Agreement.** This offer is specifically contingent upon your signing the Company's standard form of Confidentiality Agreement, a copy of which is being provided with this letter. Notwithstanding anything to the contrary in the Confidentiality Agreement, nothing therein shall (A) prohibit you from disclosing any information to the extent (i) disclosure is necessary for claims relating to this letter or any other compensatory or other agreement with the Company or to defend yourself in a lawsuit relating to your services with the Company, (ii) disclosure is required by applicable law, a court order or subpoena or an order from a governmental, regulatory or self-regulatory body, or (iii) such information is already in the public domain and not as a result of your violation of the Confidentiality Agreement, or (B) prohibit you from retaining your personal items (including, without limitation, rolodex, blackberry or similar device that was not purchased by the Company for your business use) and any of your personal compensation statements and related documents necessary for your tax calculations.

- **Proprietary Rights and Information Agreement.** This offer is specifically contingent upon your signing the Company's standard form of Proprietary Rights and Information Agreement, a copy of which is being provided with this letter.

- **Company Policies and Procedures.** You hereby agree that, effective from and after your Start Date, you will adhere to the Company's policies and procedures applicable to all employees generally, and / or applicable to your position and function within the Company. Upon commencement of your employment, you will be required to execute the Company's standard forms, including if you have not already done so, the Bank of America Applicant Acknowledgment Form, and all other forms and acknowledgements required of employees generally, provided that any conflict between such forms and acknowledgments and the terms of this letter shall be resolved in favor of this letter. These policies and procedures, which you will receive in the context of your orientation, address, among other things, the Bank of America Corporation Code of Ethics (http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-govconduct), Incentive

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Compensation Recoupment Policy, stock ownership guidelines, compliance rules and regulations, insider trading, outside employment limitations, arbitration of disputes, equal employment opportunity and sexual harassment and information security policies. You should fully familiarize yourself with these policies and procedures as they pertain to your employment. The Company reserves its full discretion to change or modify its policies and procedures, or to adopt / implement new policies.

- **Senior Executive Associate Investment and Pre-Clearance Policies.** You should also understand as a result of your employment with the Company you will be subject to the Senior Executive Associate Investment and Pre-Clearance Policies which will limit or restrict your ability to buy, sell or recommend securities, including the Company's equity securities on behalf of yourself, your family and other affiliated individuals and limit the broker dealers with whom you maintain your accounts to those approved by the Company. These policies impose quarterly black-out periods involving the Company's equity securities and require prior notice and pre-approval of personal securities related activities. In addition, you will also be subject to Section 16 of the Securities Exchange Act which, among other things, will require that you report your holdings of the Company's equity and derivative securities and any transactions in such securities. You will receive additional information about these restrictions shortly after your Start Date. You hereby agree that, effective from and after your Start Date, you will adhere to and comply with the Company's Senior Executive Associate Investment and Pre-Clearance Policies as directed by the Company. You also agree that if requested, you will execute an online certification acknowledging your receipt of and compliance with these policies and must similarly report all of your brokerage accounts. Also, as an executive officer, you will be subject to any applicable stock ownership guidelines.

  You should also be aware that the Company has adopted a policy relating to mutual fund advisory activities and mutual fund share sales, trading, clearing and processing activities respecting (a) market timing of mutual funds, (b) late trading of mutual funds, and / or (c) the dissemination of information concerning Bank of America advised mutual fund portfolio positions. You hereby agree that, effective from and after your Start Date, you will adhere to and comply with the BAC Market Timing and Excessive Trading Prohibitions, which can be found in the Bank of America Corporation Code of Ethics provided on the offer acceptance Web site. Shortly after your Start Date, either through web-based training via the Associate Learning Portal or through interactive voice response system via telephone, you will asked to acknowledge that you have read, understand and agree to comply with the Code and the Policy.

- **Immigration Reform and Control Act of 1986 - "Form I-9."** Any offer with Bank of America is specifically contingent upon appropriate work authorization as described below. To comply with the Immigration Reform and Control Act of 1986, you are required to complete an I-9 form and provide documents confirming both your identity and your employment eligibility. The completion of Form I-9 is a two-step process which is outlined in the enclosed document entitled "Preparing For Your First Day." Under the law, your continued employment depends upon your completion of the I-9 process. If you fail to complete the Form I-9 process before your Start Date, Bank of America will be required to suspend your Start Date until proper completion has been verified, or if circumstances warrant, to revoke and rescind this offer. Please contact your recruiter or Staffing Manager if you have any questions regarding the completion of the I-9 process.

- **IRC Section 409A.** This offer letter is intended to satisfy the requirements of Section 409A of the Internal Revenue Code of 1986 as amended (which, together with the regulations promulgated thereunder and any rulings, notices or other guidance issued by the Internal Revenue Service with respect thereto, is collectively referred to herein as "Section 409A") with respect to amounts, if any, subject thereto and shall be interpreted and construed and shall be performed by the parties consistent with such intent.

- **Disputes.** This letter shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof. With respect to any disputes, and any suit, action or other proceeding arising from such dispute, relating to this letter or otherwise arising out of your employment with us, each of the parties hereto irrevocably submits to the

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exclusive jurisdiction of any court of competent jurisdiction sitting in New York County, New York, and irrevocably and unconditionally waives any objection to the laying of venue in such court. Each party hereto unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court as having been brought in an inconvenient forum.

Outside Directorships

The Bank of America Corporation Code of Ethics provides basic guidelines of business practice, and professional and personal conduct you are expected to adopt and uphold as a Bank of America associate. You must avoid conflicts - or even the appearance of conflicts - between personal interests and the interests of Bank of America, its shareholders or customers. While it is impossible to define every action that could be reasonably interpreted as a conflict of interest, one area in which potential conflicts of interest may arise involves your activities, employment or other relationships outside the Company.

In general, Bank of America discourages you from serving on a board of a for-profit organization. Associates wishing to serve or continuing to serve as a director of an organization that is not a wholly owned subsidiary of Bank of America or its affiliates ("Outside Director" or "Outside Directorships[2]") must receive prior approval to do so and must comply with the procedures outlined in the Bank of America Outside Directorship Policy as well as any additional policies in place for your business unit and the Bank of America Corporation Code of Ethics.

The Company reserves the right to deny approval of any Outside Director position in its sole discretion. Further, the Company may rescind any prior approval of an Outside Directorship to avoid any actual or apparent conflict of interest, or for any other reason deemed to be in the best interests of Bank of America.

If you hold any Outside Directorships in any organization prior to your Start Date, you agree and represent to the Company that no later than fifteen (15) business days prior to your Start Date you will have disclosed **fully** and **completely** the nature and extent of your Outside Directorships to your Staffing contact. Please provide the requested information on the attached Outside Directorships Disclosure Form.

Further, in the event the Company denies approval of your Outside Director position, you agree that you will as soon as practicable effect your resignation from the Outside Directorship and promptly complete whatever additional documentation may be required to effect your resignation(s).

Representations & Warranties

- **"Garden Leave" / Notice Period Obligations.** Except as otherwise disclosed in writing to the Company, by signing this letter, you represent to the Company that other than the one hundred eighty (180) calendar day notice requirement owed to your current employer, which the Company acknowledges and you have agreed to adhere to, your acceptance of this offer and agreement to accept employment with the Company under these terms will not conflict with, violate or constitute a breach of any employment or other agreement to which you are a party and that you are not required to obtain the consent of any person, firm, corporation or other entity to accept this offer of employment. In recognition of this 180-day notice period, your employment with the Company will commence on or about September 1, 2011, or any such earlier date as you can demonstrate release from this requirement.

- **Solicitation of Business and Former Colleagues.** Except as otherwise disclosed in writing to the Company, you further warrant and represent that you are not subject to any restrictive covenants or other continuing obligations that in any way restrict your ability to engage in or solicit any business of any type engaged in by the Company, or to participate in any recruiting or staffing efforts on behalf of the Company.

[2] "Outside Directorships" include all directorships or board memberships or committee memberships you hold at the time you sign this letter.

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- **Non-Disclosure of Confidential, Business and Proprietary or Trade Secret Information .** You further represent and agree that you will not knowingly use or otherwise disclose any confidential, business and proprietary or trade secret information obtained as a result of any prior employment, unless specifically authorized to do so by your former employer(s). You should clearly understand that this provision of this letter should be regarded as this Company's explicit instruction for you not to use or disclose this information in breach and / or violation of your representations and agreement.

- **Confidentiality.** You agree that to the fullest extent permitted by law, the circumstances surrounding the negotiation of, and the specific terms of this letter, and any and all actions by the Company and you in accordance therewith are strictly confidential and, with the exception of your counsel, legal advisor, tax advisor, immediate family, or as required by applicable law or in connection with your seeking to enforce your rights hereunder, have not and shall not be disclosed, discussed, or revealed to any other persons, entities or organizations, whether within or outside the Company, without the prior written approval of the Company. This provision specifically refers to your co-workers and other associates at Morgan Stanley and within the Company. You further agree to take all reasonable steps necessary to ensure that confidentiality is maintained by any of the individuals or entities referenced in this paragraph to whom disclosure is authorized.

- **Regulatory Compliance.** Notwithstanding anything herein to the contrary, you expressly acknowledge that any payment of any kind provided by or referenced in this offer letter must comply with all applicable laws, including any other compensation restrictions or requirements imposed by the Company's regulators before or after the date of this letter. If any payment pursuant to this letter would violate applicable law in the reasonable, good faith judgment of the Company after consultation with you and your counsel, you agree to waive your right to, or if permissible, agree to the deferment of, such payment and, to the extent required by any applicable law, to execute a release of any relevant company within Bank of America and any relevant governmental agency from any claim arising from failure of the Company to make, or the requirement of the Company to defer, such payment; provided that, the Company agrees to (i) work in good faith with any applicable regulator to implement the terms of this offer letter in its original form, (ii) if such implementation is not possible, in whole or in part, to use its reasonable best efforts to provide to you the value of any waived amounts in an alternative form that is acceptable to the Company's regulators, and (iii) in any event, generally treat you no less favorably than the other Senior Executives who are scheduled to receive similar payments.

This letter and the attachments referenced herein constitute the complete understanding between you and the Company concerning the subject matter(s) addressed, and they supersede any prior oral or written understanding regarding the terms and conditions of your employment with the Company. No oral modifications to the commitments made herein shall be valid. Any changes to these terms must be in writing and signed by you and an authorized representative of the Company.

Gary, we believe that you are capable of making an outstanding contribution to the Company and that we can offer you a challenging and rewarding career at Bank of America.

Please review this letter and return the signed copy on or before April 15, 2011, as this date represents the expiration of this offer.

If you have any questions regarding the contents of this letter, the policies and procedures referenced herein, or if there is any way I can help you further, please do not hesitate to call.

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Sincerely	**Accepted and Agreed:**
/s/ Andrea B. Smith	/s/ Gary G. Lynch
Andrea B. Smith Global Human Resources Executive	Gary G. Lynch
Anticipated Start Date: September 1, 2011	Dated: April 14, 2011

Attachments:

- Bank of America, Protection of Bank of America Confidential Information and Employee and Customer Relationships
- Proprietary Rights and Information Agreement
- Bank of America Outside Directorship Policy
- Outside Directorships Disclosure Form
- Form RSU Award Agreement
- Form LTC Award Agreement
- Reimbursement Agreement (for Signing Bonuses)

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Bank of America Corporation and Subsidiaries **Exhibit 12**

Ratio of Earnings to Fixed Charges

Ratio of Earnings to Fixed Charges and Preferred Dividends

(Dollars in millions)	Three Months Ended March 31, 2012	Year Ended December 31 2011	2010	2009	2008	2007
Excluding Interest on Deposits						
Income (loss) before income taxes	**$ 719**	$ (230)	$ (1,323)	$ 4,360	$ 4,428	$ 20,924
Equity in undistributed earnings (loss) of unconsolidated subsidiaries	**151**	596	1,210	(1,833)	(144)	(95)
Fixed charges:						
Interest expense	**4,066**	18,618	19,977	23,000	25,074	34,778
1/3 of net rent expense [(1)]	**274**	1,072	1,099	1,110	791	669
Total fixed charges	**4,340**	19,690	21,076	24,110	25,865	35,447
Preferred dividend requirements [(2)]	**406**	n/m	802	5,921	1,461	254
Fixed charges and preferred dividends	**4,746**	19,690	21,878	30,031	27,326	35,701
Earnings	**$ 5,210**	$ 20,056	$ 20,963	$ 26,637	$ 30,149	$ 56,276
Ratio of earnings to fixed charges [(3)]	**1.20**	1.02	0.99	1.10	1.17	1.59
Ratio of earnings to fixed charges and preferred dividends [(3, 4)]	**1.10**	1.02	0.96	0.89	1.10	1.58

(Dollars in millions)	Three Months Ended March 31, 2012	Year Ended December 31 2011	2010	2009	2008	2007
Including Interest on Deposits						
Income (loss) before income taxes	**$ 719**	$ (230)	$ (1,323)	$ 4,360	$ 4,428	$ 20,924
Equity in undistributed earnings (loss) of unconsolidated subsidiaries	**151**	596	1,210	(1,833)	(144)	(95)
Fixed charges:						
Interest expense	**4,615**	21,620	23,974	30,807	40,324	52,871
1/3 of net rent expense [(1)]	**274**	1,072	1,099	1,110	791	669
Total fixed charges	**4,889**	22,692	25,073	31,917	41,115	53,540
Preferred dividend requirements [(2)]	**406**	n/m	802	5,921	1,461	254
Fixed charges and preferred dividends	**5,295**	22,692	25,875	37,838	42,576	53,794
Earnings	**$ 5,759**	$ 23,058	$ 24,960	$ 34,444	$ 45,399	$ 74,369
Ratio of earnings to fixed charges	**1.18**	1.02	1.00	1.08	1.10	1.39
Ratio of earnings to fixed charges and preferred dividends [(3, 4)]	**1.09**	1.02	0.96	0.90	1.07	1.38

(1) Represents an appropriate interest factor.

(2) Reflects the impact of $8.8 billion of mortgage banking losses and $3.2 billion of goodwill impairment charges during 2011 which resulted in a negative preferred dividend requirement.

(3) The earnings for 2010 were inadequate to cover the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred dividends. The earnings deficiency is a result of $12.4 billion of goodwill impairment charges during 2010. The coverage deficiency for fixed charges was $113 million and the coverage for fixed charges and preferred dividends was $915 million.

(4) The earnings for 2009 were inadequate to cover fixed charges and preferred stock dividends. The earnings deficiency is a result of the accelerated accretion of $4.0 billion recorded as a result of the repurchase of TARP Preferred Stock. The coverage deficiency for fixed charges and preferred dividends was $3.4 billion.

n/m = not meaningful

Exhibit 31(a)

**Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002
for the Chief Executive Officer**

I, Brian T. Moynihan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bank of America Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2012

/s/ Brian T. Moynihan
Brian T. Moynihan
Chief Executive
Officer and President

Exhibit 31(b)

Certification Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002
for the Chief Financial Officer

I, Bruce R. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bank of America Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2012

/s/ Bruce R. Thompson
Bruce R. Thompson
Chief Financial Officer

Exhibit 32(a)

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

I, Brian T. Moynihan, state and attest that:

1. I am the Chief Executive Officer of Bank of America Corporation (the registrant).
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:
   - the Quarterly Report on Form 10-Q of the registrant for the quarter endedMarch 31, 2012 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
   - the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the registrant as of, and for, the periods presented.

Date: May 3, 2012

/s/ Brian T. Moynihan
Brian T. Moynihan
Chief Executive
Officer and President

Exhibit 32(b)

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

I, Bruce R. Thompson, state and attest that:

1. I am the Chief Financial Officer of Bank of America Corporation (the registrant).
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:
   - the Quarterly Report on Form 10-Q of the registrant for the quarter endedMarch 31, 2012 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
   - the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the registrant as of, and for, the periods presented.

Date: May 3, 2012

/s/ Bruce R. Thompson
Bruce R. Thompson
Chief Financial Officer

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, *et al.*, Plaintiffs, v. BANK OF AMERICA CORPORATION, *et al.*, Defendants.	)	Civil Action No. ________

CONSENT JUDGMENT

WHEREAS, Plaintiffs, the United States of America and the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, 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 filed their complaint on March 12, 2012, alleging that Bank of America Corporation, Bank of America, N.A., BAC Home Loans Servicing, LP f/k/a Countrywide Home Loans Servicing, LP, Countrywide Home Loans, Inc., Countrywide Financial Corporation, Countrywide Mortgage Ventures, LLC, and Countrywide Bank, FSB (collectively, for the sake of convenience only, "Defendant") violated, among other laws, the Unfair and Deceptive Acts and

Practices laws of the Plaintiff States, the False Claims Act, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Servicemembers Civil Relief Act, and the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

WHEREAS, the parties have agreed to resolve their claims without the need for litigation;

WHEREAS, Defendant has consented to entry of this Consent Judgment without trial or adjudication of any issue of fact or law and to waive any appeal if the Consent Judgment is entered as submitted by the parties;

WHEREAS, Defendant, by entering into this Consent Judgment, does not admit the allegations of the Complaint other than those facts deemed necessary to the jurisdiction of this Court;

WHEREAS, the intention of the United States and the States in effecting this settlement is to remediate harms allegedly resulting from the alleged unlawful conduct of the Defendant;

AND WHEREAS, Defendant has agreed to waive service of the complaint and summons and hereby acknowledges the same;

NOW THEREFORE, without trial or adjudication of issue of fact or law, without this Consent Judgment constituting evidence against Defendant, and upon consent of Defendant, the Court finds that there is good and sufficient cause to enter this Consent Judgment, and that it is therefore ORDERED, ADJUDGED, AND DECREED:

I. JURISDICTION

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1345, 1355(a), and 1367, and under 31 U.S.C. § 3732(a) and (b), and over Defendant. The Complaint states a claim upon which relief may be granted against Defendant. Venue is appropriate in this District pursuant to 28 U.S.C. § 1391(b)(2) and 31 U.S.C. § 3732(a).

II. SERVICING STANDARDS

2. Bank of America, N.A. shall comply with the Servicing Standards, attached hereto as Exhibit A, in accordance with their terms and Section A of Exhibit E, attached hereto.

III. FINANCIAL TERMS

3. Payment Settlement Amounts. Bank of America Corporation and/or its affiliated entities shall pay or cause to be paid into an interest bearing escrow account to be established for this purpose the sum of $2,382,415,075, which sum shall be added to funds being paid by other institutions resolving claims in this litigation (which sum shall be known as the "Direct Payment Settlement Amount") and which sum shall be distributed in the manner and for the purposes specified in Exhibit B. Payment shall be made by electronic funds transfer no later than seven days after the Effective Date of this Consent Judgment, pursuant to written instructions to be provided by the United States Department of Justice. After the required payment has been made, Defendant shall no longer have any property right, title, interest or other legal claim in any funds held in escrow. The interest bearing escrow account established by this Paragraph 3 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. The Monitoring Committee established in Paragraph 8 shall, in its sole discretion, appoint an escrow agent ("Escrow Agent") who shall hold and distribute funds as provided herein. All costs and expenses of the Escrow Agent, including taxes, if any, shall be paid from the funds under its control, including any interest earned on the funds.

4. *Payments to Foreclosed Borrowers.* In accordance with written instructions from the State members of the Monitoring Committee, for the purposes set forth in Exhibit C, the Escrow Agent shall transfer from the escrow account to the Administrator appointed under Exhibit C $1,489,813,925.00 (the "Borrower Payment Amount") to enable the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure between and including January 1, 2008 and December 31,

2011; who submit claims for harm allegedly arising from the Covered Conduct (as that term is defined in Exhibit G hereto); and who otherwise meet criteria set forth by the State members of the Monitoring Committee. The Borrower Payment Amount and any other funds provided to the Administrator for these purposes shall be administered in accordance with the terms set forth in Exhibit C.

5. *Consumer Relief.* Defendant shall provide $7,626,200,000 of relief to consumers who meet the eligibility criteria in the forms and amounts described in Paragraphs 1-8 of Exhibit D, and $948,000,000 of refinancing relief to consumers who meet the eligibility criteria in the forms and amounts described in Paragraph 9 of Exhibit D, to remediate harms allegedly caused by the alleged unlawful conduct of Defendant. Defendant shall receive credit towards such obligation as described in Exhibit D.

IV. ENFORCEMENT

6. The Servicing Standards and Consumer Relief Requirements, attached as Exhibits A and D, are incorporated herein as the judgment of this Court and shall be enforced in accordance with the authorities provided in the Enforcement Terms, attached hereto as Exhibit E.

7. The Parties agree that Joseph A. Smith, Jr. shall be the Monitor and shall have the authorities and perform the duties described in the Enforcement Terms, attached hereto as Exhibit E.

8. Within fifteen (15) days of the Effective Date of this Consent Judgment, the participating state and federal agencies shall designate an Administration and Monitoring Committee (the "Monitoring Committee") as described in the Enforcement Terms. The Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this and all similar Consent Judgments and the monitoring of compliance with it by the Defendant.

V. RELEASES

9. The United States and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the Federal Release, attached hereto as Exhibit F. The United States and Defendant have also agreed that certain claims, and remedies are not released, as provided in Paragraph 11 of Exhibit F. The releases contained in Exhibit F shall become effective upon payment of the Direct Payment Settlement Amount by Defendant.

10. The State Parties and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the State Release, attached hereto as Exhibit G. The State Parties and Defendant have also agreed that certain claims, and remedies are not released, as provided in Part IV of Exhibit G. The releases contained in Exhibit G shall become effective upon payment of the Direct Payment Settlement Amount by Defendant.

VI. SERVICEMEMBERS CIVIL RELIEF ACT

11. The United States and Defendant have agreed to resolve certain claims arising under the Servicemembers Civil Relief Act ("SCRA") in accordance with the terms provided in Exhibit H. Any obligations undertaken pursuant to the terms provided in Exhibit H, including any obligation to provide monetary compensation to servicemembers, are in addition to the obligations undertaken pursuant to the other terms of this Consent Judgment. Only a payment to an individual for a wrongful foreclosure pursuant to the terms of Exhibit H shall be reduced by the amount of any payment from the Borrower Payment Amount.

VII. OTHER TERMS

12. The United States and any State Party may withdraw from the Consent Judgment and declare it null and void with respect to that party if the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) required under this Consent Judgment are not made and such non-payment is not cured within thirty days of written notice by the party.

13. This Court retains jurisdiction for the duration of this Consent Judgment to enforce its terms. The parties may jointly seek to modify the terms of this Consent Judgment, subject to the approval of this Court. This Consent Judgment may be modified only by order of this Court.

14. The Effective Date of this Consent Judgment shall be the date on which the Consent Judgment has been entered by the Court and has become final and non-appealable. An order entering the Consent Judgment shall be deemed final and non-appealable for this purpose if there is no party with a right to appeal the order on the day it is entered.

15. This Consent Judgment shall remain in full force and effect for three and one-half years from the date it is entered ("the Term"), at which time Defendant's obligations under the Consent Judgment shall expire, except that, pursuant to Exhibit E, Bank of America, N.A. shall submit a final Quarterly Report for the last quarter or portion thereof falling within the Term and cooperate with the Monitor's review of said report, which shall be concluded no later than six months after the end of the Term. Defendant shall have no further obligations under this Consent Judgment six months after the expiration of the Term, but the Court shall retain jurisdiction for purposes of enforcing or remedying any outstanding violations that are identified in the final Monitor Report and that have occurred but not been cured during the Term.

16. Except as otherwise agreed in Exhibit B, each party to this litigation will bear its own costs and attorneys' fees associated with this litigation.

17. Nothing in this Consent Judgment shall relieve Defendant of its obligation to comply with applicable state and federal law.

18. The United States and Defendant further agree to the additional terms contained in Exhibit I hereto.

19. The sum and substance of the parties' agreement and of this Consent Judgment are reflected herein and in the Exhibits attached hereto. In the event of a conflict between the terms of the Exhibits and paragraphs 1-18 of this summary document, the terms of the Exhibits shall govern.

SO ORDERED this ____ day of __________________, 2012

____

UNITED STATES DISTRICT JUDGE

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EXHIBIT A

Settlement Term Sheet

The provisions outlined below are intended to apply to loans secured by owner-occupied properties that serve as the primary residence of the borrower unless otherwise noted herein.

I. **Foreclosure and Bankruptcy Information and Documentation.**

Unless otherwise specified, these provisions shall apply to bankruptcy and foreclosures in all jurisdictions regardless of whether the jurisdiction has a judicial, non-judicial or quasi-judicial process for foreclosures and regardless of whether a statement is submitted during the foreclosure or bankruptcy process in the form of an affidavit, sworn statement or declarations under penalty of perjury (to the extent stated to be based on personal knowledge) ("Declaration").

A. Standards for Documents Used in Foreclosure and Bankruptcy Proceedings.

1. Servicer shall ensure that factual assertions made in pleadings (complaint, counterclaim, cross-claim, answer or similar pleadings), bankruptcy proofs of claim (including any facts provided by Servicer or based on information provided by the Servicer that are included in any attachment and submitted to establish the truth of such facts) ("POC"), Declarations, affidavits, and sworn statements filed by or on behalf of Servicer in judicial foreclosures or bankruptcy proceedings and notices of default, notices of sale and similar notices submitted by or on behalf of Servicer in non-judicial foreclosures are accurate and complete and are supported by competent and reliable evidence. Before a loan is referred to non-judicial foreclosure, Servicer shall ensure that it has reviewed competent and reliable evidence to substantiate the borrower's default and the right to foreclose, including the borrower's loan status and loan information.
2. Servicer shall ensure that affidavits, sworn statements, and Declarations are based on personal knowledge, which may be based on the affiant's review of Servicer's books and records, in accordance with the evidentiary requirements of applicable state or federal law.
3. Servicer shall ensure that affidavits, sworn statements and Declarations executed by Servicer's affiants are based on the affiant's review and personal knowledge of the accuracy and completeness of the assertions in the affidavit, sworn statement or Declaration, set out facts that Servicer reasonably believes would be admissible in evidence, and show that the affiant is competent to testify on the matters stated. Affiants shall confirm that they have reviewed competent and reliable evidence to substantiate the borrower's default and the right to foreclose, including the borrower's loan status and required loan ownership information. If an affiant relies on a review of business records for the basis of its affidavit, the referenced business record shall be attached if required by applicable state or federal law or court rule. This provision does not apply to affidavits, sworn statements and Declarations signed by counsel based solely on counsel's personal knowledge (such as affidavits of counsel relating to service of process, extensions of time, or fee petitions) that are not based on a review of Servicer's books and records. Separate affidavits, sworn statements or Declarations shall be used when one affiant does not have requisite personal knowledge of all required information.

4. Servicer shall have standards for qualifications, training and supervision of employees. Servicer shall train and supervise employees who regularly prepare or execute affidavits, sworn statements or Declarations. Each such employee shall sign a certification that he or she has received the training. Servicer shall oversee the training completion to ensure each required employee properly and timely completes such training. Servicer shall maintain written records confirming that each such employee has completed the training and the subjects covered by the training.
5. Servicer shall review and approve standardized forms of affidavits, standardized forms of sworn statements, and standardized forms of Declarations prepared by or signed by an employee or officer of Servicer, or executed by a third party using a power of attorney on behalf of Servicer, to ensure compliance with applicable law, rules, court procedure, and the terms of this Agreement ("the Agreement").
6. Affidavits, sworn statements and Declarations shall accurately identify the name of the affiant, the entity of which the affiant is an employee, and the affiant's title.
7. Affidavits, sworn statements and Declarations, including their notarization, shall fully comply with all applicable state law requirements.
8. Affidavits, sworn statements and Declarations shall not contain information that is false or unsubstantiated. This requirement shall not preclude Declarations based on information and belief where so stated.
9. Servicer shall assess and ensure that it has an adequate number of employees and that employees have reasonable time to prepare, verify, and execute pleadings, POCs, motions for relief from stay ("MRS"), affidavits, sworn statements and Declarations.
10. Servicer shall not pay volume-based or other incentives to employees or third-party providers or trustees that encourage undue haste or lack of due diligence over quality.
11. Affiants shall be individuals, not entities, and affidavits, sworn statements and Declarations shall be signed by hand signature of the affiant (except for permitted electronic filings). For such documents, except for permitted electronic filings, signature stamps and any other means of electronic or mechanical signature are prohibited.
12. At the time of execution, all information required by a form affidavit, sworn statement or Declaration shall be complete.
13. Affiants shall date their signatures on affidavits, sworn statements or Declarations.
14. Servicer shall maintain records that identify all notarizations of Servicer documents executed by each notary employed by Servicer.
15. Servicer shall not file a POC in a bankruptcy proceeding which, when filed, contained materially inaccurate information. In cases in which such a POC may have been filed, Servicer shall not rely on such POC and shall (a) in active cases, at Servicer's expense, take appropriate action, consistent with state and federal law and court procedure, to substitute such POC with an amended POC as promptly as reasonably practicable (and, in any event, not more than 30 days) after acquiring actual knowledge of such material inaccuracy and provide appropriate written notice to the borrower or borrower's counsel; and (b) in other cases, at Servicer's expense, take appropriate action after acquiring actual knowledge of such material inaccuracy.
16. Servicer shall not rely on an affidavit of indebtedness or similar affidavit, sworn statement or Declaration filed in a pending pre-judgment judicial foreclosure or

bankruptcy proceeding which (a) was required to be based on the affiant's review and personal knowledge of its accuracy but was not, (b) was not, when so required, properly notarized, or (c) contained materially inaccurate information in order to obtain a judgment of foreclosure, order of sale, relief from the automatic stay or other relief in bankruptcy. In pending cases in which such affidavits, sworn statements or Declarations may have been filed, Servicer shall, at Servicer's expense, take appropriate action, consistent with state and federal law and court procedure, to substitute such affidavits with new affidavits and provide appropriate written notice to the borrower or borrower's counsel.

17. In pending post-judgment, pre-sale cases in judicial foreclosure proceedings in which an affidavit or sworn statement was filed which was required to be based on the affiant's review and personal knowledge of its accuracy but may not have been, or that may not have, when so required, been properly notarized, and such affidavit or sworn statement has not been re-filed, Servicer, unless prohibited by state or local law or court rule, will provide written notice to borrower at borrower's address of record or borrower's counsel prior to proceeding with a foreclosure sale or eviction proceeding.
18. In all states, Servicer shall send borrowers a statement setting forth facts supporting Servicer's or holder's right to foreclose and containing the information required in paragraphs I.B.6 (items available upon borrower request), I.B.10 (account statement), I.C.2 and I.C.3 (ownership statement), and IV.B.13 (loss mitigation statement) herein. Servicer shall send this statement to the borrower in one or more communications no later than 14 days prior to referral to foreclosure attorney or foreclosure trustee. Servicer shall provide the Monitoring Committee with copies of proposed form statements for review before implementation.

B. Requirements for Accuracy and Verification of Borrower's Account Information.

1. Servicer shall maintain procedures to ensure accuracy and timely updating of borrower's account information, including posting of payments and imposition of fees. Servicer shall also maintain adequate documentation of borrower account information, which may be in either electronic or paper format.
2. For any loan on which interest is calculated based on a daily accrual or daily interest method and as to which any obligor is not a debtor in a bankruptcy proceeding without reaffirmation, Servicer shall promptly accept and apply all borrower payments, including cure payments (where authorized by law or contract), trial modification payments, as well as non-conforming payments, unless such application conflicts with contract provisions or prevailing law. Servicer shall ensure that properly identified payments shall be posted no more than two business days after receipt at the address specified by Servicer and credited as of the date received to borrower's account. Each monthly payment shall be applied in the order specified in the loan documents.
3. For any loan on which interest is not calculated based on a daily accrual or daily interest method and as to which any obligor is not a debtor in a bankruptcy proceeding without reaffirmation, Servicer shall promptly accept and apply all borrower conforming payments, including cure payments (where authorized by law or contract), unless such application conflicts with contract provisions or prevailing law. Servicer shall continue to accept trial modification payments consistent with existing payment application practices. Servicer shall ensure that properly identified payments shall be posted no more than two business days after receipt at the address specified by Servicer. Each monthly payment shall be applied in the

order specified in the loan documents.

a. Servicer shall accept and apply at least two non-conforming payments from the borrower, in accordance with this subparagraph, when the payment, whether on its own or when combined with a payment made by another source, comes within $50.00 of the scheduled payment, including principal and interest and, where applicable, taxes and insurance.

b. Except for payments described in paragraph I.B.3.a, Servicer may post partial payments to a suspense or unapplied funds account, provided that Servicer (1) discloses to the borrower the existence of and any activity in the suspense or unapplied funds account; (2) credits the borrower's account with a full payment as of the date that the funds in the suspense or unapplied funds account are sufficient to cover such full payment; and (3) applies payments as required by the terms of the loan documents. Servicer shall not take funds from suspense or unapplied funds accounts to pay fees until all unpaid contractual interest, principal, and escrow amounts are paid and brought current or other final disposition of the loan.

4. Notwithstanding the provisions above, Servicer shall not be required to accept payments which are insufficient to pay the full balance due after the borrower has been provided written notice that the contract has been declared in default and the remaining payments due under the contract have been accelerated.

5. Servicer shall provide to borrowers (other than borrowers in bankruptcy or borrowers who have been referred to or are going through foreclosure) adequate information on monthly billing or other account statements to show in clear and conspicuous language:

a. total amount due;

b. allocation of payments, including a notation if any payment has been posted to a “suspense or unapplied funds account”;

c. unpaid principal;

d. fees and charges for the relevant time period;

e. current escrow balance; and

f. reasons for any payment changes, including an interest rate or escrow account adjustment, no later than 21 days before the new amount is due (except in the case of loans as to which interest accrues daily or the rate changes more frequently than once every 30 days);

Statements as described above are not required to be delivered with respect to any fixed rate residential mortgage loan as to which the borrower is provided a coupon book.

6. In the statements described in paragraphs I.A.18 and III.B.1.a, Servicer shall notify borrowers that they may receive, upon written request:

a. A copy of the borrower's payment history since the borrower was last less than 60 days past due;

b. A copy of the borrower's note;

c. If Servicer has commenced foreclosure or filed a POC, copies of any assignments of mortgage or deed of trust required to demonstrate the right to foreclose on the borrower's note under applicable state law; and

d. The name of the investor that holds the borrower's loan.

7. Servicer shall adopt enhanced billing dispute procedures, including for disputes regarding fees. These procedures will include:

a. Establishing readily available methods for customers to lodge complaints and pose questions, such as by providing toll-free numbers and accepting disputes by email;
b. Assessing and ensuring adequate and competent staff to answer and respond to consumer disputes promptly;
c. Establishing a process for dispute escalation;
d. Tracking the resolution of complaints; and
e. Providing a toll-free number on monthly billing statements.

8. Servicer shall take appropriate action to promptly remediate any inaccuracies in borrowers' account information, including:
a. Correcting the account information;
b. Providing cash refunds or account credits; and
c. Correcting inaccurate reports to consumer credit reporting agencies.

9. Servicer's systems to record account information shall be periodically independently reviewed for accuracy and completeness by an independent reviewer.

10. As indicated in paragraph I.A.18, Servicer shall send the borrower an itemized plain language account summary setting forth each of the following items, to the extent applicable:
a. The total amount needed to reinstate or bring the account current, and the amount of the principal obligation under the mortgage;
b. The date through which the borrower's obligation is paid;
c. The date of the last full payment;
d. The current interest rate in effect for the loan (if the rate is effective for at least 30 days);
e. The date on which the interest rate may next reset or adjust (unless the rate changes more frequently than once every 30 days);
f. The amount of any prepayment fee to be charged, if any;
g. A description of any late payment fees;
h. A telephone number or electronic mail address that may be used by the obligor to obtain information regarding the mortgage; and
i. The names, addresses, telephone numbers, and Internet addresses of one or more counseling agencies or programs approved by HUD (http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm).

11. In active chapter 13 cases, Servicer shall ensure that:
a. prompt and proper application of payments is made on account of (a) pre-petition arrearage amounts and (b) post-petition payment amounts and posting thereof as of the successful consummation of the effective confirmed plan;
b. the debtor is treated as being current so long as the debtor is making payments in accordance with the terms of the then-effective confirmed plan and any later effective payment change notices; and
c. as of the date of dismissal of a debtor's bankruptcy case, entry of an order granting Servicer relief from the stay, or entry of an order granting the debtor a discharge, there is a reconciliation of payments received with respect to the debtor's obligations during the case and appropriately update the Servicer's systems of record. In connection with such reconciliation, Servicer shall reflect the waiver of any fee, expense or charge pursuant to paragraphs III.B.1.c.i or III.B.1.d.

C. Documentation of Note, Holder Status and Chain of Assignment.

1. Servicer shall implement processes to ensure that Servicer or the foreclosing entity has a documented enforceable interest in the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the foreclosure action.
2. Servicer shall include a statement in a pleading, affidavit of indebtedness or similar affidavits in court foreclosure proceedings setting forth the basis for asserting that the foreclosing party has the right to foreclose.
3. Servicer shall set forth the information establishing the party's right to foreclose as set forth in I.C.2 in a communication to be sent to the borrower as indicated in I.A.18.
4. If the original note is lost or otherwise unavailable, Servicer shall comply with applicable law in an attempt to establish ownership of the note and the right to enforcement. Servicer shall ensure good faith efforts to obtain or locate a note lost while in the possession of Servicer or Servicer's agent and shall ensure that Servicer and Servicer's agents who are expected to have possession of notes or assignments of mortgage on behalf of Servicer adopt procedures that are designed to provide assurance that the Servicer or Servicer's agent would locate a note or assignment of mortgage if it is in the possession or control of the Servicer or Servicer's agent, as the case may be. In the event that Servicer prepares or causes to be prepared a lost note or lost assignment affidavit with respect to an original note or assignment lost while in Servicer's control, Servicer shall use good faith efforts to obtain or locate the note or assignment in accordance with its procedures. In the affidavit, sworn statement or other filing documenting the lost note or assignment, Servicer shall recite that Servicer has made a good faith effort in accordance with its procedures for locating the lost note or assignment.
5. Servicer shall not intentionally destroy or dispose of original notes that are still in force.
6. Servicer shall ensure that mortgage assignments executed by or on behalf of Servicer are executed with appropriate legal authority, accurately reflective of the completed transaction and properly acknowledged.

D. Bankruptcy Documents.

1. **Proofs of Claim (“POC”)**. Servicer shall ensure that POCs filed on behalf of Servicer are documented in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and any applicable local rule or order (“bankruptcy law”). Unless not permitted by statute or rule, Servicer shall ensure that each POC is documented by attaching:
    a. The original or a duplicate of the note, including all indorsements; a copy of any mortgage or deed of trust securing the notes (including, if applicable, evidence of recordation in the applicable land records); and copies of any assignments of mortgage or deed of trust required to demonstrate the right to foreclose on the borrower's note under applicable state law (collectively, “Loan Documents”). If the note has been lost or destroyed, a lost note affidavit shall be submitted.
    b. If, in addition to its principal amount, a claim includes interest, fees, expenses, or other charges incurred before the petition was filed, an itemized statement of the interest, fees, expenses, or charges shall be filed with the proof of claim (including any expenses or charges based on an escrow analysis as of the date of filing) at least in the detail specified in the

current draft of Official Form B 10 (effective December 2011) ("Official Form B 10") Attachment A.

c. A statement of the amount necessary to cure any default as of the date of the petition shall be filed with the proof of claim.

d. If a security interest is claimed in property that is the debtor's principal residence, the attachment prescribed by the appropriate Official Form shall be filed with the proof of claim.

e. Servicer shall include a statement in a POC setting forth the basis for asserting that the applicable party has the right to foreclose.

f. The POC shall be signed (either by hand or by appropriate electronic signature) by the responsible person under penalty of perjury after reasonable investigation, stating that the information set forth in the POC is true and correct to the best of such responsible person's knowledge, information, and reasonable belief, and clearly identify the responsible person's employer and position or title with the employer.

2. **Motions for Relief from Stay ("MRS")**. Unless not permitted by bankruptcy law, Servicer shall ensure that each MRS in a chapter 13 proceeding is documented by attaching:

   a. To the extent not previously submitted with a POC, a copy of the Loan Documents; if such documents were previously submitted with a POC, a statement to that effect. If the promissory note has been lost or destroyed, a lost note affidavit shall be submitted;

   b. To the extent not previously submitted with a POC, Servicer shall include a statement in an MRS setting forth the basis for asserting that the applicable party has the right to foreclose.

   c. An affidavit, sworn statement or Declaration made by Servicer or based on information provided by Servicer ("MRS affidavit" (which term includes, without limitation, any facts provided by Servicer that are included in any attachment and submitted to establish the truth of such facts) setting forth:

      i. whether there has been a default in paying pre-petition arrearage or post-petition amounts (an "MRS delinquency");

      ii. if there has been such a default, (a) the unpaid principal balance, (b) a description of any default with respect to the pre-petition arrearage, (c) a description of any default with respect to the post-petition amount (including, if applicable, any escrow shortage), (d) the amount of the pre-petition arrearage (if applicable), (e) the post-petition payment amount , (f) for the period since the date of the first post-petition or pre-petition default that is continuing and has not been cured, the date and amount of each payment made (including escrow payments) and the application of each such payment, and (g) the amount, date and description of each fee or charge applied to such pre-petition amount or post-petition amount since the later of the date of the petition or the preceding statement pursuant to paragraph III.B.1.a; and

      iii. all amounts claimed, including a statement of the amount necessary to cure any default on or about the date of the MRS.

   d. All other attachments prescribed by statute, rule, or law.

   e. Servicer shall ensure that any MRS discloses the terms of any trial period or permanent loan modification plan pending at the time of filing of a MRS or whether the debtor is being evaluated for a loss mitigation option.

E. Quality Assurance Systems Review.

1. Servicer shall conduct regular reviews, not less than quarterly, of a statistically valid sample of affidavits, sworn statements, Declarations filed by or on behalf of Servicer in judicial foreclosures or bankruptcy proceedings and notices of default, notices of sale and similar notices submitted in non-judicial foreclosures to ensure that the documents are accurate and comply with prevailing law and this Agreement.
   a. The reviews shall also verify the accuracy of the statements in affidavits, sworn statements, Declarations and documents used to foreclose in non-judicial foreclosures, the account summary described in paragraph I.B.10, the ownership statement described in paragraph I.C.2, and the loss mitigation statement described in paragraph IV.B.13 by reviewing the underlying information. Servicer shall take appropriate remedial steps if deficiencies are identified, including appropriate remediation in individual cases.
   b. The reviews shall also verify the accuracy of the statements in affidavits, sworn statements and Declarations submitted in bankruptcy proceedings. Servicer shall take appropriate remedial steps if deficiencies are identified, including appropriate remediation in individual cases.
2. The quality assurance steps set forth above shall be conducted by Servicer employees who are separate and independent of employees who prepare foreclosure or bankruptcy affidavits, sworn statements, or other foreclosure or bankruptcy documents.
3. Servicer shall conduct regular pre-filing reviews of a statistically valid sample of POCs to ensure that the POCs are accurate and comply with prevailing law and this Agreement. The reviews shall also verify the accuracy of the statements in POCs. Servicer shall take appropriate remedial steps if deficiencies are identified, including appropriate remediation in individual cases. The pre-filing review shall be conducted by Servicer employees who are separate and independent of the persons who prepared the applicable POCs.
4. Servicer shall regularly review and assess the adequacy of its internal controls and procedures with respect to its obligations under this Agreement, and implement appropriate procedures to address deficiencies.

II. Third-Party Provider Oversight.

A. *Oversight Duties Applicable to All Third-Party Providers.*

Servicer shall adopt policies and processes to oversee and manage foreclosure firms, law firms, foreclosure trustees, subservicers and other agents, independent contractors, entities and third parties (including subsidiaries and affiliates) retained by or on behalf of Servicer that provide foreclosure, bankruptcy or mortgage servicing activities (including loss mitigation) (collectively, such activities are “Servicing Activities” and such providers are “Third-Party Providers”), including:

1. Servicer shall perform appropriate due diligence of Third-Party Providers' qualifications, expertise, capacity, reputation, complaints, information security, document custody practices, business continuity, and financial viability.
2. Servicer shall amend agreements, engagement letters, or oversight policies, or enter into new agreements or engagement letters, with Third-Party Providers to require them to comply with Servicer's applicable policies and procedures (which will

incorporate any applicable aspects of this Agreement) and applicable state and federal laws and rules.

3. Servicer shall ensure that agreements, contracts or oversight policies provide for adequate oversight, including measures to enforce Third-Party Provider contractual obligations, and to ensure timely action with respect to Third-Party Provider performance failures.
4. Servicer shall ensure that foreclosure and bankruptcy counsel and foreclosure trustees have appropriate access to information from Servicer's books and records necessary to perform their duties in preparing pleadings and other documents submitted in foreclosure and bankruptcy proceedings.
5. Servicer shall ensure that all information provided by or on behalf of Servicer to Third-Party Providers in connection with providing Servicing Activities is accurate and complete.
6. Servicer shall conduct periodic reviews of Third-Party Providers. These reviews shall include:
   a. A review of a sample of the foreclosure and bankruptcy documents prepared by the Third-Party Provider, to provide for compliance with applicable state and federal law and this Agreement in connection with the preparation of the documents, and the accuracy of the facts contained therein;
   b. A review of the fees and costs assessed by the Third-Party Provider to provide that only fees and costs that are lawful, reasonable and actually incurred are charged to borrowers and that no portion of any fees or charges incurred by any Third-Party Provider for technology usage, connectivity, or electronic invoice submission is charged as a cost to the borrower;
   c. A review of the Third-Party Provider's processes to provide for compliance with the Servicer's policies and procedures concerning Servicing Activities;
   d. A review of the security of original loan documents maintained by the Third-Party Provider;
   e. A requirement that the Third-Party Provider disclose to the Servicer any imposition of sanctions or professional disciplinary action taken against them for misconduct related to performance of Servicing Activities; and
   f. An assessment of whether bankruptcy attorneys comply with the best practice of determining whether a borrower has made a payment curing any MRS delinquency within two business days of the scheduled hearing date of the related MRS.

The quality assurance steps set forth above shall be conducted by Servicer employees who are separate and independent of employees who prepare foreclosure or bankruptcy affidavits, sworn documents, Declarations or other foreclosure or bankruptcy documents.

7. Servicer shall take appropriate remedial steps if problems are identified through this review or otherwise, including, when appropriate, terminating its relationship with the Third-Party Provider.
8. Servicer shall adopt processes for reviewing and appropriately addressing customer complaints it receives about Third-Party Provider services.
9. Servicer shall regularly review and assess the adequacy of its internal controls and procedures with respect to its obligations under this Section, and take appropriate remedial steps if deficiencies are identified, including appropriate remediation in individual cases.

B. *Additional Oversight of Activities by Third-Party Providers.*

1. Servicer shall require a certification process for law firms (and recertification of existing law firm providers) that provide residential mortgage foreclosure and bankruptcy services for Servicer, on a periodic basis, as qualified to serve as a Third-Party Provider to Servicer, including that attorneys have the experience and competence necessary to perform the services requested.
2. Servicer shall ensure that attorneys are licensed to practice in the relevant jurisdiction, have the experience and competence necessary to perform the services requested, and that their services comply with applicable rules, regulations and applicable law (including state law prohibitions on fee splitting).
3. Servicer shall ensure that foreclosure and bankruptcy counsel and foreclosure trustees have an appropriate Servicer contact to assist in legal proceedings and to facilitate loss mitigation questions on behalf of the borrower.
4. Servicer shall adopt policies requiring Third-Party Providers to maintain records that identify all notarizations of Servicer documents executed by each notary employed by the Third-Party Provider.

III. Bankruptcy.

A. General.

1. The provisions, conditions and obligations imposed herein are intended to be interpreted in accordance with applicable federal, state and local laws, rules and regulations. Nothing herein shall require a Servicer to do anything inconsistent with applicable state or federal law, including the applicable bankruptcy law or a court order in a bankruptcy case.
2. Servicer shall ensure that employees who are regularly engaged in servicing mortgage loans as to which the borrower or mortgagor is in bankruptcy receive training specifically addressing bankruptcy issues.

B. Chapter 13 Cases.

1. In any chapter 13 case, Servicer shall ensure that:
   a. So long as the debtor is in a chapter 13 case, within 180 days after the date on which the fees, expenses, or charges are incurred, file and serve on the debtor, debtor's counsel, and the trustee a notice in a form consistent with Official Form B10 (Supplement 2) itemizing fees, expenses, or charges (1) that were incurred in connection with the claim after the bankruptcy case was filed, (2) that the holder asserts are recoverable against the debtor or against the debtor's principal residence, and (3) that the holder intends to collect from the debtor.
   b. Servicer replies within time periods established under bankruptcy law to any notice that the debtor has completed all payments under the plan or otherwise paid in full the amount required to cure any pre-petition default.
   c. If the Servicer fails to provide information as required by paragraph III.B.1.a with respect to a fee, expense or charge within 180 days of the incurrence of such fee, expense, or charge, then,
      i. Except for independent charges ("Independent charge") paid by the Servicer that is either (A) specifically authorized by the borrower or (B) consists of amounts advanced by Servicer in respect of taxes, homeowners association fees, liens or insurance, such fee, expense or charge shall be deemed waived and may not be collected from the borrower.
      ii. In the case of an Independent charge, the court may, after notice and hearing, take either or both of the following actions:

(a) preclude the holder from presenting the omitted information, in any form, as evidence in any contested matter or adversary proceeding in the case, unless the court determines that the failure was substantially justified or is harmless; or

(b) award other appropriate relief, including reasonable expenses and attorney's fees caused by the failure.

d. If the Servicer fails to provide information as required by paragraphs III.B.1.a or III.B.1.b and bankruptcy law with respect to a fee, expense or charge (other than an Independent Charge) incurred more than 45 days before the date of the reply referred to in paragraph III.B.1.b, then such fee, expense or charge shall be deemed waived and may not be collected from the borrower.

e. Servicer shall file and serve on the debtor, debtor's counsel, and the trustee a notice in a form consistent with the current draft of Official Form B10 (Supplement 1) (effective December 2011) of any change in the payment amount, including any change that results from an interest rate or escrow account adjustment, no later than 21 days before a payment in the new amount is due. Servicer shall waive and not collect any late charge or other fees imposed solely as a result of the failure of the borrower timely to make a payment attributable to the failure of Servicer to give such notice timely.

IV. Loss Mitigation.

These requirements are intended to apply to both government-sponsored and proprietary loss mitigation programs and shall apply to subservicers performing loss mitigation services on Servicer's behalf.

A. Loss Mitigation Requirements.

1. Servicer shall be required to notify potentially eligible borrowers of currently available loss mitigation options prior to foreclosure referral. Upon the timely receipt of a complete loan modification application, Servicer shall evaluate borrowers for all available loan modification options for which they are eligible prior to referring a borrower to foreclosure and shall facilitate the submission and review of loss mitigation applications. The foregoing notwithstanding, Servicer shall have no obligation to solicit borrowers who are in bankruptcy.

2. Servicer shall offer and facilitate loan modifications for borrowers rather than initiate foreclosure when such loan modifications for which they are eligible are net present value (NPV) positive and meet other investor, guarantor, insurer and program requirements.

3. Servicer shall allow borrowers enrolled in a trial period plan under prior HAMP guidelines (where borrowers were not pre-qualified) and who made all required trial period payments, but were later denied a permanent modification, the opportunity to reapply for a HAMP or proprietary loan modification using current financial information.

4. Servicer shall promptly send a final modification agreement to borrowers who have enrolled in a trial period plan under current HAMP guidelines (or fully underwritten proprietary modification programs with a trial payment period) and who have made the required number of timely trial period payments, where the modification is underwritten prior to the trial period and has received any necessary investor, guarantor or insurer approvals. The borrower shall then be converted by Servicer to a permanent modification upon execution of the final modification documents,

consistent with applicable program guidelines, absent evidence of fraud.

B. Dual Track Restricted.

1. If a borrower has not already been referred to foreclosure, Servicer shall not refer an eligible borrower's account to foreclosure while the borrower's complete application for any loan modification program is pending if Servicer received (a) a complete loan modification application no later than day 120 of delinquency, or (b) a substantially complete loan modification application (missing only any required documentation of hardship) no later than day 120 of delinquency and Servicer receives any required hardship documentation no later than day 130 of delinquency. Servicer shall not make a referral to foreclosure of an eligible borrower who so provided an application until:
    a. Servicer determines (after the automatic review in paragraph IV.G.1) that the borrower is not eligible for a loan modification, or
    b. If borrower does not accept an offered foreclosure prevention alternative within 14 days of the evaluation notice, the earlier of (i) such 14 days, and (ii) borrower's decline of the foreclosure prevention offer.
2. If borrower accepts the loan modification resulting from Servicer's evaluation of the complete loan modification application referred to in paragraph IV.B.1 (verbally, in writing (including e-mail responses) or by submitting the first trial modification payment) within 14 days of Servicer's offer of a loan modification, then the Servicer shall delay referral to foreclosure until (a) if the Servicer fails timely to receive the first trial period payment, the last day for timely receiving the first trial period payment, and (b) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
3. If the loan modification requested by a borrower as described in paragraph IV.B.1 is denied, except when otherwise required by federal or state law or investor directives, if borrower is entitled to an appeal under paragraph IV.G.3, Servicer will not proceed to a foreclosure sale until the later of (if applicable):
    a. expiration of the 30-day appeal period; and
    b. if the borrower appeals the denial, until the later of (if applicable) (i) if Servicer denies borrower's appeal, 15 days after the letter denying the appeal, (ii) if the Servicer sends borrower a letter granting his or her appeal and offering a loan modification, 14 days after the date of such offer, (iii) if the borrower timely accepts the loan modification offer (verbally, in writing (including e-mail responses), or by making the first trial period payment), after the Servicer fails timely to receive the first trial period payment, and (iv) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
4. If, after an eligible borrower has been referred to foreclosure, the Servicer receives a complete application from the borrower within 30 days after the Post Referral to Foreclosure Solicitation Letter, then while such loan modification application is pending, Servicer shall not move for foreclosure judgment or order of sale (or, if a motion has already been filed, shall take reasonable steps to avoid a ruling on such motion), or seek a foreclosure sale. If Servicer offers the borrower a loan modification, Servicer shall not move for judgment or order of sale, (or, if a motion has already been filed, shall take reasonable steps to avoid a ruling on such motion), or seek a foreclosure sale until the earlier of (a) 14 days after the date of the related offer of a loan modification, and (b) the date the borrower declines the loan modification offer. If the borrower accepts the loan modification offer (verbally, in

writing (including e-mail responses) or by submitting the first trial modification payment) within 14 days after the date of the related offer of loan modification, Servicer shall continue this delay until the later of (if applicable) (A) the failure by the Servicer timely to receive the first trial period payment, and (B) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.

5. If the loan modification requested by a borrower described in paragraph IV.B.4 is denied, then, except when otherwise required by federal or state law or investor directives, if borrower is entitled to an appeal under paragraph IV.G.3, Servicer will not proceed to a foreclosure sale until the later of (if applicable):
   a. expiration of the 30-day appeal period;
      and
   b. if the borrower appeals the denial, until the later of (if applicable) (i) if Servicer denies borrower's appeal, 15 days after the letter denying the appeal, (ii) if the Servicer sends borrower a letter granting his or her appeal and offering a loan modification, 14 days after the date of such offer, (iii) if the borrower timely accepts the loan modification offer (verbally, in writing (including e-mail responses), or by making the first trial period payment), after the failure of the Servicer timely to receive the first trial period payment, and (iv) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
6. If, after an eligible borrower has been referred to foreclosure, Servicer receives a complete loan modification application more than 30 days after the Post Referral to Foreclosure Solicitation Letter, but more than 37 days before a foreclosure sale is scheduled, then while such loan modification application is pending, Servicer shall not proceed with the foreclosure sale. If Servicer offers a loan modification, then Servicer shall delay the foreclosure sale until the earlier of (i) 14 days after the date of the related offer of loan modification, and (ii) the date the borrower declines the loan modification offer. If the borrower accepts the loan modification offer (verbally, in writing (including e-mail responses) or by submitting the first trial modification payment) within 14 days, Servicer shall delay the foreclosure sale until the later of (if applicable) (A) the failure by the Servicer timely to receive the first trial period payment, and (B) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
7. If the loan modification requested by a borrower described in paragraph IV.B.6 is denied and it is reasonable to believe that more than 90 days remains until a scheduled foreclosure date or the first date on which a sale could reasonably be expected to be scheduled and occur, then, except when otherwise required by federal or state law or investor directives, if borrower is entitled to an appeal under paragraph IV.G.3.a, Servicer will not proceed to a foreclosure sale until the later of (if applicable):
   a. expiration of the 30-day appeal period;
      and
   b. if the borrower appeals the denial, until the later of (if applicable) (i) if Servicer denies borrower's appeal, 15 days after the letter denying the appeal, (ii) if the Servicer sends borrower a letter granting his or her appeal and offering a loan modification, 14 days after the date of such offer, (iii) if the borrower timely accepts the loan modification offer (verbally, in writing (including e-mail responses), or by making the first trial period payment), after the Servicer fails timely to receive the first trial period payment, and (iv) if the Servicer timely receives the first trial period payment, after the

borrower breaches the trial plan.

8. If, after an eligible borrower has been referred to foreclosure, Servicer receives a complete loan modification application more than 30 days after the Post Referral to Foreclosure Solicitation Letter, but within 37 to 15 days before a foreclosure sale is scheduled, then Servicer shall conduct an expedited review of the borrower and, if the borrower is extended a loan modification offer, Servicer shall postpone any foreclosure sale until the earlier of (a) 14 days after the date of the related evaluation notice, and (b) the date the borrower declines the loan modification offer. If the borrower timely accepts the loan modification offer (either in writing or by submitting the first trial modification payment), Servicer shall delay the foreclosure sale until the later of (if applicable) (A) the failure by the Servicer timely to receive the first trial period payment, and (B) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
9. If, after an eligible borrower has been referred to foreclosure, the Servicer receives a complete loan modification application more than 30 days after the Post Referral to Foreclosure Solicitation Letter and less than 15 days before a scheduled foreclosure sale, Servicer must notify the borrower before the foreclosure sale date as to Servicer's determination (if its review was completed) or inability to complete its review of the loan modification application. If Servicer makes a loan modification offer to the borrower, then Servicer shall postpone any sale until the earlier of (a) 14 days after the date of the related evaluation notice, and (b) the date the borrower declines the loan modification offer. If the borrower timely accepts a loan modification offer (either in writing or by submitting the first trial modification payment), Servicer shall delay the foreclosure sale until the later of (if applicable) (A) the failure by the Servicer timely to receive the first trial period payment, and (B) if the Servicer timely receives the first trial period payment, after the borrower breaches the trial plan.
10. For purposes of this section IV.B, Servicer shall not be responsible for failing to obtain a delay in a ruling on a judgment or failing to delay a foreclosure sale if Servicer made a request for such delay, pursuant to any state or local law, court rule or customary practice, and such request was not approved.
11. Servicer shall not move to judgment or order of sale or proceed with a foreclosure sale under any of the following circumstances:
    a. The borrower is in compliance with the terms of a trial loan modification, forbearance, or repayment plan; or
    b. A short sale or deed-in-lieu of foreclosure has been approved by all parties (including, for example, first lien investor, junior lien holder and mortgage insurer, as applicable), and proof of funds or financing has been provided to Servicer.
12. If a foreclosure or trustee's sale is continued (rather than cancelled) to provide time to evaluate loss mitigation options, Servicer shall promptly notify borrower in writing of the new date of sale (without delaying any related foreclosure sale).
13. As indicated in paragraph I.A.18, Servicer shall send a statement to the borrower outlining loss mitigation efforts undertaken with respect to the borrower prior to foreclosure referral. If no loss mitigation efforts were offered or undertaken, Servicer shall state whether it contacted or attempted to contact the borrower and, if applicable, why the borrower was ineligible for a loan modification or other loss mitigation options.
14. Servicer shall ensure timely and accurate communication of or access to relevant

loss mitigation status and changes in status to its foreclosure attorneys, bankruptcy attorneys and foreclosure trustees and, where applicable, to court-mandated mediators.

C. Single Point of Contact.

1. Servicer shall establish an easily accessible and reliable single point of contact ("SPOC") for each potentially-eligible first lien mortgage borrower so that the borrower has access to an employee of Servicer to obtain information throughout the loss mitigation, loan modification and foreclosure processes.

2. Servicer shall initially identify the SPOC to the borrower promptly after a potentially-eligible borrower requests loss mitigation assistance. Servicer shall provide one or more direct means of communication with the SPOC on loss mitigation-related correspondence with the borrower. Servicer shall promptly provide updated contact information to the borrower if the designated SPOC is reassigned, no longer employed by Servicer, or otherwise not able to act as the primary point of contact.

   a. Servicer shall ensure that debtors in bankruptcy are assigned to a SPOC specially trained in bankruptcy issues.

3. The SPOC shall have primary responsibility for:

   a. Communicating the options available to the borrower, the actions the borrower must take to be considered for these options and the status of Servicer's evaluation of the borrower for these options;
   b. Coordinating receipt of all documents associated with loan modification or loss mitigation activities;
   c. Being knowledgeable about the borrower's situation and current status in the delinquency/imminent default resolution process; and
   d. Ensuring that a borrower who is not eligible for MHA programs is considered for proprietary or other investor loss mitigation options.

4. The SPOC shall, at a minimum, provide the following services to borrowers:

   a. Contact borrower and introduce himself/herself as the borrower's SPOC;
   b. Explain programs for which the borrower is eligible;
   c. Explain the requirements of the programs for which the borrower is eligible;
   d. Explain program documentation requirements;
   e. Provide basic information about the status of borrower's account, including pending loan modification applications, other loss mitigation alternatives, and foreclosure activity;
   f. Notify borrower of missing documents and provide an address or electronic means for submission of documents by borrower in order to complete the loan modification application;
   g. Communicate Servicer's decision regarding loan modification applications and other loss mitigation alternatives to borrower in writing;
   h. Assist the borrower in pursuing alternative non-foreclosure options upon denial of a loan modification;
   i. If a loan modification is approved, call borrower to explain the program;
   j. Provide information regarding credit counseling where necessary;
   k. Help to clear for borrower any internal processing requirements; and
   l. Have access to individuals with the ability to stop foreclosure proceedings when necessary to comply with the MHA Program or this Agreement.

5. The SPOC shall remain assigned to borrower's account and available to borrower until such time as Servicer determines in good faith that all loss mitigation options

have been exhausted, borrower's account becomes current or, in the case of a borrower in bankruptcy, the borrower has exhausted all loss mitigation options for which the borrower is potentially eligible and has applied.

6. Servicer shall ensure that a SPOC can refer and transfer a borrower to an appropriate supervisor upon request of the borrower.
7. Servicer shall ensure that relevant records relating to borrower's account are promptly available to the borrower's SPOC, so that the SPOC can timely, adequately and accurately inform the borrower of the current status of loss mitigation, loan modification, and foreclosure activities.
8. Servicer shall designate one or more management level employees to be the primary contact for the Attorneys General, state financial regulators, the Executive Office of U.S. Trustee, each regional office of the U.S. Trustee, and federal regulators for communication regarding complaints and inquiries from individual borrowers who are in default and/or have applied for loan modifications. Servicer shall provide a written acknowledgment to all such inquiries within 10 business days. Servicer shall provide a substantive written response to all such inquiries within 30 days. Servicer shall provide relevant loan information to borrower and to Attorneys General, state financial regulators, federal regulators, the Executive Office of the U.S. Trustee, and each U.S. Trustee upon written request and if properly authorized. A written complaint filed by a borrower and forwarded by a state attorney general or financial regulatory agency to Servicer shall be deemed to have proper authorization.
9. Servicer shall establish and make available to Chapter 13 trustees a toll-free number staffed by persons trained in bankruptcy to respond to inquiries from Chapter 13 trustees.

D. Loss Mitigation Communications with Borrowers.

1. Servicer shall commence outreach efforts to communicate loss mitigation options for first lien mortgage loans to all potentially eligible delinquent borrowers (other than those in bankruptcy) beginning on timelines that are in accordance with HAMP borrower solicitation guidelines set forth in the MHA Handbook version 3.2, Chapter II, Section 2.2, regardless of whether the borrower is eligible for a HAMP modification. Servicer shall provide borrowers with notices that include contact information for national or state foreclosure assistance hotlines and state housing counseling resources, as appropriate. The use by Servicer of nothing more than prerecorded automatic messages in loss mitigation communications with borrowers shall not be sufficient in those instances in which it fails to result in contact between the borrower and one of Servicer's loss mitigation specialists. Servicer shall conduct affirmative outreach efforts to inform delinquent second lien borrowers (other than those in bankruptcy) about the availability of payment reduction options. The foregoing notwithstanding, Servicer shall have no obligation to solicit borrowers who are in bankruptcy.
2. Servicer shall disclose and provide accurate information to borrowers relating to the qualification process and eligibility factors for loss mitigation programs.
3. Servicer shall communicate, at the written request of the borrower, with the borrower's authorized representatives, including housing counselors. Servicer shall communicate with representatives from state attorneys general and financial regulatory agencies acting upon a written complaint filed by the borrower and forwarded by the state attorney general or financial regulatory agency to Servicer. When responding to the borrower regarding such complaint, Servicer shall include

the applicable state attorney general on all correspondence with the borrower regarding such complaint.

4. Servicer shall cease all collection efforts while the borrower (i) is making timely payments under a trial loan modification or (ii) has submitted a complete loan modification application, and a modification decision is pending. Notwithstanding the above, Servicer reserves the right to contact a borrower to gather required loss mitigation documentation or to assist a borrower with performance under a trial loan modification plan.
5. Servicer shall consider partnering with third parties, including national chain retailers, and shall consider the use of select bank branches affiliated with Servicer, to set up programs to allow borrowers to copy, fax, scan, transmit by overnight delivery, or mail or email documents to Servicer free of charge.
6. Within five business days after referral to foreclosure, the Servicer (including any attorney (or trustee) conducting foreclosure proceedings at the direction of the Servicer) shall send a written communication ("Post Referral to Foreclosure Solicitation Letter") to the borrower that includes clear language that:
    a. The Servicer may have sent to the borrower one or more borrower solicitation communications;
    b. The borrower can still be evaluated for alternatives to foreclosure even if he or she had previously shown no interest;
    c. The borrower should contact the Servicer to obtain a loss mitigation application package;
    d. The borrower must submit a loan modification application to the Servicer to request consideration for available foreclosure prevention alternatives;
    e. Provides the Servicer's contact information for submitting a complete loan modification application, including the Servicer's toll-free number; and
    f. Unless the form of letter is otherwise specified by investor directive or state law or the borrower is not eligible for an appeal under paragraph IV.G.3.a, states that if the borrower is contemplating or has pending an appeal of an earlier denial of a loan modification application, that he or she may submit a loan modification application in lieu of his or her appeal within 30 days after the Post Referral to Foreclosure Solicitation Letter.

E. Development of Loan Portals.

1. Servicer shall develop or contract with a third-party vendor to develop an online portal linked to Servicer's primary servicing system where borrowers can check, at no cost, the status of their first lien loan modifications.
2. Servicer shall design portals that may, among other things:
    a. Enable borrowers to submit documents electronically;
    b. Provide an electronic receipt for any documents submitted;
    c. Provide information and eligibility factors for proprietary loan modification and other loss mitigation programs; and
    d. Permit Servicer to communicate with borrowers to satisfy any written communications required to be provided by Servicer, if borrowers submit documents electronically.
3. Servicer shall participate in the development and implementation of a neutral, nationwide loan portal system linked to Servicer's primary servicing system, such as Hope LoanPort to enhance communications with housing counselors, including using the technology used for the Borrower Portal, and containing similar features to the Borrower Portal.

4. Servicer shall update the status of each pending loan modification on these portals at least every 10 business days and ensure that each portal is updated on such a schedule as to maintain consistency.

F. Loan Modification Timelines.

1. Servicer shall provide written acknowledgement of the receipt of documentation submitted by the borrower in connection with a first lien loan modification application within 3 business days. In its initial acknowledgment, Servicer shall briefly describe the loan modification process and identify deadlines and expiration dates for submitted documents.
2. Servicer shall notify borrower of any known deficiency in borrower's initial submission of information, no later than 5 business days after receipt, including any missing information or documentation required for the loan modification to be considered complete.
3. Subject to section IV.B, Servicer shall afford borrower 30 days from the date of Servicer's notification of any missing information or documentation to supplement borrower's submission of information prior to making a determination on whether or not to grant an initial loan modification.
4. Servicer shall review the complete first lien loan modification application submitted by borrower and shall determine the disposition of borrower's trial or preliminary loan modification request no later than 30 days after receipt of the complete loan modification application, absent compelling circumstances beyond Servicer's control.
5. Servicer shall implement processes to ensure that second lien loan modification requests are evaluated on a timely basis. When a borrower qualifies for a second lien loan modification after a first lien loan modification in accordance with Section 2.c.i of the General Framework for Consumer Relief Provisions, the Servicer of the second lien loan shall (absent compelling circumstances beyond Servicer's control) send loan modification documents to borrower no later than 45 days after the Servicer receives official notification of the successful completion of the related first lien loan modification and the essential terms.
6. For all proprietary first lien loan modification programs, Servicer shall allow properly submitted borrower financials to be used for 90 days from the date the documents are received, unless Servicer learns that there has been a material change in circumstances or unless investor requirements mandate a shorter time frame.
7. Servicer shall notify borrowers of the final denial of any first lien loan modification request within 10 business days of the denial decision. The notification shall be in the form of the non-approval notice required in paragraph IV.G.1 below.

G. Independent Evaluation of First Lien Loan Modification Denials.

1. Except when evaluated as provided in paragraphs IV.B.8 or IV.B.9, Servicer's initial denial of an eligible borrower's request for first lien loan modification following the submission of a complete loan modification application shall be subject to an independent evaluation. Such evaluation shall be performed by an independent entity or a different employee who has not been involved with the particular loan modification.
2. Denial Notice.
   a. When a first lien loan modification is denied after independent review, Servicer shall send a written non-approval notice to the borrower identifying the reasons for denial and the factual information considered. The notice

shall inform the borrower that he or she has 30 days from the date of the denial letter declination to provide evidence that the eligibility determination was in error.

b. If the first lien modification is denied because disallowed by investor, Servicer shall disclose in the written non-approval notice the name of the investor and summarize the reasons for investor denial.

c. For those cases where a first lien loan modification denial is the result of an NPV calculation, Servicer shall provide in the written non-approval notice the monthly gross income and property value used in the calculation.

3. Appeal Process.

a. After the automatic review in paragraph IV.G.1 has been completed and Servicer has issued the written non-approval notice, in the circumstances described in the first sentences of paragraphs IV.B.3, IV.B.5 or IV.B.7,except when otherwise required by federal or state law or investor directives, borrowers shall have 30 days to request an appeal and obtain an independent review of the first lien loan modification denial in accordance with the terms of this Agreement. Servicer shall ensure that the borrower has 30 days from the date of the written non-approval notice to provide information as to why Servicer's determination of eligibility for a loan modification was in error, unless the reason for non-approval is (1) ineligible mortgage, (2) ineligible property, (3) offer not accepted by borrower or request withdrawn, or (4) the loan was previously modified.

b. For those cases in which the first lien loan modification denial is the result of an NPV calculation, if a borrower disagrees with the property value used by Servicer in the NPV test, the borrower can request that a full appraisal be conducted of the property by an independent licensed appraiser (at borrower expense) consistent with HAMP directive 10-15. Servicer shall comply with the process set forth in HAMP directive 10-15, including using such value in the NPV calculation.

c. Servicer shall review the information submitted by borrower and use its best efforts to communicate the disposition of borrower's appeal to borrower no later than 30 days after receipt of the information.

d. If Servicer denies borrower's appeal, Servicer's appeal denial letter shall include a description of other available loss mitigation, including short sales and deeds in lieu of foreclosure.

H. General Loss Mitigation Requirements.

1. Servicer shall maintain adequate staffing and systems for tracking borrower documents and information that are relevant to foreclosure, loss mitigation, and other Servicer operations. Servicer shall make periodic assessments to ensure that its staffing and systems are adequate.

2. Servicer shall maintain adequate staffing and caseload limits for SPOCs and employees responsible for handling foreclosure, loss mitigation and related communications with borrowers and housing counselors. Servicer shall make periodic assessments to ensure that its staffing and systems are adequate.

3. Servicer shall establish reasonable minimum experience, educational and training requirements for loss mitigation staff.

4. Servicer shall document electronically key actions taken on a foreclosure, loan modification, bankruptcy, or other servicing file, including communications with the borrower.

5. Servicer shall not adopt compensation arrangements for its employees that encourage foreclosure over loss mitigation alternatives.
6. Servicer shall not make inaccurate payment delinquency reports to credit reporting agencies when the borrower is making timely reduced payments pursuant to a trial or other loan modification agreement. Servicer shall provide the borrower, prior to entering into a trial loan modification, with clear and conspicuous written information that adverse credit reporting consequences may result from the borrower making reduced payments during the trial period.
7. Where Servicer grants a loan modification, Servicer shall provide borrower with a copy of the fully executed loan modification agreement within 45 days of receipt of the executed copy from the borrower. If the modification is not in writing, Servicer shall provide the borrower with a written summary of its terms, as promptly as possible, within 45 days of the approval of the modification.
8. Servicer shall not instruct, advise or recommend that borrowers go into default in order to qualify for loss mitigation relief.
9. Servicer shall not discourage borrowers from working or communicating with legitimate non-profit housing counseling services.
10. Servicer shall not, in the ordinary course, require a borrower to waive or release claims and defenses as a condition of approval for a loan modification program or other loss mitigation relief. However, nothing herein shall preclude Servicer from requiring a waiver or release of claims and defenses with respect to a loan modification offered in connection with the resolution of a contested claim, when the borrower would not otherwise be qualified for the loan modification under existing Servicer programs.
11. Servicer shall not charge borrower an application fee in connection with a request for a loan modification. Servicer shall provide borrower with a pre-paid overnight envelope or pre-paid address label for return of a loan modification application.
12. Notwithstanding any other provision of this Agreement, and to minimize the risk of borrowers submitting multiple loss mitigation requests for the purpose of delay, Servicer shall not be obligated to evaluate requests for loss mitigation options from (a) borrowers who have already been evaluated or afforded a fair opportunity to be evaluated consistent with the requirements of HAMP or proprietary modification programs, or (b) borrowers who were evaluated after the date of implementation of this Agreement, consistent with this Agreement, unless there has been a material change in the borrower's financial circumstances that is documented by borrower and submitted to Servicer.

I. Proprietary First Lien Loan Modifications.

1. Servicer shall make publicly available information on its qualification processes, all required documentation and information necessary for a complete first lien loan modification application, and key eligibility factors for all proprietary loan modifications.
2. Servicer shall design proprietary first lien loan modification programs that are intended to produce sustainable modifications according to investor guidelines and previous results. Servicer shall design these programs with the intent of providing affordable payments for borrowers needing longer term or permanent assistance.
3. Servicer shall track outcomes and maintain records regarding characteristics and performance of proprietary first lien loan modifications. Servicer shall provide a description of modification waterfalls, eligibility criteria, and modification terms, on a publicly-available website.

4. Servicer shall not charge any application or processing fees for proprietary first lien loan modifications.

J. Proprietary Second Lien Loan Modifications.

1. Servicer shall make publicly available information on its qualification processes, all required documentation and information necessary for a complete second lien modification application.
2. Servicer shall design second lien modification programs with the intent of providing affordable payments for borrowers needing longer term or permanent assistance.
3. Servicer shall not charge any application or processing fees for second lien modifications.
4. When an eligible borrower with a second lien submits all required information for a second lien loan modification and the modification request is denied, Servicer shall promptly send a written non-approval notice to the borrower.

K. Short Sales.

1. Servicer shall make publicly available information on general requirements for the short sale process.
2. Servicer shall consider appropriate monetary incentives to underwater borrowers to facilitate short sale options.
3. Servicer shall develop a cooperative short sale process which allows the borrower the opportunity to engage with Servicer to pursue a short sale evaluation prior to putting home on the market.
4. Servicer shall send written confirmation of the borrower's first request for a short sale to the borrower or his or her agent within 10 business days of receipt of the request and proper written authorization from the borrower allowing Servicer to communicate with the borrower's agent. The confirmation shall include basic information about the short sale process and Servicer's requirements, and will state clearly and conspicuously that the Servicer may demand a deficiency payment if such deficiency claim is permitted by applicable law.
5. Servicer shall send borrower at borrower's address of record or to borrower's agent timely written notice of any missing required documents for consideration of short sale within 30 days of receiving borrower's request for a short sale.
6. Servicer shall review the short sale request submitted by borrower and communicate the disposition of borrower's request no later than 30 days after receipt of all required information and third-party consents.
7. If the short sale request is accepted, Servicer shall contemporaneously notify the borrower whether Servicer or investor will demand a deficiency payment or related cash contribution and the approximate amount of that deficiency, if such deficiency obligation is permitted by applicable law. If the short sale request is denied, Servicer shall provide reasons for the denial in the written notice. If Servicer waives a deficiency claim, it shall not sell or transfer such claim to a third-party debt collector or debt buyer for collection.

L. Loss Mitigation During Bankruptcy.

1. Servicer may not deny any loss mitigation option to eligible borrowers on the basis that the borrower is a debtor in bankruptcy so long as borrower and any trustee cooperates in obtaining any appropriate approvals or consents.
2. Servicer shall, to the extent reasonable, extend trial period loan modification plans as necessary to accommodate delays in obtaining bankruptcy court approvals or receiving full remittance of debtor's trial period payments that have been made to a

chapter 13 trustee. In the event of a trial period extension, the debtor must make a trial period payment for each month of the trial period, including any extension month.

3. When the debtor is in compliance with a trial period or permanent loan modification plan, Servicer will not object to confirmation of the debtor's chapter 13 plan, move to dismiss the pending bankruptcy case, or file a MRS solely on the basis that the debtor paid only the amounts due under the trial period or permanent loan modification plan, as opposed to the non-modified mortgage payments.

M. Transfer of Servicing of Loans Pending for Permanent Loan Modification.

1. Ordinary Transfer of Servicing from Servicer to Successor Servicer or Subservicer.

a. At time of transfer or sale, Servicer shall inform successor servicer (including a subservicer) whether a loan modification is pending.

b. Any contract for the transfer or sale of servicing rights shall obligate the successor servicer to accept and continue processing pending loan modification requests.

c. Any contract for the transfer or sale of servicing rights shall obligate the successor servicer to honor trial and permanent loan modification agreements entered into by prior servicer.

d. Any contract for transfer or sale of servicing rights shall designate that borrowers are third party beneficiaries under paragraphs IV.M.1.b and IV.M.1.c, above.

2. Transfer of Servicing to Servicer. When Servicer acquires servicing rights from another servicer, Servicer shall ensure that it will accept and continue to process pending loan modification requests from the prior servicer, and that it will honor trial and permanent loan modification agreements entered into by the prior servicer.

V. Protections for Military Personnel.

A. Servicer shall comply with all applicable provisions of the Servicemembers Civil Relief Act (SCRA), 50 U.S.C. Appx. § 501 *et seq*., and any applicable state law offering protections to servicemembers, and shall engage an independent consultant whose duties shall include a review of (a) all foreclosures in which an SCRA-eligible servicemember is known to have been an obligor or mortgagor, and (b) a sample of foreclosure actions (which sample will be appropriately enlarged to the extent Servicer identifies material exceptions), from January 1, 2009 to December 31, 2010 to determine whether the foreclosures were in compliance with the SCRA. Servicer shall remediate all monetary damages in compliance with the banking regulator Consent Orders.

B. When a borrower states that he or she is or was within the preceding 9 months (or the then applicable statutory period under the SCRA) in active military service or has received and is subject to military orders requiring him or her to commence active military service, Lender shall determine whether the borrower may be eligible for the protections of the SCRA or for the protections of the provisions of paragraph V.F. If Servicer determines the borrower is so eligible, Servicer shall, until Servicer determines that such customer is no longer protected by the SCRA,

1. if such borrower is not entitled to a SPOC, route such customers to employees who have been specially trained about the protections of the SCRA to respond to such borrower's questions, or

2. if such borrower is entitled to a SPOC, designate as a SPOC for such borrower a person who has been specially trained about the protections of the SCRA (Servicemember SPOC).

C. Servicer shall, in addition to any other reviews it may perform to assess eligibility under the SCRA, (i) before referring a loan for foreclosure, (ii) within seven days before a foreclosure sale, and (iii) the later of (A) promptly after a foreclosure sale and (B) within three days before the regularly scheduled end of any redemption period, determine whether the secured property is owned by a servicemember covered under SCRA by searching the Defense Manpower Data Center (DMDC) for evidence of SCRA eligibility by either (a) last name and social security number, or (b) last name and date of birth.

D. When a servicemember provides written notice requesting protection under the SCRA relating to interest rate relief, but does not provide the documentation required by Section 207(b)(1) of the SCRA (50 USC Appx. § 527(b)(1)), Servicer shall accept, in lieu of the documentation required by Section 207(b)(1) of the SCRA, a letter on official letterhead from the servicemember's commanding officer including a contact telephone number for confirmation:

1. Addressed in such a way as to signify that the commanding officer recognizes that the letter will be relied on by creditors of the servicemember (a statement that the letter is intended to be relied upon by the Servicemember's creditors would satisfy this requirement);
2. Setting forth the full name (including middle initial, if any), Social Security number and date of birth of the servicemember;
3. Setting forth the home address of the servicemember; and
4. Setting forth the date of the military orders marking the beginning of the period of military service of the servicemember and, as may be applicable, that the military service of the servicemember is continuing or the date on which the military service of the servicemember ended.

E. Servicer shall notify customers who are 45 days delinquent that, if they are a servicemember, (a) they may be entitled to certain protections under the SCRA regarding the servicemember's interest rate and the risk of foreclosure, and (b) counseling for covered servicemembers is available at agencies such as Military OneSource, Armed Forces Legal Assistance, and a HUD-certified housing counselor. Such notice shall include a toll-free number that servicemembers may call to be connected to a person who has been specially trained about the protections of the SCRA to respond to such borrower's questions. Such telephone number shall either connect directly to such a person or afford a caller the ability to identify him- or herself as an eligible servicemember and be routed to such persons. Servicers hereby confirm that they intend to take reasonable steps to ensure the dissemination of such toll-free number to customers who may be eligible servicemembers.

F. Irrespective of whether a mortgage obligation was originated before or during the period of a servicemember's military service, if, based on the determination described in the last sentence and subject to Applicable Requirements, a servicemember's military orders (or any letter complying with paragraph V.D), together with any other documentation satisfactory to the Servicer, reflects that the servicemember is (a) eligible for Hostile Fire/Imminent Danger Pay and (b) serving at a location (i) more than 750 miles from the location of the secured property or (ii) outside of the United States, then to the extent consistent with Applicable Requirements, the Servicer shall not sell, foreclose, or seize a property for a breach of an obligation on real property owned by a servicemember that is secured by mortgage, deed of trust, or other security in the nature of a mortgage, during, or within 9 months after, the period in which the servicemember is eligible for Hostile Fire/Imminent Danger Pay, unless either (i) Servicer has obtained a court order granted before such sale, foreclosure, or seizure with a return made and approved by the court, or (ii) if made pursuant to an agreement as provided in section 107 of the SCRA (50 U.S.C. Appx. § 517). Unless a servicemember's eligibility for the protection under this paragraph can be fully determined by a proper search of the DMDC website, Servicer shall only be obligated under this provision if it is able to determine, based on a servicemember's military orders (or any letter complying with paragraph V.D), together with any other documentation provided by or on behalf of the servicemember that is satisfactory to the Servicer, that the servicemember is (a) eligible for Hostile Fire/Imminent Danger Pay and (b) serving at a location (i) more than 750 miles from the location of the secured property or (ii) outside of the United States.

G. Servicer shall not require a servicemember to be delinquent to qualify for a short sale, loan modification, or other loss mitigation relief if the servicemember is suffering financial hardship and is otherwise eligible for such loss mitigation. Subject to Applicable Requirements, for purposes of assessing financial hardship in relation to (i) a short sale or deed in lieu transaction, Servicer will take into account whether the servicemember is, as a result of a permanent change of station order, required to relocate even if such servicemember's income has not been decreased, so long as the servicemember does not have sufficient liquid assets to make his or her monthly mortgage payments, or (ii) a loan modification, Servicer will take into account whether the servicemember is, as a result of his or her under military orders required to relocate to a new duty station at least seventy five mile from his or her residence/secured property or to reside at a location other than the residence/secured property, and accordingly is unable personally to occupy the residence and (a) the residence will continue to be occupied by his or her dependents, or (b) the residence is the only residential property owned by the servicemember.

H. Servicer shall not make inaccurate reports to credit reporting agencies when a servicemember, who has not defaulted before relocating under military orders to a new duty station, obtains a short sale, loan modification, or other loss mitigation relief.

VI. Restrictions on Servicing Fees.

A. General Requirements.

1. All default, foreclosure and bankruptcy-related service fees, including third-party fees, collected from the borrower by Servicer shall be bona fide, reasonable in amount, and disclosed in detail to the borrower as provided in paragraphs I.B.10 and VI.B.1.

B. Specific Fee Provisions.

1. Schedule of Fees. Servicer shall maintain and keep current a schedule of common non-state specific fees or ranges of fees that may be charged to borrowers by or on behalf of Servicer. Servicer shall make this schedule available on its website and to the borrower or borrower's authorized representative upon request. The schedule shall identify each fee, provide a plain language explanation of the fee, and state the maximum amount of the fee or how the fee is calculated or determined.
2. Servicer may collect a default-related fee only if the fee is for reasonable and appropriate services actually rendered and one of the following conditions is met:
   a. the fee is expressly or generally authorized by the loan instruments and not prohibited by law or this Agreement;
   b. the fee is permitted by law and not prohibited by the loan instruments or this Agreement; or
   c. the fee is not prohibited by law, this Agreement or the loan instruments and is a reasonable fee for a specific service requested by the borrower that is collected only after clear and conspicuous disclosure of the fee is made available to the borrower.
3. Attorneys' Fees. In addition to the limitations in paragraph VI.B.2 above, attorneys' fees charged in connection with a foreclosure action or bankruptcy proceeding shall

only be for work actually performed and shall not exceed reasonable and customary fees for such work. In the event a foreclosure action is terminated prior to the final judgment and/or sale for a loss mitigation option, a reinstatement, or payment in full, the borrower shall be liable only for reasonable and customary fees for work actually performed.

4. Late Fees.
    a. Servicer shall not collect any late fee or delinquency charge when the only delinquency is attributable to late fees or delinquency charges assessed on an earlier payment, and the payment is otherwise a full payment for the applicable period and is paid on or before its due date or within any applicable grace period.
    b. Servicer shall not collect late fees (i) based on an amount greater than the past due amount; (ii) collected from the escrow account or from escrow surplus without the approval of the borrower; or (iii) deducted from any regular payment.
    c. Servicer shall not collect any late fees for periods during which (i) a complete loan modification application is under consideration; (ii) the borrower is making timely trial modification payments; or (iii) a short sale offer is being evaluated by Servicer.

C. Third-Party Fees.

1. Servicer shall not impose unnecessary or duplicative property inspection, property preservation or valuation fees on the borrower, including, but not limited to, the following:
    a. No property preservation fees shall be imposed on eligible borrowers who have a pending application with Servicer for loss mitigation relief or are performing under a loss mitigation program, unless Servicer has a reasonable basis to believe that property preservation is necessary for the maintenance of the property, such as when the property is vacant or listed on a violation notice from a local jurisdiction;
    b. No property inspection fee shall be imposed on a borrower any more frequently than the timeframes allowed under GSE or HUD guidelines unless Servicer has identified specific circumstances supporting the need for further property inspections; and
    c. Servicer shall be limited to imposing property valuation fees (*e.g.*, BPO) to once every 12 months, unless other valuations are requested by the borrower to facilitate a short sale or to support a loan modification as outlined in paragraph IV.G.3.a, or required as part of the default or foreclosure valuation process.
2. Default, foreclosure and bankruptcy-related services performed by third parties shall be at reasonable market value.
3. Servicer shall not collect any fee for default, foreclosure or bankruptcy-related services by an affiliate unless the amount of the fee does not exceed the lesser of (a) any fee limitation or allowable amount for the service under applicable state law, and (b) the market rate for the service. To determine the market rate, Servicer shall obtain annual market reviews of its affiliates' pricing for such default and foreclosure-related services; such market reviews shall be performed by a qualified, objective, independent third-party professional using procedures and standards generally accepted in the industry to yield accurate and reliable results. The independent third-party professional shall determine in its market survey the price

actually charged by third-party affiliates and by independent third party vendors.

4. Servicer shall be prohibited from collecting any unearned fee, or giving or accepting referral fees in relation to third-party default or foreclosure-related services.
5. Servicer shall not impose its own mark-ups on Servicer initiated third-party default or foreclosure-related services.

D. Certain Bankruptcy Related Fees.

1. Servicer must not collect any attorney's fees or other charges with respect to the preparation or submission of a POC or MRS document that is withdrawn or denied, or any amendment thereto that is required, as a result of a substantial misstatement by Servicer of the amount due.
2. Servicer shall not collect late fees due to delays in receiving full remittance of debtor's payments, including trial period or permanent modification payments as well as post-petition conduit payments in accordance with 11 U.S.C. § 1322(b)(5), that debtor has timely (as defined by the underlying Chapter 13 plan) made to a chapter 13 trustee.

VII. Force-Placed Insurance.

A. General Requirements for Force-Placed Insurance.

1. Servicer shall not obtain force-placed insurance unless there is a reasonable basis to believe the borrower has failed to comply with the loan contract's requirements to maintain property insurance. For escrowed accounts, Servicer shall continue to advance payments for the homeowner's existing policy, unless the borrower or insurance company cancels the existing policy.

   For purposes of this section VII, the term "force-placed insurance" means hazard insurance coverage obtained by Servicer when the borrower has failed to maintain or renew hazard or wind insurance on such property as required of the borrower under the terms of the mortgage.

2. Servicer shall not be construed as having a reasonable basis for obtaining force-placed insurance unless the requirements of this section VII have been met.
3. Servicer shall not impose any charge on any borrower for force-placed insurance with respect to any property securing a federally related mortgage unless:
   a. Servicer has sent, by first-class mail, a written notice to the borrower containing:
      i. A reminder of the borrower's obligation to maintain hazard insurance on the property securing the federally related mortgage;
      ii. A statement that Servicer does not have evidence of insurance coverage of such property;
      iii. A clear and conspicuous statement of the procedures by which the borrower may demonstrate that the borrower already has insurance coverage;
      iv. A statement that Servicer may obtain such coverage at the borrower's expense if the borrower does not provide such demonstration of the borrower's existing coverage in a timely manner;
      v. A statement that the cost of such coverage may be significantly higher than the cost of the homeowner's current coverage;
      vi. For first lien loans on Servicer's primary servicing system, a statement that, if the borrower desires to maintain his or her

voluntary policy, Servicer will offer an escrow account and advance the premium due on the voluntary policy if the borrower: (a) accepts the offer of the escrow account; (b) provides a copy of the invoice from the voluntary carrier; (c) agrees in writing to reimburse the escrow advances through regular escrow payments; (d) agrees to escrow to both repay the advanced premium and to pay for the future premiums necessary to maintain any required insurance policy; and (e) agrees Servicer shall manage the escrow account in accordance with the loan documents and with state and federal law; and

vii. A statement, in the case of single interest coverage, that the coverage may only protect the mortgage holder's interest and not the homeowner's interest.

b. Servicer has sent, by first-class mail, a second written notice, at least 30 days after the mailing of the notice under paragraph VII.A.3.a that contains all the information described in each clause of such paragraph.

c. Servicer has not received from the borrower written confirmation of hazard insurance coverage for the property securing the mortgage by the end of the 15-day period beginning on the date the notice under paragraph VII.A.3.b was sent by Servicer.

4. Servicer shall accept any reasonable form of written confirmation from a borrower or the borrower's insurance agent of existing insurance coverage, which shall include the existing insurance policy number along with the identity of, and contact information for, the insurance company or agent.

5. Servicer shall not place hazard or wind insurance on a mortgaged property, or require a borrower to obtain or maintain such insurance, in excess of the greater of replacement value, last-known amount of coverage or the outstanding loan balance, unless required by Applicable Requirements, or requested by borrower in writing.

6. Within 15 days of the receipt by Servicer of evidence of a borrower's existing insurance coverage, Servicer shall:

a. Terminate the force-placed insurance; and

b. Refund to the consumer all force-placed insurance premiums paid by the borrower during any period during which the borrower's insurance coverage and the force placed insurance coverage were each in effect, and any related fees charged to the consumer's account with respect to the force-placed insurance during such period.

7. Servicer shall make reasonable efforts to work with the borrower to continue or reestablish the existing homeowner's policy if there is a lapse in payment and the borrower's payments are escrowed.

8. Any force-placed insurance policy must be purchased for a commercially reasonable price.

9. No provision of this section VII shall be construed as prohibiting Servicer from providing simultaneous or concurrent notice of a lack of flood insurance pursuant to section 102(e) of the Flood Disaster Protection Act of 1973.

VIII. General Servicer Duties and Prohibitions.

A. Measures to Deter Community Blight.

1. Servicer shall develop and implement policies and procedures to ensure that REO properties do not become blighted.

2. Servicer shall develop and implement policies and procedures to enhance participation and coordination with state and local land bank programs,

neighborhood stabilization programs, nonprofit redevelopment programs, and other anti-blight programs, including those that facilitate discount sale or donation of low-value REO properties so that they can be demolished or salvaged for productive use.

3. As indicated in I.A.18, Servicer shall (a) inform borrower that if the borrower continues to occupy the property, he or she has responsibility to maintain the property, and an obligation to continue to pay taxes owed, until a sale or other title transfer action occurs; and (b) request that if the borrower wishes to abandon the property, he or she contact Servicer to discuss alternatives to foreclosure under which borrower can surrender the property to Servicer in exchange for compensation.
4. When the Servicer makes a determination not to pursue foreclosure action on a property with respect to a first lien mortgage loan, Servicer shall:
   a. Notify the borrower of Servicer's decision to release the lien and not pursue foreclosure, and inform borrower about his or her right to occupy the property until a sale or other title transfer action occurs; and
   b. Notify local authorities, such as tax authorities, courts, or code enforcement departments, when Servicer decides to release the lien and not pursue foreclosure.

B. Tenants' Rights.

1. Servicer shall comply with all applicable state and federal laws governing the rights of tenants living in foreclosed residential properties.
2. Servicer shall develop and implement written policies and procedures to ensure compliance with such laws.

IX. General Provisions, Definitions, and Implementation.

A. Applicable Requirements.

1. The servicing standards and any modifications or other actions taken in accordance with the servicing standards are expressly subject to, and shall be interpreted in accordance with, (a) applicable federal, state and local laws, rules and regulations, including, but not limited to, any requirements of the federal banking regulators, (b) the terms of the applicable mortgage loan documents, (c) Section 201 of the Helping Families Save Their Homes Act of 2009, and (d) the terms and provisions of the Servicer Participation Agreement with the Department of Treasury, any servicing agreement, subservicing agreement under which Servicer services for others, special servicing agreement, mortgage or bond insurance policy or related agreement or requirements to which Servicer is a party and by which it or its servicing is bound pertaining to the servicing or ownership of the mortgage loans, including without limitation the requirements, binding directions, or investor guidelines of the applicable investor (such as Fannie Mae or Freddie Mac), mortgage or bond insurer, or credit enhancer (collectively, the “Applicable Requirements”).
2. In the event of a conflict between the requirements of the Agreement and the Applicable Requirements with respect to any provision of this Agreement such that the Servicer cannot comply without violating Applicable Requirements or being subject to adverse action, including fines and penalties, Servicer shall document such conflicts and notify the Monitor and the Monitoring Committee that it intends to comply with the Applicable Requirements to the extent necessary to eliminate the conflict. Any associated Metric provided for in the Enforcement Terms will be adjusted accordingly.

B. Definitions.

1. In each instance in this Agreement in which Servicer is required to ensure adherence to, or undertake to perform certain obligations, it is intended to mean that Servicer shall: (a) authorize and adopt such actions on behalf of Servicer as may be necessary for Servicer to perform such obligations and undertakings; (b) follow up on any material non-compliance with such actions in a timely and appropriate manner; and (c) require corrective action be taken in a timely manner of any material non-compliance with such obligations.
2. References to Servicer shall mean Bank of America, N.A. and shall include Servicer's successors and assignees in the event of a sale of all or substantially all of the assets of Servicer or of Servicer's division(s) or major business unit(s) that are engaged as a primary business in customer-facing servicing of residential mortgages on owner-occupied properties. The provisions of this Agreement shall not apply to those divisions or major business units of Servicer that are not engaged as a primary business in customer-facing servicing of residential mortgages on owner-occupied one-to-four family properties on its own behalf or on behalf of investors.

EXHIBIT B

DISTRIBUTION OF FUNDS

1. Any amount of the Direct Payment Settlement Amount that is not distributed pursuant to Paragraph 2 shall be distributed as follows.

a. *Federal Payment Settlement Amount.* The Escrow Agent shall distribute $911,777,917.00 (the "Federal Payment Settlement Amount") to the United States in accordance with instructions to be provided by the United States.

i. Of the Federal Payment Settlement Amount, $684,090,417.00 shall, following payment of any amounts owed as a result of resolutions pursuant to 31 U.S.C. § 3730(d), and subject to 28 U.S.C. § 527 (Note), be deposited for losses incurred into FHA's Capital Reserve Account, the Veterans Housing Benefit Program Fund (pursuant to 38 U.S.C. § 3722(c)(3), as being incident to housing loan operations) or as otherwise directed by the Department of Veterans Affairs, and as directed by Rural Housing Service, Department of Agriculture, in accordance with instructions from the United States. The United States intends that such deposits conform with the Miscellaneous Receipts Act and other law.

ii. The Federal Payment Settlement Amount includes resolution of the following qui tam actions: (i) $75,000,000 from the claims in <u>United States ex rel. Lagow v. Countrywide Financial Corp., et al.</u>, Civil Action No. CV-09-2040 (E.D.N.Y.); (ii) $45,000,000 from those claims in <u>United States ex rel. Bibby et al. v. JPMorgan Chase et al.</u> , No. 2:11-cv-00535-RHL-RJJ (N.D. Ga.) that are expressly released by the United States in this litigation; (iii) $95,000,000 from those claims in <u>United States ex rel. Szymoniak v. [SEALED]</u>, Civ No. 0:10-cv-01465 (D.S.C.) and in <u>United States ex rel. Szymoniak v. [SEALED]</u>, Civ No. 3:10-cv-575 (W.D.N.C.) that are expressly released by the United States in this litigation; (iv) $6,500,000 from the claims in <u>United States ex rel. Mackler v. Bank of America, N.A., et al.</u>, 11-CV-3270 (SLT) (E.D.N.Y.); and (v) $6,187,500 from the claims in United States ex rel. Harris v. J.P. Morgan Chase & Co., et al., Civil Action No. 10-10068-GAO (D. Mass). Following payment of any amounts owed as a result of resolutions pursuant to 31 U.S.C. § 3730(d), and subject to 28 U.S.C. § 527 (Note), these amounts shall be deposited into FHA's Capital Reserve Account and the Veterans Housing Benefit Program Fund (pursuant to 38 U.S.C. § 3722(c)(3), as being incident to housing loan operations) or as otherwise directed by the Department of Veterans Affairs, in accordance with instructions from the United States. The United States intends that such deposits conform with the Miscellaneous Receipts and other law.

b. *State Payment Settlement Amounts.* In accordance with written instructions from each State Attorney General, the Escrow Agent shall distribute cash payments in the total amounts set forth in the attached Exhibit B-1.

   i. Each State Attorney General shall designate the uses of the funds set forth in the attached Exhibit B-1. To the extent practicable, such funds shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices and to compensate the States for costs resulting from the alleged unlawful conduct of the Defendants. Such permissible purposes for allocation of the funds include, but are not limited to, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts, and civil penalties. Accordingly, each Attorney General has set forth general instructions for the funds in the attached Exhibit B-2.

ii. No more than ten percent of the aggregate amount paid to the State Parties under this paragraph 1(b) may be designated as a civil penalty, fine, or similar payment. The remainder of the payments is intended to remediate the harms to the States and their communities resulting from the alleged unlawful conduct of the Defendant and to facilitate the implementation of the Borrower Payment Fund and consumer relief.

2. Of the Direct Payment Settlement Amount, $1,579,813,925.00 shall be distributed as follows:

a. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall make available $1,489,813,925.00 to the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure between and including January 1, 2008 and December 31, 2011; who submit claims arising from the Covered Conduct; and who otherwise meet criteria set forth by the State members of the Monitoring Committee. Any amounts made available hereunder remain a part of the Qualified Settlement Fund until distributed to borrowers and shall be administered in accordance with the terms set forth in Exhibit C.

b. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute $15,000,000.00 to the National Association of Attorneys General (NAAG) to create and administer the "Financial Services and Consumer Protection Enforcement, Education and Training Fund." Such Fund shall be used to pay for expenses and training relating to the investigation and prosecution of cases involving fraud, unfair and deceptive acts and practices, and other illegal conduct related to financial services or state consumer protection laws.

Illustrative examples include, but are not limited to, travel costs associated with investigation, litigation, or settlement of financial services or consumer protection cases; expert witness and consulting fees, training programs, NAAG Consumer Protection Conferences, information exchanges, public education campaigns, and other uses. The State members of the Monitoring Committee shall develop rules and regulations governing the Financial Services and Consumer Protection Enforcement, Education and Training Fund in a separate memorandum of understanding after this Consent Judgment has been entered.

c. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute a total of $10,000,000.00 to the members of the Executive Committee and the Ameriquest Financial Services Fund ("AMFSF") for reimbursement of costs and attorneys fees incurred during the investigation of this case and the settlement negotiations and for subsequent expenditures as authorized by each Attorney General. Such payments shall be made as designated by the Iowa Attorney General as the Chairman of the Executive Committee, and shall be made to the State Attorneys General of Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Iowa, Massachusetts, North Carolina, Ohio, Tennessee, Texas, and Washington and the Maryland Department of Labor, Licensing and Regulation and the Ameriquest Financial Services Fund. The authorized representatives of each state attorney general, the Maryland Department of Labor, Licensing and Regulation and the AMFSF will provide a letter to the Escrow Agent directing how each separate payment should be made.

d. In accordance with written instructions from the State members of the Monitoring Committee, the Escrow Agent shall distribute $65,000,000.00 to the Conference of State Bank Supervisors (CSBS). CSBS shall use $15,000,000 to establish the "State

Financial Regulation Fund," a fund to be managed and used by CSBS to support and improve state financial regulation and supervision. From the balance, CSBS shall transfer $1,000,000 per state to the state financial regulators who have signed this Consent Judgment. Where multiple agencies within a single state claim regulatory jurisdiction, CSBS shall transfer that state's funds as provided in an agreement between or among those regulatory agencies. In addition, state financial regulators may, at their discretion, enter into an agreement with CSBS for the management and disbursement of all or a portion of the funds paid to them. If, for any reason, a state financial regulator elects to forego receipt of their transfer payment or in the case of a participating state where the state financial regulator declines to sign this Consent Judgment, such funds shall revert to the State Financial Regulation Fund.

3. Any interest earned on funds held by the Escrow Agent may be used, at the discretion of the State members of the Monitoring Committee, to pay the costs and expenses of the escrow or the costs and expenses of administration, including taxes, or for any other housing related purpose.

4. Notwithstanding any implication to the contrary in any of the provisions of Exhibit B-2, all instructions therein shall be subject to the provisions of paragraph 1.b(i) and 1.b(ii) of this Exhibit B. If and to the extent any amounts are paid into a fund or escrow account established by a State Party that is not an integral part of the government of such State, it is intended that such fund or account be deemed 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. To the extent that any state designates any payments hereunder as a civil penalty, such state shall provide the Defendant(s), upon request, such information as is reasonably necessary for tax reporting purposes with respect to such civil penalty.

EXHIBIT B1

EXHIBIT B1

AK	$3,286,839
AL	$25,305,692
AR	$12,830,241
AZ	$97,784,204
CA	$410,576,996
CO	$50,170,188
CT	$26,102,142
DC	$4,433,081
DE	$7,913,923
FL	$334,073,974
GA	$99,365,105
HI	$7,911,883
IA	$14,651,922
ID	$13,305,209
IL	$105,806,405
IN	$43,803,419
KS	$13,778,401
KY	$19,198,220
LA	$21,741,560
MA	$44,450,668
MD	$59,697,470
ME	$6,907,023
MI	$97,209,465
MN	$41,536,169
MO	$39,583,212

MS	$13,580,374
MT	$4,858,276
NC	$60,852,159
ND	$1,947,666
NE	$8,422,528
NH	$9,575,447
NJ	$72,110,727
NM	$11,174,579
NV	$57,368,430
NY	$107,642,490
OH	$92,783,033
OR	$29,253,190
PA	$66,527,978
RI	$8,500,755
SC	$31,344,349
SD	$2,886,824
TN	$41,207,810
TX	$134,628,489
UT	$21,951,641
VA	$66,525,233
VT	$2,552,240
WA	$54,242,749
WI	$30,191,806
WV	$5,748,915
WY	$2,614,515

EXHIBIT B2

EXHIBIT B2

ALABAMA

The Court awards the State of Alabama a judgment in the amount of $25,305,692, which shall be paid by electronic transfer to the Office of the Attorney General. Of this amount, the Court awards $2,530,569 dollars in civil penalties (or 10% of the total) as defined by and in accordance with Code of Alabama, 1975, §8-19-11 for misconduct relating to the banks' robo-signing in violation of Alabama's Deceptive Trade Practices Act. The remaining amount shall be used by the Attorney General, at his sole discretion, for costs of investigation and litigation, for law enforcement efforts to prevent and prosecute financial fraud, and/or for public protection purposes, such as to defray the operating cost of any function of the Attorney General's Office that protects citizens, whether through investigation, representation, regulation, mediation, prosecution, victims' assistance, or consumer education concerning consumer-related financial or other crimes, or, at the sole discretion of the Attorney General, to be used for housing programs, housing counseling, legal assistance, foreclosure prevention hotlines, foreclosure mediation and investigation of financial fraud or other wrongdoing overseen by any division of the Attorney General's Office.

In addition, the Attorney General may distribute any amount from the funds, at his sole discretion, to other governmental entities or charitable organizations whose eleemosynary purposes benefit those affected by the aforementioned misconduct

ALASKA

Alaska's payment of $3,286,839.00 shall be to the State of Alaska and delivered to the Office of the Attorney General, 1031 West 4th Avenue, Suite 200, Anchorage, Alaska 99501.

ARIZONA

1. State Payment Settlement Amounts, Consent Judgment Ex. B, Paragraph 1(b)(i)

Arizona's share of the State Payment Settlement Amounts (“Funds”) provided under this Consent Judgment, and any interest thereon, shall be made payable to the Office of the Arizona Attorney General. The Attorney General shall direct the use of the Funds in Arizona. The Funds shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices and to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants. Such permissible purposes for allocation of the funds include, but are not limited to, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts, and civil penalties.

The Attorney General shall deposit the Funds with the State Treasurer and the Funds shall be held in a separate Court Ordered Trust Fund account and all interest thereon deposited into that account and used only for the purposes set forth herein.

2. Executive Committee Payment, Consent Judgment Ex. B, Paragraph 2(c)
Any funds paid to the Office of the Arizona Attorney General as reimbursement for attorneys fees and costs for serving on the Executive Committee, and any interest thereon, shall be deposited into the consumer fraud revolving fund pursuant to A.R.S. § 44-1531.01 and used for the purposes set forth therein.

ARKANSAS

For the payment to the State of Arkansas as provided in Paragraph III (3) of the Consent Judgment, and it accordance with the provisions of Paragraph 1. (b) of Exhibit B to the Consent Judgment, Attorney General Dustin McDaniel directs that the total anticipated sum of Twelve Million, Eight Hundred Thirty Thousand, two hundred and forty-one dollars ($12,830,241) be paid to the State of Arkansas Office of the Attorney General (and delivered to Carol Thompson, Chief Financial Officer) to then be distributed by the Attorney General to the following entities for the following purposes:

1. To the Arkansas Development Finance Authority to fund programs that provide to Arkansas residents down payment assistance, financial literacy and mortgage and foreclosure counseling ,tax credit assistance, rental assistance, low-interest financing, land acquisition, new construction, rehabilitation construction, and reconstruction, the sum of Nine Million dollars ($9,000,000.00);

2. To the Arkansas Access to Justice Commission to provide equal access to justice to Arkansas residents affected by the mortgage and foreclosure crisis, the sum of Two Million dollars ($2,000,000.00);

3. To the University of Arkansas School of Law to support its legal aid clinic, which provides legal representation to low-income Arkansans, the sum of Five Hundred Thousand dollars ($500,000.00);

4. To the University of Arkansas at Little Rock School of Law to support its legal aid clinic, which provides legal representation to low-income Arkansans, the sum of Five Hundred Thousand dollars ($500,000.00);

And, to the Arkansas Treasury the remaining funds for fees, costs, and the costs of investigation and pursuit of this matter, the sum of Eight Hundred Thirty Thousand, two hundred and forty-one dollars ($830,241.00).

CALIFORNIA

The payment to the California Attorney General's Office shall be used as follows:

a) Ten percent of the payment shall be paid as a civil penalty and deposited in the Unfair Competition Law Fund;

b) The remainder shall be paid and deposited into a Special Deposit Fund created for the following purposes: for the administration of the terms of this Consent Judgment; monitoring compliance with the terms of this Consent Judgment and enforcing the terms of this Consent Judgment; assisting in the implementation of the relief programs and servicing standards as described in this

Consent Judgment; supporting the Attorney General's continuing investigation into misconduct in the origination, servicing, and securitization of residential mortgage loans; to fund consumer fraud education, investigation, enforcement operations, litigation, public protection and/or local consumer aid; to provide borrower relief; to fund grant programs to assist housing counselors or other legal aid agencies that represent homeowners, former homeowners, or renters in housing-related matters; to fund other matters, including grant programs, for the benefit of California homeowners affected by the mortgage/foreclosure crisis; or to engage and pay for third parties to develop or administer any of the programs or efforts described above.

COLORADO

1. State Payment Settlement Amounts, Consent Judgment Ex. B, Paragraph 1(b)(i)

The first $1.0 Million paid to the State of Colorado pursuant to Ex. B, ¶ 1(b)(i), and any interest thereon, shall be held in trust by the Colorado Attorney General and used for future consumer protection and antitrust enforcement and education efforts. The remainder of the funds paid under this provision, and any interest thereon, shall be held in trust by the Colorado Attorney General and used for programs relating to foreclosure prevention, loan modification and housing and for future consumer protection and antitrust enforcement and education efforts.

2. Executive Committee Payment, Consent Judgment Ex. B, Paragraph 2(c)

The funds paid to the State of Colorado under Ex. B, ¶ 2(c), and any interest thereon, shall be held in trust by the Colorado Attorney General for the following purposes. First, these funds, and any interest thereon, shall be used for reimbursement of the state's actual costs and attorney fees incurred in this matter. The remaining funds, and any interest thereon, shall be held in trust by the Colorado Attorney General and may be used for programs related to foreclosure prevention, loan modification and housing and for future consumer protection and antitrust enforcement and education efforts.

CONNECTICUT

The Escrow Agent shall pay up to $2.2 million of the Direct Payment Settlement Amount payable to the State of Connecticut pursuant to paragraph 1(b) of Exhibit B of this Consent Judgment to provide immediate assistance to Connecticut residents seeking to avoid foreclosure by funding housing counselor positions through the Connecticut Housing Finance Authority and/or the Department of Economic and Community Development and by funding positions and other support to facilitate and expand the Judicial Branch's foreclosure related programs. All of the remaining Direct Payment Settlement Amount payable to the State of Connecticut pursuant to paragraph 1(b) of Exhibit B of this Consent Judgment shall be disbursed at the written instruction of the Office of the Attorney General after consultation by the Office of the Attorney General with the Office of Policy and Management and appropriate officials of the State of Connecticut as may be required by Connecticut law.

The Escrow Agent shall pay any Direct Payment Settlement Amount payable to the Office of the Attorney General pursuant to paragraph 2(c) of Exhibit B of this Consent Judgment to the Attorney General's Consumer Protection Fund, which funds shall be expended to fund protection and education of consumers, including, without limitation, legal assistance to Connecticut citizens seeking to avoid foreclosure, grants to non-profit legal aid organizations assisting Connecticut citizens seeking to avoid foreclosure, funding to support implementation of this Consent Judgment by the Office of the Attorney General, and for any other purposes intended to avoid preventable foreclosures and to ameliorate the effects of the foreclosure crisis.

DELAWARE

The amount of $7,913,923.00 will be paid to the Delaware Department of Justice by wire transfer or certified check payable to the "State of Delaware - Consumer Protection Fund", which shall be used in the sole discretion of the Delaware Department of Justice exclusively for the following purposes related to consumer protection efforts to address the mortgage and foreclosure crisis, financial fraud and deception, and housing-related conduct: (1) investigations, enforcement operations, litigation, and other initiatives conducted or overseen by the Delaware Department of Justice Fraud Division, including training and staffing, (2) the Delaware Automatic Residential Mortgage Foreclosure Mediation Program or any successor program, and (3) grants or other aid to agencies and organizations approved by the Delaware Department of Justice for consumer assistance, consumer education, credit and housing counseling, mediation programs, legal assistance, training, or staffing. If the payment is made by certified check, it shall be delivered to:

Delaware Department of Justice
Fraud Division, Consumer Protection Unit
820 N. French Street
Wilmington, Delaware 19801
ATTN: Ian R. McConnel, Division Chief

DISTRICT of COLUMBIA

The payment for the District of Columbia shall be paid to the "D.C. Treasurer" in accordance with instructions provided by the Office of the Attorney General for the District of Columbia. The payment shall be used by the District of Columbia Government, subject to appropriation, for one or more of the following purposes: (1) mortgage-related or foreclosure-related counseling, (2) mortgage-related or foreclosure-related legal assistance or advocacy, (3) mortgage-related or foreclosure-related mediation, (4) outreach and/or assistance to help current and former homeowners secure the benefits for which they are eligible under mortgage-related or foreclosure-related settlements or judgments, (5) enforcement work in the area of financial fraud or consumer protection.

FLORIDA

Of the payment identified in Exhibit B-1 that Defendants are making to settle this matter with the Attorney General, State of Florida, Department of Legal Affairs, 10% is to be paid to the State of Florida as a penalty; the remainder shall be held in escrow by the escrow agent for subsequent disbursement as directed in writing by the Florida Attorney General for purposes consistent with Exhibit B, paragraph 1b(i) of this consent judgment

GEORGIA

The State Settlement Payment Amount to Georgia shall be paid to the state treasury to the credit of the general fund and shall be available for appropriation by the General Assembly for any purpose permitted by state law, including, to the extent practicable but not limited to, those purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, or to compensate Georgia for costs resulting from the alleged unlawful conduct of the Defendants.

HAWAII

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure**,** have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.

IDAHO

Pursuant to Idaho Code § 48-606(5), the money paid to the State of Idaho, as identified in Exhibit B-1 of the Consent Judgment, shall be remitted to the consumer protection fund.

ILLINOIS

The funds allocated to the Attorney General of Illinois shall be expended, in the sole discretion of the Attorney General, primarily for programs to avoid foreclosure and ameliorate the effects on homeowners of the foreclosure crisis, including without limitation, the funding of: legal assistance, housing counseling, administrative oversight for the funded programs by the Attorney General or others; to support law enforcement efforts to prevent and prosecute financial fraud or unfair and deceptive acts or practices; and for such other purposes as directed by the Attorney General.

INDIANA

Pursuant to the terms of the Consent Judgment entered into between the (a) United States of America and the State Parties; and (b) the Defendants, the State of Indiana will accept and use its cash payments identified in Exhibit B-1 as follows:

1. The cash payment shall be made to the Office of the Indiana Attorney General.

2. A portion of the cash payment will be used for existing and new programs of the Attorney General, including but not limited to:

    a. Consumer protection services and unfair and deceptive acts and practices investigations, enforcement, litigation, training, outreach, education, and related purposes.

    b. Homeowner protection services, investigations, enforcement, litigation, training, outreach, education, and related purposes regarding mortgage lending and foreclosures.

    c. Financial fraud protection services, investigations, enforcement, litigation, training, outreach, education, and related purposes.

    d. Education and training of counselors, facilitators, attorneys, investigators, and other stakeholders regarding the terms of the settlement.

3. To carry out the purposes of paragraph two (2), funds may be deposited in the following fund accounts and other related fund accounts as necessary:

a. Homeowner Protection Unit
Fund

b. Consumer Fees and Settlements
Fund

c. Identity Theft Unit
Fund

d. Real Estate Appraiser Licensing
Fund

e. Telephone Solicitation
Fund

f. Consumer Assistance Program
Fund

4. A portion of the cash payment will be used for a combination of existing and new programs created or administered by the Indiana General Assembly and state executive branch agencies, including but not limited to:

a. Housing counseling, foreclosure prevention, legal assistance, foreclosure mediation, victim assistance, and related purposes.

b. Settlement conferences, court facilitator services, and related purposes.

c. Land banks and related purposes.

d. Homeowner and renter energy assistance programs such as the Lower Income Hoosier Energy Assistance Program, with priority given to homeowners.

e. Workforce and job training programs to assist unemployed and underemployed state residents in increasing income to avoid foreclosure and obtain affordable housing.

f. Neighborhood stabilization programs and community blight remediation programs.

g. Law enforcement efforts and programs to prevent and address financial, consumer, mortgage lending, and mortgage foreclosure fraud.

h. Foreclosure prevention and assistance programs for military service members and veterans.

5. The Attorney General may allocate and designate up to ten percent of the cash payment as a civil penalty or fine.

6. The Attorney General shall allocate the cash payment among the identified purposes at his discretion based on the terms of the settlement.

IOWA

The Escrow Agent shall distribute the funds according to written direction received from the Attorney General of Iowa. The payment shall be used, at the sole discretion of the Attorney General of Iowa, for any use permitted by law or this Consent Judgment, including but not limited to:

1) Purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud and unfair or deceptive acts or practices, and to compensate the State of Iowa for costs resulting from the alleged unlawful conduct of the Defendant. Such permissible purposes for allocation of the funds further include, but are not limited to, supplementing the amounts paid to homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts, and civil penalties.

2) Investigative and administrative costs in connection with the matters addressed herein, including costs incurred before and after the signing of this Consent Judgment.

3) Public education relating to consumer fraud, mortgage, housing and financial issues and for enforcement of Iowa Code section 714.16, as referenced in Iowa Code section 714.16A.

4) Any other lawful purpose.

KANSAS

The Kansas Attorney General shall dedicate not less than 25 percent of any cash payment to the State of Kansas for the following purposes: 1) supporting the Attorney General's ongoing investigation and prosecution of suppliers in the housing and financial sectors who violate the law; 2) resolving consumer complaints filed with the Attorney General to prevent foreclosures and remedy mortgage servicing abuses suffered by Kansas consumers; and 3) defraying the investigative, administrative and consumer education costs associated with this settlement, including but not limited to the dedication of additional staff to monitor compliance with its terms. The remainder of any cash payment to the State of Kansas that is not dedicated to the above purposes shall be designated as a civil penalty and shall be deposited to the State General Fund for appropriation by the Legislature

KENTUCKY

The Office of the Attorney General for the Commonwealth of Kentucky (hereinafter, the "Attorney General" and "the Commonwealth," respectively) shall direct the payment of $19,198,220 to the Commonwealth in a manner consistent with the terms of the Consent Judgment to which this Exhibit B-2 refers, such that any funds distributed by the Attorney General shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, to address the collateral consequences of such conduct, and to compensate the Commonwealth for costs resulting from the alleged unlawful conduct of the Defendants. Such payments shall include:

i) $5,048,220 in agency restricted funds to directly compensate the Office of the Attorney General for the reasonable costs of investigation and litigation of the alleged unlawful conduct of the

Defendants, and to finance, within the Office of the Attorney General, ongoing consumer protection actions including, but not limited to, actions addressing any conduct similar to the alleged unlawful conduct of the Defendants by any entity not released by the State Release contemporaneously executed with this Consent Judgment; any civil and criminal investigations emanating from any allegedly improper conduct not released pursuant to the State Release perpetrated by any Defendant or any other person or entity; investigations and potential litigation pertaining to MERS or any related entity involving mortgage assignments in the Commonwealth; and claims of fraud or improper conduct relating to the pooling of, marketing of, or sale of any securities product involving or containing mortgage related payment streams; and

ii) $14,150,000 to be distributed at the express direction of the Attorney General to agencies, organizations or entities to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, to address the collateral consequences of such conduct, and to compensate the Commonwealth for costs resulting from the alleged unlawful conduct of the Defendants, including, but not limited to, the following:

a. The Kentucky Housing Corporation, for purposes including, but not limited to, mortgage assistance to Kentucky homeowners, down payments and/or closing costs assistance for qualifying homebuyers, state and local foreclosure prevention and mediation programs, housing rehabilitation and anti-blight projects;

b. The Kentucky Homeownership Protection Center, to provide homeownership and mortgage-related credit counseling to Kentucky consumers;

c. The four federally-funded civil legal aid service organizations within the Commonwealth, to provide housing-related legal assistance to low income consumers;

d. The Commonwealth's Unified Prosecutorial System (“UPS”), to support and sustain new and ongoing investigations and prosecutions relating to the foreclosure crisis and consequential criminal conduct plaguing local communities throughout the Commonwealth;

e. The Commonwealth's Department of Financial Institutions ("DFI"), to assist in regulatory and educational efforts targeting financial services institutions subject to DFI's jurisdictional oversight, and consumers purchasing products and services from such institutions;

f. The Commonwealth's Department of Public Health, to support and maintain consumer safety and injury prevention programs, including but not limited to, lead abatement programs affecting low income individuals or communities; and

g. Within the discretion of the Attorney General, any other organization or entity substantially able to implement, manage, develop or support any program consistent with the aims of this settlement.

Funds directed to any agency, organization or entity by the Attorney General pursuant to the terms of this paragraph shall be appropriated, administered and expended consistent with the terms of KRS Chapter 48, as applicable.

LOUISIANA

Said payment shall be payable to the Louisiana Department of Justice Consumer Enforcement Fund and shall be used for investigation of mortgage and foreclosure matters, consumer protection law enforcement and education, litigation funds, public protection, reimbursement of costs and fees associated with the investigation of this matter, ensuring compliance under the terms of this agreement, federal, and state regulations, or for any other purpose, at the direction of the Attorney General, as permitted by state law.

MARYLAND

The settlement amount of $59,697,470.00 shall be paid for the benefit of the citizens of the State of Maryland, of which the maximum of 10%, or $5,969,747.00, shall be paid to the Office of the Attorney General of Maryland as a civil penalty to be deposited in the General Fund of the State of Maryland. The balance of $53,727,723.00 shall be held in trust pursuant to paragraph 1.b. of Exhibit B to the Consent Order, to be disbursed only as directed by the Office of the Attorney General of Maryland and to be used only for housing and foreclosure-relief purposes and for related investigations and enforcement activities. These purposes and activities may include, but are not limited to, the provision of housing counseling, legal assistance, criminal or civil investigations of fraud related to housing and the securitization of mortgage loans, enforcement activities, foreclosure prevention, foreclosure remediation, restitution, and programs to address community blight or to fund other programs reasonably targeted to benefit persons harmed by mortgage fraud.

MASSACHUSETTS

Payment to Massachusetts ("the Payment") shall be payable to the Commonwealth of Massachusetts and directed to the Office of the Attorney General, and shall be used, consistent with this paragraph, to provide consumer and community relief to remedy the alleged unfair and deceptive acts and practices that gave rise to this Consent Decree, allocated as follows:

a) $4.4 million shall be paid as a civil penalty pursuant to G.L. c. 93A, § 4;

b) $1.0 million shall be paid as costs and attorneys fees pursuant to G.L. c. 93A, § 4;

c) $1.5 million shall be used for the administration of the terms of this Consent Judgment, monitoring compliance with the terms of this Consent Judgment and enforcing the terms of this Consent Judgment, assisting in the implementation of the relief programs and servicing standards as described in this Consent Judgment, and supporting the Attorney General's continuing investigation into misconduct in the origination, servicing, and securitization of residential mortgage loans; and

d) the remainder of the Payment shall be used to establish the Consumer and Community Foreclosure Relief Fund ("the Fund") which shall be used, in the sole discretion of the Attorney General, to fund or assist in funding programs intended to avoid preventable foreclosures, mitigate the effects of foreclosures on borrowers and communities, provide compensation to borrowers, other persons and communities arising out of alleged unfair or deceptive acts or practices that gave rise to the Consent Decree, and/or enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices. The Fund may further be used to provide consumer education, outreach, local consumer aid funds, consumer protection enforcement funds, and public protection funds or for other uses permitted by state law.

MAINE

Funds paid to the Maine Bureau of Consumer Credit Protection shall be deposited in the nonlapsing, dedicated account authorized to accept funds from any public or private source as described in 14 MRS § 6112(4) to fund the Bureau's foreclosure prevention program. Amounts paid to the Maine Attorney General shall be used to fund foreclosure diversion programs including the Bureau of Consumer Credit Protection's foreclosure prevention program and to legal aid organizations for direct legal services to consumers in support of foreclosure prevention efforts, to defray the costs of the inquiry leading hereto or for other uses permitted by state law at the sole discretion of the Attorney General.

MICHIGAN

Payment shall be forwarded at the direction of the Michigan Attorney General. Said payment shall be used for attorneys' fees and other costs of the inquiry leading hereto, and other uses as are consistent with state law and this consent judgment.

MINNESOTA

The State of Minnesota shall use the funds paid pursuant to Exhibit B-1 (“Minnesota Direct Payment Funds”) to provide restitution to Minnesota residents who were harmed by Defendant's origination, servicing, or foreclosure practices. The Minnesota Direct Payment Funds shall be deposited into an interest-bearing escrow account. The reasonable expenses of the escrow account and for developing, administering, and implementing the restitution plan, including the expenses of settlement administration and independent claims review, may be paid with Minnesota Direct Payment Funds. After full and fair restitution has been paid to individuals harmed by Defendant's practices as set forth above, any amount remaining shall be deposited into the State of Minnesota General Fund. Defendant shall provide to the settlement administrator, retained by the Minnesota Attorney General to administer the Minnesota Direct Payment Funds (the “Settlement Administrator”), all information already in its possession and readily available that is reasonably necessary for the administration of the Minnesota Direct Payment Funds, within a reasonable time after receipt of the request for the information. Information pertaining to individual borrowers who may be eligible for payments under the Minnesota Direct Payment Funds, including names and other identifying information and information necessary to verify or corroborate claims for restitution of Minnesota borrowers, shall be provided to Minnesota so long as such information is used solely for the purpose of contacting eligible borrowers, responding to inquiries from borrowers regarding their eligibility for Minnesota Direct Payment Funds, and/or complying with tax reporting and withholding obligations, if any. Appropriate information security protocols, including prior borrower authorization where applicable, shall be utilized to ensure the privacy of borrower information and compliance with all applicable privacy laws.

MISSISSIPPI

The settlement payment for the State of Mississippi in the amount of $13,580.374.00 shall be distributed to the Mississippi Attorney General for disbursements in accordance with the terms of the Consent Judgment to which this Exhibit refers.

MISSOURI

The Escrow Agent shall pay $39,583,212 to the State of Missouri:

a. $38,583,212 to the State of Missouri Office of the Attorney General
and
b. $1,000,000 to the state of Missouri Office of the Attorney General to the credit of the Merchandising Practices Revolving Fund for advocacy of consumers impacted by the practices addressed in this Consent Judgment, for the investigation and prosecution of persons involved in unfair, deceptive and fraudulent practices related to financial services, and for such other purposes as authorized by law.

MONTANA

Pursuant to ¶ 1(b) of Exhibit B to the foregoing Consent Judgment, the sum of $4,858,276 shall be distributed to the state consumer protection account for the Montana Department of Justice, according to wire transfer instructions to be provided by the Montana Attorney General's Office to the Trustee.

The sum of $450,000 shall be for civil fines, costs and fees pursuant to Mont. Code Ann. § 30-14-143.

The remaining funds shall be used, at the sole discretion of the Attorney General of Montana, for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, and to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices. These purposes include but are not limited to, funding for housing counselors, state and local foreclosure assistance services, state and local foreclosure mediation programs, legal assistance, and funding for training and staffing of financial fraud or consumer protection enforcement efforts.

NEBRASKA

The Nebraska Attorney General, on behalf of the State of Nebraska, directs that Nebraska's portion of the Direct Payment Settlement Amount, pursuant to Exhibit B, Paragraph (1)(b) of the attached Consent Judgment, be distributed to the following, to be used for any purpose(s) allowed pursuant to said Consent Judgment: State of Nebraska-Cash Reserve Fund (11000).

NEVADA

Funds shall be directed to the Nevada Attorney General to be deposited into an account and used for the following purposes: avoiding preventable foreclosure, ameliorating the effects of the mortgage and foreclosure crisis in Nevada, enhance consumer protection and legal aid efforts, enhance consumer financial and housing counseling assistance including economic education and/or instruction on financial literacy for the benefit of Nevada residents, enhance law enforcement efforts to investigate, prosecute and prevent financial fraud or unfair or deceptive acts or practices at the sole discretion of the Attorney General. The aforementioned account shall be interest bearing and all accrued interest shall stay with the account for the above enumerated purposes.

NEW HAMPSHIRE

The funds received by the New Hampshire Attorney General pursuant to this agreement shall be deposited in the consumer escrow account at the Department of Justice and used at the sole discretion of the New Hampshire Attorney General for the protection of consumers in the State of New Hampshire. The permissible purposes for allocation of the funds include, but are not limited to, funding for housing counselors, state and local foreclosure assistance programs, state and local foreclosure mediation programs, legal assistance, funding for training and staffing of financial fraud and/or consumer protection enforcement efforts, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, and civil penalties.

NEW JERSEY

New Jersey plans to apply its share of the settlement proceeds for its attorneys' fees, investigation costs and other expenses related to the investigation and resolution of this matter as well as on one or more of the following programs: Affordable Housing, Local Planning Services, Developmental Disabilities Residential Services, State Rental Assistance Program, Homelessness Prevention, Shelter Assistance, Community Based Senior Programs, Mental Health Residential Programs, Social Services for the Homeless, and/or Temporary Assistance for Needy Families.

NEW YORK

The State Payment Settlement Amount for New York, set forth in Exhibit B-1 to this Consent Judgment ("New York Settlement"), will be paid to the Office of the Attorney General of the State of New York ("NYOAG") by certified check payable to the State of New York, Department of Law and deposited by the NYOAG in an account that may be used, as determined by the NYOAG, to address matters relating to housing, lending, mortgage defaults, foreclosures, or the mortgage crisis, including without limitation consumer assistance, investigation, enforcement operations, litigation, public protection, consumer education, or local consumer aid, and for penalties, costs, fees, or any other use permitted under law. The New York Settlement shall be disbursed by the NYOAG in its sole discretion and at its direction consistent with the terms of this Consent Judgment. The certified check shall be delivered to:

New York State Office of the Attorney General
120 Broadway, 25th Floor
New York, New York 10271-0332
Attn.: Scott Wilson, Senior Advisor and Special Counsel

NEW MEXICO

Funds allocated to the Attorney General of the State of New Mexico shall be expended, in the sole discretion of the Attorney General, primarily for programs to avoid preventable foreclosures and ameliorate the effects on homeowners of the foreclosure crisis, including without limitation, funding for housing counselors, establishment of a state foreclosure assistance hotline, state and local foreclosure mediation programs, legal assistance for homeowners facing foreclosure, funding for administrative oversight for and coordination of funded programs by the Attorney General, and to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices.

NORTH CAROLINA

For the payment of settlement funds pursuant to Paragraph III (3) of the Consent Judgment and in accordance with the provisions of Paragraph 1 (b) of Exhibit B to the Consent Judgment, North Carolina Attorney General Roy Cooper sets forth the following funding allocations for the State of North Carolina's settlement payment and directs the Escrow Agent to pay said funds as follows:

- $5.74 million to be allocated as civil penalties payable to the Civil Penalty and Forfeiture Fund pursuant to N.C. Gen. Stat. § 115C-457.2 and Article 9, Section 7 of the North Carolina Constitution;

- $30.60 million to the North Carolina Housing Finance Agency for distribution as follows: (a) $19.12 million to be allocated to housing counseling providers to ensure that North Carolina homeowners receive the benefits due under this Consent Judgment, and to ensure the availability of homeownership and foreclosure prevention counseling services in North Carolina; (b) $11.47 million to be allocated to legal services providers in North Carolina for legal representation and assistance to North Carolinians in foreclosure or other housing or lending-related matters;

- $6.69 million to the Conference of District Attorneys of the North Carolina Administrative Office of the Courts to administer a program of grants among the prosecutorial districts in North Carolina for the purpose of expanding prosecution of lending and financial crimes, and expanding prosecution and investigative abilities in those areas, and obtaining training relating to lending and financial crimes;

- $2.87 million to the North Carolina State Bureau of Investigation to expand its accounting and financial investigative ability and its expertise to investigate financial and lending crimes;

- $4.78 million to the North Carolina Department of Justice to enable its Consumer Protection Division to hire attorneys, investigators, financial accountants and other specialists and staff as needed in order to increase its efforts to investigate and pursue cases related to financial fraud and unfair or deceptive trade practices in mortgage lending and financial services, and to assure public awareness of consumers' eligibility for relief under the Consent Judgment and address consumer need for information;

- $8.6 million to the general fund of the State of North Carolina as compensation for costs and economic losses sustained by the State due to mortgage fraud and foreclosure misconduct. (It is anticipated that an additional $1 million will be paid to the general fund of the State of North Carolina in the form of attorneys fees.)

To the extent there are funds remaining or unallocated under the allocations set forth above, the Escrow Agent is directed to distribute such funds to the North Carolina Housing Finance Agency for it to distribute consistent with the purposes outlined above. If North Carolina's settlement payment amount is reduced for unanticipated reasons, the individual allocations set forth above will each be reduced by the corresponding percentage amount.

<u>NORTH DAKOTA</u>

The settlement payment to the State of North Dakota shall be paid to the North Dakota Attorney General, and shall be used, in the Attorney General's discretion, to fund housing remediation projects designed to create more affordable and available housing or lodging in areas where more housing or lodging is needed, including creating available housing or lodging for personnel in law enforcement, emergency response, *et cetera*, and to compensate the state for attorney's fees and costs resulting from the alleged unlawful conduct of the Defendants.

OHIO

Ohio's share of the Direct Payment Settlement Amount shall be distributed and delivered to the office of the Ohio Attorney General, and shall be placed in the following two funds:

1. $90,783,033.00 in the Attorney General Court Order Fund pursuant to section 109.111 of the Ohio Revised Code. The funds shall be transferred, distributed, disbursed, or allocated for the purposes described in Paragraph 1(b)(i) of Exhibit B of the Consent Judgment, including the costs of the Ohio Attorney General in administering this settlement and fund. Interest or other income earned on this account shall also be transferred, distributed, disbursed, or allocated for the purposes described in Paragraph 1(b)(i) of Exhibit B of the Consent Judgment and for the costs of the Ohio Attorney General in administering this settlement and fund.

2. $2,000,000.00 shall be placed in the Consumer Protection Enforcement Fund created pursuant to section 1345.51 of the Ohio Revised Code. The funds shall be used for the purposes described in section 1345.51.

OREGON

1.1 Payment. Servicers shall make available a total sum of Twenty-Nine Million Two Hundred Fifty-Three Thousand One Hundred Ninety Dollars ($29,253,190) for payment to the State of Oregon, allocated as follows:

(a) Four Million Dollars ($4,000,000) shall be deposited into the Oregon Department of Justice Operating Account established pursuant to ORS 180.180.

(b) Twenty-Five Million Two Hundred Fifty-Three Thousand One Hundred Ninety Dollars ($25,253,190) shall be deposited into the General Fund with a recommendation to the Oregon Legislative Assembly that such funds be used for housing and foreclosure relief and mitigation as set forth in this Consent Judgment.

PENNSYLVANIA

The Attorney General of the Commonwealth of Pennsylvania (“Attorney General”) directs that the State Payment Settlement Amount, as that term is used in Exhibit B of this Consent Judgment (“Settlement Amount”), be distributed to the Office of Attorney General, to be allocated by the Attorney General, at her sole discretion, to the Office of Attorney General and the Pennsylvania Department of Banking to further their respective educational and law enforcement purposes; and the balance to be allocated by the Attorney General, at her sole discretion, to appropriate programs that help Pennsylvania homeowners avoid foreclosure. The amount, timing, and manner of the allocation of the Settlement Amount shall be at the sole discretion of the Attorney General.

RHODE ISLAND

The Rhode Island Attorney General shall receive all state government designated funds paid under this agreement. Said funds shall be held in separate accounts and must be used solely for mortgage foreclosure related issues and/or consumer education, outreach, training or related consumer issues as determined by the Rhode Island Attorney General.

SOUTH CAROLINA

With respect to the State of South Carolina's payment, said payment shall be used by the South Carolina Attorney General for a consumer protection enforcement fund, consumer education fund, consumer litigation fund, local consumer aid fund, or revolving fund; for consumer restitution, including the administrative costs thereof; for attorneys' fees and other costs of investigation and litigation; for reimbursement of state agencies; for cy pres purposes; or for any other uses not prohibited by law. The South Carolina Attorney General shall have sole discretion over the distribution of the funds.

SOUTH DAKOTA

Said payment shall be used by the Attorneys General for attorney fees and other costs of investigation and litigation, or to be placed in, or applied to, the consumer protection enforcement fund, consumer education or litigation, to defray the costs of the inquiry leading hereto, or may be used to fund or assist in funding housing counselor programs, foreclosure assistance personnel, foreclosure mediation programs, legal assistance and funding for training and staffing of financial fraud or consumer protection enforcement efforts, civil penalties or for other uses permitted by state law, at the sole discretion of the Attorney General.

TENNESSEE

The settlement amount of $41,207,810.00 shall be paid for the benefit of the citizens of the State of Tennessee, of which the maximum of 10%, or $4,120,781.00, shall be paid to the general fund of the State of Tennessee as a civil penalty. The remaining $37,087,029.00 shall be paid to the Office of the Attorney General of Tennessee and shall be used for purposes consistent with applicable provisions of the consent judgment as directed by the Office of the Attorney General, including funding foreclosure prevention counseling, other housing and legal assistance programs, related compliance, investigative, enforcement, and education purposes, or to fund other programs reasonably targeted to housing or tenant issues.

TEXAS

Said payment to the State of Texas in the amount of One Hundred Thirty-Four Million, Six Hundred Twenty-Eight Thousand, Four Hundred Eighty-Nine Dollars ($134,628,489.00) shall be allocated as follows:

A. Ten Million Dollars ($10,000,000.00) for civil penalties pursuant to Tex. Bus. & Com. Code §17.47(c) paid to the State of Texas for deposit to the judicial fund pursuant to Texas Government Code §402.007;

B. One Hundred Twenty-Four Million, Six Hundred Twenty-Eight Thousand, Four Hundred Eighty-Nine Dollars ($124,628,489.00) paid to the State of Texas for deposit into the General Revenue Fund pursuant to Texas Government Code §404.094(b) and §404.097(c).

UTAH

The Attorney General of the State of Utah directs that the Utah portion of the State Payment Settlement Amounts, as that term is used in Exhibit B of this Consent Judgment, be distributed to the State of Utah to be further allocated as determined by the Utah State Legislature.

VERMONT

The state funds may be used for housing-related or other purposes.

VIRGINIA

The State Payment Settlement Amount for Virginia totaling $66,525,233 shall be provided to the Virginia Attorney General for deposit to the Attorney General's Regulatory, Consumer Advocacy, Litigation and Enforcement Revolving Trust Fund (the "Revolving Fund"). Amounts deposited to the Revolving Fund may be used for costs of the Attorney General associated with his consumer protection advocacy and enforcement efforts and other delineated purposes permitted by State law.

WASHINGTON

The State of Washington will use its share of the State Payment Settlement Amount, as follows:

1. Ten percent will be designated as a civil penalty.

2. No more than $5 million will be used to compensate the State for its costs and fees to date, for costs of monitoring and enforcing the terms of the settlement, and for enforcing RCW 19.86, the Consumer Protection Act.

3. The remaining amount will be used for purposes intended to avoid preventable foreclosures or ameliorate the effects of the foreclosure crisis. As permitted by the Consent Judgment, such uses may include

    a. supplementing the amounts paid to state homeowners under the Borrower Payment Fund;

    b. funding for housing counselors;

    c. funding for state and local foreclosure assistance hotlines;

    d. funding for state and local foreclosure mediation programs;

    e. funding for civil legal assistance; or

    f. funding for housing remediation and anti-blight projects.

The State of Washington will convene a committee of public and private stakeholders who are experienced in foreclosure assistance, mortgage lending, civil legal services or housing related issues to determine how best to use the funds. As required by the Consent Judgment, the Attorney General will exercise his discretion over the final disposition of the funds in accordance with the purposes as set forth in the Consent Judgment and will provide instructions to the Escrow Agent accordingly.

WEST VIRGINIA

Settlement payments to the State of West Virginia in the amount of $5,748,915.00 shall be placed in trust and used at the discretion of the Attorney General solely for consumer protection purposes, including but not limited to, direct payments, restitution, consumer education, legal services, credit or bankruptcy counseling and education, housing counseling, conflict resolution programs, and costs associated with implementing court orders.

WISCONSIN

Money owed to the State of Wisconsin shall be made payable to 'Attorney General, State of Wisconsin,' and may be used for any purpose permitted under the Consent Judgment, as solely determined and directed by the Attorney General.

WYOMING

The Escrow Agent shall distribute the amount constituting the State Payment Settlement Amount for the State of Wyoming to the Attorney General of the State of Wyoming, as trustee, to hold and distribute such amount, pursuant to Wyoming Statute § 9-1-639(a)(i), exclusively for the purpose of addressing mortgage and foreclosure matters in the State of Wyoming, by providing grants or other aid to agencies and organizations approved by the Attorney General of the State of Wyoming for mortgage and housing related consumer assistance, consumer education, credit counseling, mediation programs, legal assistance, training, or staffing.

EXHIBIT C

BORROWER PAYMENT AMOUNT

1. The Borrower Payment Amount shall be administered under the direction and control of the State members of the Monitoring Committee in the following manner.

2. Within ninety (90) days of the Effective Date of this Consent Judgment, the State members of the Monitoring Committee shall choose and retain a Settlement Administrator ("the Administrator") to administer the distribution of cash payments to individual borrowers under this and all similar Consent Judgments with other servicers concerning the Covered Conduct (the "Related Consent Judgments"). All costs and expenses of the Administrator, including taxes, shall be paid from the Borrower Payment Amount.

3. Defendant shall provide to the Administrator all information already in its possession and readily available that is reasonably necessary for the administration of this and the Related Consent Judgments, within a reasonable time after receipt of the request for information. Defendant is ordered herein to provide such information under 15 U.S.C. § 6802(e)(1)(A), (5) and (8) of the Gramm-Leach-Bliley Act. Such information pertaining to individual eligible Borrowers, including names and other identifying information, may be provided to individual states, but only if the information is used solely for the purpose of contacting eligible Borrowers, responding to inquiries from Borrowers regarding their eligibility or concerning the award of borrower payments under this Consent Judgment, and/or complying with tax reporting and withholding obligations, if any. The Administrator shall utilize appropriate information security protocols to ensure the privacy of Borrower information and otherwise comply with all applicable privacy laws. After the completion of the Borrower Payment process, the Administrator shall provide a report to each Defendant identifying which borrowers have received payment. In addition, Defendant may request from the Administrator such interim reports as may be deemed reasonable by the State Members of the Monitoring Committee. Interim reports necessary to insure that Borrowers will not receive duplicate payments by virtue of litigation, the foreclosure review required by federal banking

agencies or otherwise hereby are deemed reasonable. Defendant shall warrant to the State Members of the Monitoring Committee at the time of supplying information to the Administrator that the information is complete and accurate to the best of its knowledge and capability.

4. The Administrator shall permit reasonable onsite inspection by the State members of the Monitoring Committee on the premises of the Administrator to monitor administration of this and all Related Consent Judgments.

5. As a condition to receipt of any payments pursuant to this process, borrowers must agree that such payment shall offset and operate to reduce any other obligation Defendant has to the borrowers to provide compensation or other payments. However, borrowers shall not be required to release or waive any other right or legal claim as a condition of receiving such payments.

6. Any cash payment to individual borrowers awarded under the terms of this Consent Judgment is not and shall not be considered as forgiven debt.

7. The purposes of the payments described in this Exhibit C are remedial and relate to the reduction in the proceeds deemed realized by borrowers for tax purposes from the foreclosure sale of residential properties owned by the borrowers allegedly resulting from the allegedly unlawful conduct of the Defendants.

EXHIBIT D

Consumer Relief Requirements

Any Servicer as defined in the Servicing Standards set forth in Exhibit A to this Consent Judgment (hereinafter "Servicer" or "Participating Servicer") agrees that it will not implement any of the Consumer Relief Requirements described herein through policies that are intended to (i) disfavor a specific geography within or among states that are a party to the Consent Judgment or (ii) discriminate against any protected class of borrowers. This provision shall not preclude the implementation of pilot programs in particular geographic areas.

Any discussion of property in these Consumer Relief Requirements, including any discussion in Table 1 or other documents attached hereto, refers to a 1-4 unit single-family property (hereinafter, "Property" or collectively, "Properties").

Any consumer relief guidelines or requirements that are found in Table 1 or other documents attached hereto, are hereby incorporated into these Consumer Relief Requirements and shall be afforded the same deference as if they were written in the text below.

For the avoidance of doubt, subject to the Consumer Relief Requirements described below, Servicer shall receive credit for consumer relief activities with respect to loans insured or guaranteed by the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture in accordance with the terms and conditions herein, provided that nothing herein shall be deemed to in any way relieve Servicer of the obligation to comply with the requirements of the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, and the U.S. Department of Agriculture with respect to the servicing of such loans.

Servicer shall not, in the ordinary course, require a borrower to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief Requirements. However, nothing herein shall preclude Servicer from requiring a waiver or release of legal claims and defenses with respect to a Consumer Relief activity offered in connection with the resolution of a contested claim, when the borrower would not otherwise have received as favorable terms or when the borrower receives additional consideration.

Programmatic exceptions to the crediting available for the Consumer Relief Requirements listed below may be granted by the Monitoring Committee on a case-by-case basis.

To the extent a Servicer is responsible for the servicing of a mortgage loan to which these Consumer Relief Requirements may apply, the Servicer shall receive credit for all consumer relief and refinancing activities undertaken in connection with such mortgage loan by any of its subservicers to the same extent as if Servicer had undertaken such activities itself.[*]

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1. First Lien Mortgage Modifications
   a. Servicer will receive credit under Table 1, Section 1, for first-lien mortgage loan modifications made in accordance with the guidelines set forth in this Section 1.
   b. First liens on occupied[1] Properties with an unpaid principal balance (“UPB”) prior to capitalization at or below the highest GSE conforming loan limit cap as of January 1, 2010 shall constitute at least 85% of the eligible credits for first liens (the “Applicable Limits”).
   c. Eligible borrowers must be at least 30 days delinquent or otherwise qualify as being at imminent risk of default due to borrower's financial situation.
   d. Eligible borrowers' pre-modification loan-to-value ratio (“LTV”) is greater than 100%.
   e. Post-modification payment should target a debt-to-income ratio (“DTI”)[2] of 31% (or an affordability measurement consistent with HAMP guidelines) and a modified LTV[3] of no greater than 120%, provided that eligible borrowers receive a modification that meets the following terms:
      i. Payment of principal and interest must be reduced by at least 10%.
      ii. Where LTV exceeds 120% at a DTI of 31%, principal shall be reduced to a LTV of 120%, subject to a minimum DTI of 25% (which minimum may be waived by Servicer at Servicer's sole

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* If a Servicer holds a mortgage loan but does not service or control the servicing rights for such loan (either through its own servicing operations or a subservicer), then no credit shall be granted to that Servicer for consumer relief and refinancing activities related to that loan.

1. Servicer may rely on a borrower's statement, at the time of the modification evaluation, that a Property is occupied or that the borrower intends to rent or re-occupy the property.

2. Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

3. For the purposes of these guidelines, LTV may be determined in accordance with HAMP PRA.

discretion), provided that for investor-owned loans, the LTV and DTI need not be reduced to a level that would convert the modification to net present value (“NPV”) negative.

f. DTI requirements may be waived for first lien mortgages that are 180 days or more delinquent as long as payment of principal and interest is reduced by at least 20% and LTV is reduced to at least 120%.
g. Servicer shall also be entitled to credit for any amounts of principal reduction which lower LTV below 120%.
h. When Servicer reduces principal on a first lien mortgage via its proprietary modification process, and a Participating Servicer owns the second lien mortgage, the second lien shall be modified by the second lien owning Participating Servicer in accordance with Section 2.c.i below, provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined by the Monitor, after that Participating Servicer's Start Date to make system changes necessary to participate in and implement this requirement. Credit for such second lien mortgage write-downs shall be credited in accordance with the second lien percentages and cap described in Table 1, Section 2.
i. In the event that, in the first 6 months after Servicer's Start Date (as defined below), Servicer temporarily provides forbearance or conditional forgiveness to an eligible borrower as the Servicer ramps up use of principal reduction, Servicer shall receive credit for principal reduction on such modifications provided that (i) Servicer may not receive credit for both the forbearance and the subsequent principal reduction and (ii) Servicer will only receive the credit for the principal reduction once the principal is actually forgiven in accordance with these Consumer Relief Requirements and Table 1.
j. Eligible modifications include any modification that is made on or after Servicer's Start Date, including:
    i. Write-offs made to allow for refinancing under the FHA Short Refinance Program;
    ii. Modifications under the Making Home Affordable Program (including the Home Affordable Modification Program (“HAMP”) Tier 1 or Tier 2) or the Housing Finance Agency Hardest Hit Fund (“HFA Hardest Hit Fund”) (or any other federal program) where principal is forgiven, except to the extent that state or federal funds paid to Servicer in its capacity as an investor are the source of a Servicer's credit claim.

iii. Modifications under other proprietary or other government modification programs, provided that such modifications meet the guidelines set forth herein.[4]

2. Second Lien Portfolio Modifications
    a. Servicer is required to adhere to these guidelines in order to receive credit under Table 1, Section 2.
    b. A write-down of a second lien mortgage will be creditable where such write-down facilitates either (a) a first lien modification that involves an occupied Property for which the borrower is 30 days delinquent or otherwise at imminent risk of default due to the borrower's financial situation; or (b) a second lien modification that involves an occupied Property with a second lien which is at least 30 days delinquent or otherwise at imminent risk of default due to the borrower's financial situation.

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4. Two examples are hereby provided. Example 1: on a mortgage loan at 175% LTV, when a Servicer (in its capacity as an investor) extinguishes $75 of principal through the HAMP Principal Reduction Alternative ("PRA") modification in order to bring the LTV down to 100%, if the Servicer receives $28.10 in PRA principal reduction incentive payments from the U.S. Department of the Treasury for that extinguishment, then the Servicer may claim $46.90 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	**HAMP-PRA Incentive Amount Received:**	**Allowable Settlement Credit:**
175% LTV to 140% LTV	$10.50 (35% LTV * $0.30)	$24.50 ((35% LTV-$10.50) * $1.00)
140% LTV to 115% LTV	$11.30 (25% LTV * $0.45)	$13.70 ((25% LTV-$11.30) * $1.00)
115% LTV to 105% LTV	$6.30 (10% LTV * $0.63)	$3.70 ((10% LTV-$6.30) * $1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	$5.00 (5% LTV * $1.00)
Total:	**$28.10**	**$46.90**

Example 2: on a mortgage loan at 200% LTV, when a Servicer (in its capacity as an investor) extinguishes $100 of principal through a HAMP-PRA modification in order to bring the LTV down to 100%, if the Servicer receives $35.60 in PRA principal reduction incentive payments from Treasury for that extinguishment, then although the Servicer would have funded $64.40 in principal reduction on that loan, the Servicer may claim $55.70 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	**HAMP-PRA Incentive Amount Received:**	**Allowable Settlement Credit:**
200% LTV to 175% LTV	$7.50 (25% LTV * $0.30)	$8.80 ((25% LTV-$7.50) * $0.50)
175% LTV to 140% LTV	$10.50 (35% LTV * $0.30)	$24.50 ((35% LTV-$10.50) * $1.00)
140% LTV to 115% LTV	$11.30 (25% LTV * $0.45)	$13.70 ((25% LTV-$11.30) * $1.00)
115% LTV to 105% LTV	$6.30 (10% LTV * $0.63)	$3.70 ((10% LTV-$6.30) * $1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	$5.00 (5% LTV * $1.00)
Total:	**$35.60**	**$55.70**

c. Required Second Lien Modifications:
    i. Servicer agrees that it must write down second liens consistent with the following program until its Consumer Relief Requirement credits are fulfilled:
        1. A write-down of a second lien mortgage will be creditable where a successful first lien modification is completed by a Participating Servicer via a servicer's proprietary, non-HAMP modification process, in accordance with Section 1, with the first lien modification meeting the following criteria:
            a. Minimum 10% payment reduction (principal and interest);
            b. Income verified;
            c. A UPB at or below the Applicable Limits; and
            d. Post-modification DTI[5] between 25% and 31%.
        2. If a Participating Servicer has completed a successful proprietary first lien modification and the second lien loan amount is greater than $5,000 UPB and the current monthly payment is greater than $100, then:
            a. Servicer shall extinguish and receive credit in accordance with Table 1, Section 2.iii on any second lien that is greater than 180 days delinquent.
            b. Otherwise, Servicer shall solve for a second lien payment utilizing the HAMP Second Lien Modification Program ("2MP") logic used as of January 26, 2012.
            c. Servicer shall use the following payment waterfall:
                i. Forgiveness equal to the lesser of (a) achieving 115% combined loan-to-value ratio ("CLTV") or (b) 30% UPB (subject to minimum forgiveness level); then
                ii. Reduce rate until the 2MP payment required by 2MP logic as of January 26, 2012; then

5. Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

        iii. Extend term to "2MP Term" (greater of modified first or remaining second).
    d. Servicer shall maintain an I/O product option consistent with 2MP protocols.

d. Eligible second lien modifications include any modification that is made on or after Servicer's Start Date, including:
    i. Principal reduction or extinguishments through the Making Home Affordable Program (including 2MP), the FHA Short Refinance Second Lien ("FHA2LP") Program or the HFA Hardest Hit Fund (or any other federal program), except (to the extent) that state or federal funds are the source of a Servicer's credit claim.
    ii. Second lien write-downs or extinguishments completed under proprietary modification programs, are eligible, provided that such write-downs or extinguishments meet the guidelines as set forth herein.
e. Extinguishing balances of second liens to support the future ability of individuals to become homeowners will be credited based on applicable credits in Table 1.

3. Enhanced Borrower Transitional Funds

    Servicer may receive credit, as described in Table 1, Section 3, for providing additional transitional funds to homeowners in connection with a short sale or deed-in-lieu of foreclosure to homeowners for the amount above $1,500.

4. Short Sales
    a. As described in the preceding paragraph, Servicer may receive credit for providing incentive payments for borrowers on or after Servicer's Start Date who are eligible and amenable to accepting such payments in return for a dignified exit from a Property via short sale or similar program. Credit shall be provided in accordance with Table 1, Section 3.i.
    b. To facilitate such short sales, Servicer may receive credit for extinguishing second liens on or after Servicer's Start Date under Table 1, Section 4.
    c. Short sales through the Home Affordable Foreclosure Alternatives (HAFA) Program or any HFA Hardest Hit Fund program or proprietary programs closed on or after Servicer's Start Date are eligible.
    d. Servicer shall be required to extinguish a second lien owned by Servicer behind a successful short sale/deed-in-lieu conducted by a Participating Servicer (provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined by the Monitor, after their Start Date to make system changes necessary to participate in and implement this requirement) where the first lien is greater than 100% LTV and has a UPB at or below the Applicable Limits, until Servicer's Consumer Relief Requirement credits are fulfilled. The first lien holder would pay to the second lien holder 8% of UPB, subject to a $2,000 floor and an $8,500 ceiling. The second lien holder would then release the note or lien and waive the balance.
5. Deficiency Waivers
    a. Servicer may receive credit for waiving deficiency balances if not eligible for credit under some other provision, subject to the cap provided in the Table 1, Section 5.i.
    b. Credit for such waivers of any deficiency is only available where Servicer has a valid deficiency claim, meaning where Servicer can evidence to the Monitor that it had the ability to pursue a deficiency against the borrower but waived its right to do so after completion of the foreclosure sale.
6. Forbearance for Unemployed Borrowers
    a. Servicer may receive credit for forgiveness of payment of arrearages on behalf of an unemployed borrower in accordance with Table 1, Section 6.i.

b. Servicer may receive credit under Table 1, Section 6.ii., for funds expended to finance principal forbearance solutions for unemployed borrowers as a means of keeping them in their homes until such time as the borrower can resume payments. Credit will only be provided beginning in the 7th month of the forbearance under Table 1, Section 6.ii.

7. Anti-Blight Provisions
   a. Servicer may receive credit for certain anti-blight activities in accordance with and subject to caps contained in Table 1, Section 7.
   b. Any Property value used to calculate credits for this provision shall have a property evaluation meeting the standards acceptable under the Making Home Affordable programs received within 3 months of the transaction.
8. Benefits for Servicemembers
   a. Short Sales
      i. Servicer shall, with respect to owned portfolio first liens, provide servicemembers who qualify for SCRA benefits ("Eligible Servicemembers") a short sale agreement containing a predetermined minimum net proceeds amount ("Minimum Net Proceeds") that Servicer will accept for short sale transaction upon receipt of the listing agreement and all required third-party approvals. The Minimum Net Proceeds may be expressed as a fixed dollar amount, as a percentage of the current market value of the property, or as a percentage of the list price as approved by Servicer. After providing the Minimum Net Proceeds, Servicer may not increase the minimum net requirements above the Minimum Net Proceeds amount until the initial short sale agreement termination date is reached (not less than 120 calendar days from the date of the initial short sale agreement). Servicer must document subsequent changes to the Minimum Net Proceeds when the short sale agreement is extended.
      ii. Eligible Servicemembers shall be eligible for this short sale program if: (a) they are an active duty full-time status Eligible Servicemember; (b) the property securing the mortgage is not vacant or condemned; (c) the property securing the mortgage is the Eligible Servicemember's primary residence (or, the property was his or her principal residence immediately before he or she moved pursuant to a Permanent Change of Station ("PCS") order dated on or after October 1, 2010; (d) the Eligible Servicemember purchased the subject primary residence on or after July 1, 2006 and before December 31, 2008; and (e) the Eligible Servicemember relocates or has relocated from the subject property not more than 12 months prior to the date of the short sale agreement to a new duty station or home port outside a 50-mile radius of the Eligible Servicemember's former duty station or home port under a PCS. Eligible Servicemembers who have relocated may be eligible if the Eligible Servicemember provides documentation that the property was their principal residence prior to relocation or during the 12-month period prior to the date of the short sale agreement.
   b. Short Sale Waivers
      i. If an Eligible Servicemember qualifies for a short sale hereunder and sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, Servicer shall, in the case of an owned portfolio first lien, waive the additional amount owed by the Eligible Servicemember so long as it is less than $250,000.
      ii. Servicer shall receive credit under Table 1, Section 4, for mandatory waivers of amounts under this Section 8.b.
   c. With respect to the refinancing program described in Section 9 below, Servicer shall use reasonable efforts to identify active servicemembers in its owned portfolio who would qualify and to solicit those individuals for the refinancing program.

9. Refinancing Program
    a. Servicer shall create a refinancing program for current borrowers. Servicer shall provide notification to eligible borrowers indicating that they may refinance under the program described herein. The minimum occupied Property eligibility criteria for such a program shall be:
        i. The program shall apply only to Servicer-owned first lien mortgage loans.
        ii. Loan must be current with no delinquencies in past 12 months.
        iii. Fixed rate loans, ARMS, or I/Os are eligible if they have an initial period of 5 years or more.
        iv. Current LTV is greater than 100%.
        v. Loans must have been originated prior to January 1, 2009.
        vi. Loan must not have received any modification in the past 24 months.
        vii. Loan must have a current interest rate of at least 5.25 % or PMMS + 100 basis points, whichever is greater.
        viii. The minimum difference between the current interest rate and the offered interest rate under this program must be at least 25 basis points or there must be at least a $100 reduction in monthly payment.
        ix. Maximum UPB will be an amount at or below the Applicable Limits.
        x. The following types of loans are excluded from the program eligibility:
            1. FHA/VA
            2. Property outside the 50 States, DC, and Puerto Rico
            3. Loans on Manufactured Homes
            4. Loans for borrowers who have been in bankruptcy anytime within the prior 24 months
            5. Loans that have been in foreclosure within the prior 24 months
    b. The refinancing program shall be made available to all borrowers fitting the minimum eligibility criteria described above in 9.a. Servicer will be free to extend the program to other customers beyond the minimum eligibility criteria provided above and will receive credit under this Agreement for such refinancings, provided that such customers have an LTV of over 80%, and would not have qualified for a refinance under Servicer's generally-available refinance programs as of September 30, 2011. Notwithstanding the foregoing, Servicer shall not be required to solicit or refinance borrowers who do not satisfy the eligibility criteria under 9.a above. In addition, Servicer shall not be required to refinance a loan under circumstances that, in the reasonable judgment of the Servicer, would result in Troubled Debt Restructuring ("TDR") treatment. A letter to the United States Securities and Exchange Commission regarding TDR treatment, dated November 22, 2011, shall be provided to the Monitor for review.
    c. The structure of the refinanced loans shall be as follows:
        i. Servicer may offer refinanced loans with reduced rates either:
            1. For the life of the loan;
            2. For loans with current interest rates above 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced for 5 years. After the 5 year fixed interest rate period, the rate will return to the preexisting rate subject to a maximum rate increase of 0.5% annually; or
            3. For loans with an interest rate below 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced to obtain at least a 25 basis point interest rate reduction or $100 payment reduction in monthly payment, for a period of 5 years, followed by 0.5% annual interest rate increases with a maximum ending interest rate of 5.25% or PMMS + 100 basis

points.

ii. The original term of the loan may be changed.
iii. Rate reduction could be done through a modification of the existing loan terms or refinance into a new loan.
iv. New term of the loan has to be a fully amortizing product.
v. The new interest rate will be capped at 100 basis points over the PMMS rate or 5.25%, whichever is greater, during the initial rate reduction period.

d. Banks fees and expenses shall not exceed the amount of fees charged by Banks under the current Home Affordable Refinance Program ("HARP") guidelines.
e. The program shall be credited under these Consumer Relief Requirements as follows:
    i. Credit will be calculated as the difference between the preexisting interest rate and the offered interest rate times UPB times a multiplier.
    ii. The multiplier shall be as follows:
        1. If the new rate applies for the life of the loan, the multiplier shall be 8 for loans with a remaining term greater than 15 years, 6 for loans with a remaining term between 10 and 15 years and 5 for loans with a remaining term less than 10 years.
        2. If the new rate applies for 5 years, the multiplier shall be 5.
f. Additional dollars spent by each Servicer on the refinancing program beyond that Servicer's required commitment shall be credited 25% against that Servicer's first lien principal reduction obligation and 75% against that Servicer's second lien principal reduction obligation, up to the limits set forth in Table 1.

10. Timing, Incentives, and Payments
    a. For the consumer relief and refinancing activities imposed by this Agreement, Servicer shall be entitled to receive credit against Servicer's outstanding settlement commitments for activities taken on or after Servicer's start date, March 1, 2012 (such date, the "Start Date").
    b. Servicer shall receive an additional 25% credit against Servicer's outstanding settlement commitments for any first or second lien principal reduction and any amounts credited pursuant to the refinancing program within 12 months of Servicer's Start Date (e.g., a $1.00 credit for Servicer activity would count as $1.25).
    c. Servicer shall complete 75% of its Consumer Relief Requirement credits within two years of the Servicer's Start Date.
    d. If Servicer fails to meet the commitment set forth in these Consumer Relief Requirements within three years of Servicer's Start Date, Servicer shall pay an amount equal to 125% of the unmet commitment amount; except that if Servicer fails to meet the two year commitment noted above, and then fails to meet the three year commitment, the Servicer shall pay an amount equal to 140% of the unmet three-year commitment amount; provided, however, that if Servicer must pay any Participating State for failure to meet the obligations of a state-specific commitment to provide Consumer Relief pursuant to the terms of that commitment, then Servicer's obligation to pay under this provision shall be reduced by the amount that such a Participating State would have received under this provision and the Federal portion of the payment attributable to that Participating State. The purpose of the 125% and 140% amounts is to encourage Servicer to meet its commitments set forth in these Consumer Relief Requirements.

11. Applicable Requirements

The provision of consumer relief by the Servicer in accordance with this Agreement in connection with any residential mortgage loan is expressly subject to, and shall be interpreted in accordance with, as applicable, the terms and provisions of the Servicer Participation Agreement with the U.S. Department of Treasury, any servicing agreement, subservicing agreement under which Servicer services for others, special servicing agreement, mortgage or bond insurance policy or related agreement or requirements to which Servicer is a party and by which it or its servicing affiliates are bound pertaining to the servicing or ownership of the mortgage loans, including without limitation the requirements, binding directions, or investor guidelines of the applicable investor (such as Fannie Mae or Freddie Mac), mortgage or bond insurer, or credit enhancer, provided, however, that the inability of a Servicer to offer a type, form or feature of the consumer relief payments by virtue of an Applicable Requirement shall not relieve the Servicer of its aggregate consumer relief obligations imposed by this Agreement, i.e., the Servicer must satisfy such obligations through the offer of other types, forms or features of consumer relief payments that are not limited by such Applicable Requirement.

EXHIBIT D-1

Table 1[1]

Menu Item	Credit Towards Settlement	Credit Cap
Consumer Relief Funds		
1. First Lien Mortgage Modification[2]		*Minimum 30% for First Lien Mods[3] (which can be reduced by 2.5% of overall consumer relief funds for excess refinancing program credits above the minimum amount required)*
<u>PORTFOLIO LOANS</u>		
i. First lien principal forgiveness modification	LTV </= 175%: $1.00 Write-down=$ 1.00 Credit LTV > 175%: $1.00 Write-down=$0.50 Credit (for only the portion of principal forgiven over 175%)	
ii. Forgiveness of forbearance amounts on existing modifications	$1.00 Write-down=$0.40 Credit	*Max 12.5%*

1. Where applicable, the number of days of delinquency will be determined by the number of days a loan is delinquent at the start of the earlier of the first or second lien modification process. For example, if a borrower applies for a first lien principal reduction on February 1, 2012, then any delinquency determination for a later second lien modification made pursuant to the terms of this Agreement will be based on the number of days the second lien was delinquent as of February 1, 2012.
2. Credit for all modifications is determined from the date the modification is approved or communicated to the borrower. However, no credits shall be credited unless the payments on the modification are current as of 90 days following the implementation of the modification, including any trial period, except if the failure to make payments on the modification within the 90 day period is due to unemployment or reduced hours, in which case Servicer shall receive credit provided that Servicer has reduced the principal balance on the loan. Eligible Modifications will include any modification that is completed on or after the Start Date, as long as the loan is current 90 days after the modification is implemented.
3. All minimum and maximum percentages refer to a percentage of total consumer relief funds.

Menu Item	Credit Towards Settlement	Credit Cap
iii. Earned forgiveness over a period of no greater than 3 years - provided consistent with PRA	LTV </= 175%: $1.00 Write-down=$.85 Credit LTV > 175%: $1.00 Write-down=$0.45 Credit (for only the portion of principal forgiven over 175%)	
<u>SERVICE FOR OTHERS</u>		
iv. First lien principal forgiveness modification on investor loans (forgiveness by investor)	$1.00 Write-down=$0.45 Credit	
v. Earned forgiveness over a period of no greater than 3 years - provided consistent with PRA	LTV </= 175%: $1.00 Write-down=$.40 Credit LTV > 175%: $1.00 Write-down=$0.20 Credit (for only the portion of principal forgiven over 175%)	
2. Second Lien Portfolio Modifications		*Minimum of 60% for 1st and 2nd Lien Mods (which can be reduced by 10% of overall consumer relief funds for excess refinancing program credits above the minimum amounts required)*
i. Performing Second Liens (0-90 days delinquent)	$1.00 Write-down=$0.90 Credit	
ii. Seriously Delinquent Second Liens (>90-179 days delinquent)	$1.00 Write-down=$0.50 Credit	
iii. Non-Performing Second Liens (180 or more days delinquent)	$1.00 Write-down=$0.10 Credit	
3. Enhanced Borrower Transitional Funds		*Max 5%*
i. Servicer Makes Payment	$1.00 Payment=$1.00 Credit (for the amount over $1,500)	
ii. Investor Makes Payment (non-GSE)	$1.00 Payment=0.45 Credit (for the amount over the $1,500 average payment established by Fannie Mae and Freddie Mac)	

Menu Item	Credit Towards Settlement	Credit Cap
4. Short Sales/Deeds in Lieu		
i. Servicer makes payment to unrelated 2nd lien holder for release of 2nd lien	$1.00 Payment=$1.00 Credit	
ii. Servicer forgives deficiency and releases lien on 1st lien Portfolio Loans	$1.00 Write-down=$0.45 Credit	
iii. Investor forgives deficiency and releases lien on 1st Lien investor loans	$1.00 Write-down=$0.20 Credit	
iv. Forgiveness of deficiency balance and release of lien on Portfolio Second Liens		
Performing Second Liens (0-90 days delinquent)	$1.00 Write-down=$0.90 Credit	
Seriously Delinquent Second Liens (>90-179 days delinquent)	$1.00 Write-down=$0.50 Credit	
Non-Performing Second Liens (180 or more days delinquent)	$1.00 Write-down=$0.10 Credit	
5. Deficiency Waivers		*Max 10%*
i. Deficiency waived on 1st and 2nd liens loans	$1.00 Write-down=$0.10 Credit	
6. Forbearance for unemployed homeowners		
i. Servicer forgives payment arrearages on behalf of borrower	$1.00 new forgiveness=$ 1.00 Credit	
ii. Servicer facilitates traditional forbearance program	$1.00 new forbearance=$0.05 Credit	
7. Anti-Blight Provisions		*Max 12%*
i. Forgiveness of principal associated with a property where Servicer does not pursue foreclosure	$1.00 property value=$0.50 Credit	
ii. Cash costs paid by Servicer for demolition of property	$1.00 Payment=$1.00 Credit	

Menu Item	Credit Towards Settlement	Credit Cap
iii. REO properties donated to accepting municipalities or non-profits or to disabled servicemembers or relatives of deceased servicemembers	$1.00 property value=$ 1.00 Credit	

EXHIBIT E

Enforcement Terms

A. Implementation Timeline. Servicer anticipates that it will phase in the implementation of the Servicing Standards and Mandatory Relief Requirements (i) through (iv), as described in Section C.12, using a grid approach that prioritizes implementation based upon: (i) the importance of the Servicing Standard to the borrower; and (ii) the difficulty of implementing the Servicing Standard. In addition to the Servicing Standards and any Mandatory Relief Requirements that have been implemented upon entry of this Consent Judgment, the periods for implementation will be: (a) within 60 days of entry of this Consent Judgment; (b) within 90 days of entry of this Consent Judgment; and (c) within 180 days of entry of this Consent Judgment. Servicer will agree with the Monitor chosen pursuant to Section C, below, on the timetable in which the Servicing Standards and Mandatory Relief Requirements (i) through (iv) will be implemented. In the event that Servicer, using reasonable efforts, is unable to implement certain of the standards on the specified timetable, Servicer may apply to the Monitor for a reasonable extension of time to implement those standards or requirements.

B. Monitoring Committee. A committee comprising representatives of the state Attorneys General, State Financial Regulators, the U.S. Department of Justice, and the U.S. Department of Housing and Urban Development shall monitor Servicer's compliance with this Consent Judgment (the "Monitoring Committee"). The Monitoring Committee may substitute representation, as necessary. Subject to Section F, the Monitoring Committee may share all Monitor Reports, as that term is defined in Section D.2 below, with any releasing party.

C. Monitor

Retention and Qualifications and Standard of Conduct

1. Pursuant to an agreement of the parties, Joseph A. Smith Jr. is appointed to the position of Monitor under this Consent Judgment. If the Monitor is at any time unable to complete his or her duties under this Consent Judgment, Servicer and the Monitoring Committee shall mutually agree upon a replacement in accordance with the process and standards set forth in Section C of this Consent Judgment.
2. Such Monitor shall be highly competent and highly respected, with a reputation that will garner public confidence in his or her ability to perform the tasks required under this Consent Judgment. The Monitor shall have the right to employ an accounting firm or firms or other firm(s) with similar capabilities to support the Monitor in carrying out his or her duties under this Consent Judgment. Monitor and Servicer shall agree on the selection of a "Primary Professional Firm," which must have adequate capacity and resources to perform the work required under this agreement. The Monitor shall also have the right to engage one or more attorneys or other professional persons to represent or assist the Monitor in carrying out the Monitor's duties under this Consent Judgment (each such individual, along with each individual deployed to the engagement by the Primary Professional Firm, shall be defined as a "Professional"). The Monitor and Professionals will collectively possess expertise in the areas of mortgage servicing, loss mitigation, business operations, compliance, internal controls, accounting, and foreclosure and bankruptcy law and practice. The Monitor and Professionals shall at all times act in good faith and with integrity and fairness towards all the Parties.

3. The Monitor and Professionals shall not have any prior relationships with the Parties that would undermine public confidence in the objectivity of their work and, subject to Section C.3(e), below, shall not have any conflicts of interest with any Party.
   (a) The Monitor and Professionals will disclose, and will make a reasonable inquiry to discover, any known current or prior relationships to, or conflicts with, any Party, any Party's holding company, any subsidiaries of the Party or its holding company, directors, officers, and law firms.
   (b) The Monitor and Professionals shall make a reasonable inquiry to determine whether there are any facts that a reasonable individual would consider likely to create a conflict of interest for the Monitor or Professionals. The Monitor and Professionals shall disclose any conflict of interest with respect to any Party.
   (c) The duty to disclose a conflict of interest or relationship pursuant to this Section C.3 shall remain ongoing throughout the course of the Monitor's and Professionals' work in connection with this Consent Judgment.
   (d) All Professionals shall comply with all applicable standards of professional conduct, including ethics rules and rules pertaining to conflicts of interest.
   (e) To the extent permitted under prevailing professional standards, a Professional's conflict of interest may be waived by written agreement of the Monitor and Servicer.
   (f) Servicer or the Monitoring Committee may move the Court for an order disqualifying any Professionals on the grounds that such Professional has a conflict of interest that has inhibited or could inhibit the Professional's ability to act in good faith and with integrity and fairness towards all Parties.
4. The Monitor must agree not to be retained by any Party, or its successors or assigns, for a period of 2 years after the conclusion of the terms of the engagement. Any Professionals who work on the engagement must agree not to work on behalf of Servicer, or its successor or assigns, for a period of 1 year after the conclusion of the term of the engagement (the "Professional Exclusion Period"). Any Firm that performs work with respect to Servicer on the engagement must agree not to perform work on behalf of Servicer, or its successor or assigns, that consists of advising Servicer on a response to the Monitor's review during the engagement and for a period of six months after the conclusion of the term of the engagement (the "Firm Exclusion Period"). The Professional Exclusion Period and Firm Exclusion Period, and terms of exclusion may be altered on a case-by-case basis upon written agreement of Servicer and the Monitor. The Monitor shall organize the work of any Firms so as to minimize the potential for any appearance of, or actual, conflicts.

Monitor's Responsibilities

5. It shall be the responsibility of the Monitor to determine whether Servicer is in compliance with the Servicing Standards and the Mandatory Relief Requirements (as defined in Section C.12) and whether Servicer has satisfied the Consumer Relief Requirements, in accordance with the authorities provided herein and to report his or her findings as provided in Section D.3, below.
6. The manner in which the Monitor will carry out his or her compliance responsibilities under this Consent Judgment and, where applicable, the methodologies to be utilized shall be set forth in a work plan agreed upon by Servicer and the Monitor, and not objected to by the Monitoring Committee (the "Work Plan").

Internal Review Group

7. Servicer will designate an internal quality control group that is independent from the line of business whose performance is being measured (the "Internal Review Group") to perform compliance reviews each calendar quarter ("Quarter") in accordance with the terms and conditions of the Work Plan (the "Compliance Reviews") and satisfaction of the Consumer Relief Requirements after the (A) end of each calendar year (and, in the discretion of the Servicer, any Quarter) and (B) earlier of the Servicer assertion that it has satisfied its obligations thereunder and the third anniversary of the Start Date (the "Satisfaction Review"). For the purposes of this provision, a group that is independent from the line of business shall be one that does not perform operational work on mortgage servicing, and ultimately reports to a Chief Risk Officer, Chief Audit Executive, Chief Compliance Officer, or another employee or manager who has no direct operational responsibility for mortgage servicing.
8. The Internal Review Group shall have the appropriate authority, privileges, and knowledge to effectively implement and conduct the reviews and metric assessments contemplated herein and under the terms and conditions of the Work Plan.
9. The Internal Review Group shall have personnel skilled at evaluating and validating processes, decisions, and documentation utilized through the implementation of the Servicing Standards. The Internal Review Group may include non-employee consultants or contractors working at Servicer's direction.
10. The qualifications and performance of the Internal Review Group will be subject to ongoing review by the Monitor. Servicer will appropriately remediate the reasonable concerns of the Monitor as to the qualifications or performance of the Internal Review Group.

Work Plan

11. Servicer's compliance with the Servicing Standards shall be assessed via metrics identified and defined in Schedule E-1 hereto (as supplemented from time to time in accordance with Sections C.12 and C.23, below, the "Metrics"). The threshold error rates for the Metrics are set forth in Schedule E-1 (as supplemented from time to time in accordance with Sections C.12 and C.23, below, the "Threshold Error Rates"). The Internal Review Group shall perform test work to compute the Metrics each Quarter, and report the results of that analysis via the Compliance Reviews. The Internal Review Group shall perform test work to assess the satisfaction of the Consumer Relief Requirements within 45 days after the (A) end of each calendar year (and, in the discretion of the Servicer, any Quarter) and (B) earlier of (i) the end of the Quarter in which Servicer asserts that it has satisfied its obligations under the Consumer Relief Provisions and (ii) the Quarter during which the third anniversary of the Start Date occurs, and report that analysis via the Satisfaction Review.
12. In addition to the process provided under Sections C.23 and 24, at any time after the Monitor is selected, the Monitor may add up to three additional Metrics and associated Threshold Error Rates, all of which (a) must be similar to the Metrics and associated Threshold Error Rates contained in Schedule E-1, (b) must relate to material terms of the Servicing Standards, or the following obligations of Servicer: (i) after the Servicer asserts that it has satisfied its obligation to provide a refinancing program under the framework of the Consumer Relief Requirements ("Framework"), to provide notification to eligible borrowers indicating that such borrowers may refinance under the refinancing program described in the Framework, (ii) to make the Refinancing Program available to all borrowers fitting the minimum eligibility criteria described in 9.a of the Framework, (iii)

when the Servicer owns the second lien mortgage, to modify the second lien mortgage when a Participating Servicer (as defined in the Framework) reduces principal on the related first lien mortgage, as described in the Framework, (iv) with regard to servicer-owned first liens, to waive the deficiency amounts less than $250,000 if an Eligible Servicemember qualifies for a short sale under the Framework and sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, or (v) without prejudice to the implementation of pilot programs in particular geographic areas, to implement the Framework requirements through policies that are not intended to disfavor a specific geography within or among states that are a party to the Consent Judgment or discriminate against any protected class of borrowers (collectively, the obligations described in (i) through (v) are hereinafter referred to as the "Mandatory Relief Requirements"), (c) must either (i) be outcomes-based (but no outcome-based Metric shall be added with respect to any Mandatory Relief Requirement) or (ii) require the existence of policies and procedures implementing any of the Mandatory Relief Requirements or any material term of the Servicing Standards, in a manner similar to Metrics 5.B-E, and (d) must be distinct from, and not overlap with, any other Metric or Metrics. In consultation with Servicer and the Monitoring Committee, Schedule E-1 shall be amended by the Monitor to include the additional Metrics and Threshold Error Rates as provided for herein, and an appropriate timeline for implementation of the Metric shall be determined.

13. Servicer and the Monitor shall reach agreement on the terms of the Work Plan within 90 days of the Monitor's appointment, which time can be extended for good cause by agreement of Servicer and the Monitor. If such Work Plan is not objected to by the Monitoring Committee within 20 days, the Monitor shall proceed to implement the Work Plan. In the event that Servicer and the Monitor cannot agree on the terms of the Work Plan within 90 days or the agreed upon terms are not acceptable to the Monitoring Committee, Servicer and Monitoring Committee or the Monitor shall jointly petition the Court to resolve any disputes. If the Court does not resolve such disputes, then the Parties shall submit all remaining disputes to binding arbitration before a panel of three arbitrators. Each of Servicer and the Monitoring Committee shall appoint one arbitrator, and those two arbitrators shall appoint a third.

14. The Work Plan may be modified from time to time by agreement of the Monitor and Servicer. If such amendment to the Work Plan is not objected to by the Monitoring Committee within 20 days, the Monitor shall proceed to implement the amendment to the Work Plan. To the extent possible, the Monitor shall endeavor to apply the Servicing Standards uniformly across all Servicers.

15. The following general principles shall provide a framework for the formulation of the Work Plan:

    (a) The Work Plan will set forth the testing methods and agreed procedures that will be used by the Internal Review Group to perform the test work and compute the Metrics for each Quarter.

    (b) The Work Plan will set forth the testing methods and agreed procedures that will be used by Servicer to report on its compliance with the Consumer Relief Requirements of this Consent Judgment, including, incidental to any other testing, confirmation of state-identifying information used by Servicer to compile state-level Consumer Relief information as required by Section D.2.

    (c) The Work Plan will set forth the testing methods and procedures that the Monitor will use to assess Servicer's reporting on its compliance with the Consumer Relief Requirements of this Consent Judgment.

(d) The Work Plan will set forth the methodology and procedures the Monitor will utilize to review the testing work performed by the Internal Review Group.

(e) The Compliance Reviews and the Satisfaction Review may include a variety of audit techniques that are based on an appropriate sampling process and random and risk-based selection criteria, as appropriate and as set forth in the Work Plan.

(f) In formulating, implementing, and amending the Work Plan, Servicer and the Monitor may consider any relevant information relating to patterns in complaints by borrowers, issues or deficiencies reported to the Monitor with respect to the Servicing Standards, and the results of prior Compliance Reviews.

(g) The Work Plan should ensure that Compliance Reviews are commensurate with the size, complexity, and risk associated with the Servicing Standard being evaluated by the Metric.

(h) Following implementation of the Work Plan, Servicer shall be required to compile each Metric beginning in the first full Quarter after the period for implementing the Servicing Standards associated with the Metric, or any extension approved by the Monitor in accordance with Section A, has run.

<u>*Monitor's Access to Information*</u>

16. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards and Mandatory Relief Requirements, Servicer shall provide the Monitor with its regularly prepared business reports analyzing Executive Office servicing complaints (or the equivalent); access to all Executive Office servicing complaints (or the equivalent) (with appropriate redactions of borrower information other than borrower name and contact information to comply with privacy requirements); and, if Servicer tracks additional servicing complaints, quarterly information identifying the three most common servicing complaints received outside of the Executive Office complaint process (or the equivalent). In the event that Servicer substantially changes its escalation standards or process for receiving Executive Office servicing complaints (or the equivalent), Servicer shall ensure that the Monitor has access to comparable information.

17. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards and Mandatory Relief Requirements, Servicer shall notify the Monitor promptly if Servicer becomes aware of reliable information indicating Servicer is engaged in a significant pattern or practice of noncompliance with a material aspect of the Servicing Standards or Mandatory Relief Requirements.

18. Servicer shall provide the Monitor with access to all work papers prepared by the Internal Review Group in connection with determining compliance with the Metrics or satisfaction of the Consumer Relief Requirements in accordance with the Work Plan.

19. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers or with any of the Mandatory Relief Requirements, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct.

20. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may request information from Servicer in addition to that

provided under Sections C.16-19. Servicer shall provide the requested information in a format agreed upon between Servicer and the Monitor.

21. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may interview Servicer's employees and agents, provided that the interviews shall be limited to matters related to Servicer's compliance with the Metrics or the Consumer Relief Requirements, and that Servicer shall be given reasonable notice of such interviews.

Monitor's Powers

22. Where the Monitor reasonably determines that the Internal Review Group's work cannot be relied upon or that the Internal Review Group did not correctly implement the Work Plan in some material respect, the Monitor may direct that the work on the Metrics (or parts thereof) be reviewed by Professionals or a third party other than the Internal Review Group, and that supplemental work be performed as necessary.

23. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers or tenants residing in foreclosed properties or with any of the Mandatory Relief Requirements, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct. If after that review, the Monitor reasonably concludes that such a pattern exists and is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, the Monitor may propose an additional Metric and associated Threshold Error Rate relating to Servicer's compliance with the associated term or requirement. Any additional Metrics and associated Threshold Error Rates (a) must be similar to the Metrics and associated Threshold Error Rates contained in Schedule E-1, (b) must relate to material terms of the Servicing Standards or one of the Mandatory Relief Requirements, (c) must either (i) be outcomes-based (but no outcome-based Metric shall be added with respect to any Mandatory Relief Requirement) or (ii) require the existence of policies and procedures required by the Servicing Standards or the Mandatory Relief Requirements, in a manner similar to Metrics 5.B-E, and (d) must be distinct from, and not overlap with, any other Metric or Metrics. Notwithstanding the foregoing, the Monitor may add a Metric that satisfies (a)-(c) but does not satisfy (d) of the preceding sentence if the Monitor first asks the Servicer to propose, and then implement, a Corrective Action Plan, as defined below, for the material term of the Servicing Standards with which there is a pattern of noncompliance and that is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, and the Servicer fails to implement the Corrective Action Plan according to the timeline agreed to with the Monitor.

24. If Monitor proposes an additional Metric and associated Threshold Error Rate pursuant to Section C.23, above, Monitor, the Monitoring Committee, and Servicer shall agree on amendments to Schedule E-1 to include the additional Metrics and Threshold Error Rates provided for in Section C.23, above, and an appropriate timeline for implementation of the Metric. If Servicer does not timely agree to such additions, any associated amendments to the Work Plan, or the implementation schedule, the Monitor may petition the court for such additions.

25. Any additional Metric proposed by the Monitor pursuant to the processes in Sections C.12, C.23, or C.24 and relating to provision VIII.B.1 of the Servicing Standards shall be limited to Servicer's performance of its obligations to comply with (1) the federal Protecting

Tenants at Foreclosure Act and state laws that provide comparable protections to tenants of foreclosed properties; (2) state laws that govern relocation assistance payments to tenants ("cash for keys"); and (3) state laws that govern the return of security deposits to tenants.

D. Reporting

Quarterly Reports

1. Following the end of each Quarter, Servicer will report the results of its Compliance Reviews for that Quarter (the "Quarterly Report"). The Quarterly Report shall include: (i) the Metrics for that Quarter; (ii) Servicer's progress toward meeting its payment obligations under this Consent Judgment; (iii) general statistical data on Servicer's overall servicing performance described in Schedule Y. Except where an extension is granted by the Monitor, Quarterly Reports shall be due no later than 45 days following the end of the Quarter and shall be provided to: (1) the Monitor, and (2) the Board of Servicer or a committee of the Board designated by Servicer. The first Quarterly Report shall cover the first full Quarter after this Consent Judgment is entered.
2. Following the end of each Quarter, Servicer will transmit to each state a report (the "State Report") including general statistical data on Servicer's servicing performance, such as aggregate and state-specific information regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, as described in Schedule Y. The State Report will be delivered simultaneous with the submission of the Quarterly Report to the Monitor. Servicer shall provide copies of such State Reports to the Monitor and Monitoring Committee.

Monitor Reports

3. The Monitor shall report on Servicer's compliance with this Consent Judgment in periodic reports setting forth his or her findings (the "Monitor Reports"). The first three Monitor Reports will each cover two Quarterly Reports. If the first three Monitor Reports do not find Potential Violations (as defined in Section E.1, below), each successive Monitor Report will cover four Quarterly Reports, unless and until a Quarterly Report reveals a Potential Violation (as defined in Section E.1, below). In the case of a Potential Violation, the Monitor may (but retains the discretion not to) submit a Monitor Report after the filing of each of the next two Quarterly Reports, provided, however, that such additional Monitor Report(s) shall be limited in scope to the Metric or Metrics as to which a Potential Violation has occurred.
4. Prior to issuing any Monitor Report, the Monitor shall confer with Servicer and the Monitoring Committee regarding its preliminary findings and the reasons for those findings. Servicer shall have the right to submit written comments to the Monitor, which shall be appended to the final version of the Monitor Report. Final versions of each Monitor Report shall be provided simultaneously to the Monitoring Committee and Servicers within a reasonable time after conferring regarding the Monitor's findings. The Monitor Reports shall be filed with the Court overseeing this Consent Judgment and shall also be provided to the Board of Servicer or a committee of the Board designated by Servicer.
5. The Monitor Report shall: (i) describe the work performed by the Monitor and any findings made by the Monitor's during the relevant period, (ii) list the Metrics and Threshold Error Rates, (iii) list the Metrics, if any, where the Threshold Error Rates have been exceeded, (iv) state whether a Potential Violation has occurred and explain the nature of the Potential Violation, and (v) state whether any Potential Violation has been cured. In addition, following each Satisfaction Review, the Monitor Report shall report on the Servicer's satisfaction of the Consumer Relief Requirements, including regarding the number of

borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, and identify any material inaccuracies identified in prior State Reports. Except as otherwise provided herein, the Monitor Report may be used in any court hearing, trial, or other proceeding brought pursuant to this Consent Judgment pursuant to Section J, below, and shall be admissible in evidence in a proceeding brought under this Consent Judgment pursuant to Section J, below. Such admissibility shall not prejudice Servicer's right and ability to challenge the findings and/or the statements in the Monitor Report as flawed, lacking in probative value or otherwise. The Monitor Report with respect to a particular Potential Violation shall not be admissible or used for any purpose if Servicer cures the Potential Violation pursuant to Section E, below.

Satisfaction of Payment Obligations

6. Upon the satisfaction of any category of payment obligation under this Consent Judgment, Servicer, at its discretion, may request that the Monitor certify that Servicer has discharged such obligation. Provided that the Monitor is satisfied that Servicer has met the obligation, the Monitor may not withhold and must provide the requested certification. Any subsequent Monitor Report shall not include a review of Servicer's compliance with that category of payment obligation.

Compensation

7. Within 120 days of entry of this Consent Judgment, the Monitor shall, in consultation with the Monitoring Committee and Servicer, prepare and present to Monitoring Committee and Servicer an annual budget providing its reasonable best estimate of all fees and expenses of the Monitor to be incurred during the first year of the term of this Consent Judgment, including the fees and expenses of Professionals and support staff (the "Monitoring Budget"). On a yearly basis thereafter, the Monitor shall prepare an updated Monitoring Budget providing its reasonable best estimate of all fees and expenses to be incurred during that year. Absent an objection within 20 days, a Monitoring Budget or updated Monitoring Budget shall be implemented. Consistent with the Monitoring Budget, Servicer shall pay all fees and expenses of the Monitor, including the fees and expenses of Professionals and support staff. The fees, expenses, and costs of the Monitor, Professionals, and support staff shall be reasonable. Servicer may apply to the Court to reduce or disallow fees, expenses, or costs that are unreasonable.

E. Potential Violations and Right to Cure

1. A "Potential Violation" of this Consent Judgment occurs if the Servicer has exceeded the Threshold Error Rate set for a Metric in a given Quarter. In the event of a Potential Violation, Servicer shall meet and confer with the Monitoring Committee within 15 days of the Quarterly Report or Monitor Report indicating such Potential Violation.
2. Servicer shall have a right to cure any Potential Violation.
3. Subject to Section E.4, a Potential Violation is cured if (a) a corrective action plan approved by the Monitor (the "Corrective Action Plan") is determined by the Monitor to have been satisfactorily completed in accordance with the terms thereof; and (b) a Quarterly Report covering the Cure Period reflects that the Threshold Error Rate has not been exceeded with respect to the same Metric and the Monitor confirms the accuracy of said report using his or her ordinary testing procedures. The Cure Period shall be the first full quarter after completion of the Corrective Action Plan or, if the completion of the Corrective Action Plan occurs within the first month of a Quarter and if the Monitor determines that there is sufficient time remaining, the period between completion of the Corrective Action Plan and the end of that Quarter.
4. If after Servicer cures a Potential Violation pursuant to the previous section, another

violation occurs with respect to the same Metric, then the second Potential Violation shall immediately constitute an uncured violation for purposes of Section J.3, provided, however, that such second Potential Violation occurs in either the Cure Period or the quarter immediately following the Cure Period.

5. In addition to the Servicer's obligation to cure a Potential Violation through the Corrective Action Plan, Servicer must remediate any material harm to particular borrowers identified through work conducted under the Work Plan. In the event that a Servicer has a Potential Violation that so far exceeds the Threshold Error Rate for a metric that the Monitor concludes that the error is widespread, Servicer shall, under the supervision of the Monitor, identify other borrowers who may have been harmed by such noncompliance and remediate all such harms to the extent that the harm has not been otherwise remediated.
6. In the event a Potential Violation is cured as provided in Sections E.3, above, then no Party shall have any remedy under this Consent Judgment (other than the remedies in Section E.5) with respect to such Potential Violation.

F. Confidentiality

1. These provisions shall govern the use and disclosure of any and all information designated as "CONFIDENTIAL," as set forth below, in documents (including email), magnetic media, or other tangible things provided by the Servicer to the Monitor in this case, including the subsequent disclosure by the Monitor to the Monitoring Committee of such information. In addition, it shall also govern the use and disclosure of such information when and if provided to the participating state parties or the participating agency or department of the United States whose claims are released through this settlement ("participating state or federal agency whose claims are released through this settlement").
2. The Monitor may, at his discretion, provide to the Monitoring Committee or to a participating state or federal agency whose claims are released through this settlement any documents or information received from the Servicer related to a Potential Violation or related to the review described in Section C.19; provided, however, that any such documents or information so provided shall be subject to the terms and conditions of these provisions. Nothing herein shall be construed to prevent the Monitor from providing documents received from the Servicer and not designated as "CONFIDENTIAL" to a participating state or federal agency whose claims are released through this settlement.
3. The Servicer shall designate as "CONFIDENTIAL" that information, document or portion of a document or other tangible thing provided by the Servicer to the Monitor, the Monitoring Committee or to any other participating state or federal agency whose claims are released through this settlement that Servicer believes contains a trade secret or confidential research, development, or commercial information subject to protection under applicable state or federal laws (collectively, "Confidential Information"). These provisions shall apply to the treatment of Confidential Information so designated.
4. Except as provided by these provisions, all information designated as "CONFIDENTIAL" shall not be shown, disclosed or distributed to any person or entity other than those authorized by these provisions. Participating states and federal agencies whose claims are released through this settlement agree to protect Confidential Information to the extent permitted by law.
5. This agreement shall not prevent or in any way limit the ability of a participating state or federal agency whose claims are released through this settlement to comply with any subpoena, Congressional demand for documents or information, court order, request under the Right of Financial Privacy Act, or a state or federal public records or state or federal freedom of information act request; provided, however, that in the event that a participating state or federal agency whose claims are released through this settlement receives such a

subpoena, Congressional demand, court order or other request for the production of any Confidential Information covered by this Order, the state or federal agency shall, unless prohibited under applicable law or the unless the state or federal agency would violate or be in contempt of the subpoena, Congressional demand, or court order, (1) notify the Servicer of such request as soon as practicable and in no event more than ten (10) calendar days of its receipt or three calendar days before the return date of the request, whichever is sooner, and (2) allow the Servicer ten (10) calendar days from the receipt of the notice to obtain a protective order or stay of production for the documents or information sought, or to otherwise resolve the issue, before the state or federal agency discloses such documents or information. In all cases covered by this Section, the state or federal agency shall inform the requesting party that the documents or information sought were produced subject to the terms of these provisions.

G. **Dispute Resolution Procedures.** Servicer, the Monitor, and the Monitoring Committee will engage in good faith efforts to reach agreement on the proper resolution of any dispute concerning any issue arising under this Consent Judgment, including any dispute or disagreement related to the withholding of consent, the exercise of discretion, or the denial of any application. Subject to Section J, below, in the event that a dispute cannot be resolved, Servicer, the Monitor, or the Monitoring Committee may petition the Court for resolution of the dispute. Where a provision of this agreement requires agreement, consent of, or approval of any application or action by a Party or the Monitor, such agreement, consent or approval shall not be unreasonably withheld.

H. **Consumer Complaints.** Nothing in this Consent Judgment shall be deemed to interfere with existing consumer complaint resolution processes, and the Parties are free to bring consumer complaints to the attention of Servicer for resolution outside the monitoring process. In addition, Servicer will continue to respond in good faith to individual consumer complaints provided to it by State Attorneys General or State Financial Regulators in accordance with the routine and practice existing prior to the entry of this Consent Judgment, whether or not such complaints relate to Covered Conduct released herein.

I. **Relationship to Other Enforcement Actions.** Nothing in this Consent Judgment shall affect requirements imposed on the Servicer pursuant to Consent Orders issued by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against the Servicer. In conducting their activities under this Consent Judgment, the Monitor and Monitoring Committee shall not impede or otherwise interfere with the Servicer's compliance with the requirements imposed pursuant to such Orders or with oversight and enforcement of such compliance by the FBA.

J. **Enforcement**

1. **Consent Judgment.** This Consent Judgment shall be filed in the U.S. District Court for the District of Columbia (the "Court") and shall be enforceable therein. Servicer and the Releasing Parties shall waive their rights to seek judicial review or otherwise challenge or contest in any court the validity or effectiveness of this Consent Judgment. Servicer and the Releasing Parties agree not to contest any jurisdictional facts, including the Court's authority to enter this Consent Judgment.
2. **Enforcing Authorities.** Servicer's obligations under this Consent Judgment shall be enforceable solely in the U.S. District Court for the District of Columbia. An enforcement action under this Consent Judgment may be brought by any Party to this Consent Judgment or the Monitoring Committee. Monitor Report(s) and Quarterly Report(s) shall not be admissible into evidence by a Party to this Consent Judgment except in an action in the Court to enforce this Consent Judgment. In addition, unless immediate action is necessary in order to prevent irreparable and immediate harm, prior to commencing any enforcement action, a Party must provide notice to the Monitoring Committee of its intent to bring an

action to enforce this Consent Judgment. The members of the Monitoring Committee shall have no more than 21 days to determine whether to bring an enforcement action. If the members of the Monitoring Committee decline to bring an enforcement action, the Party must wait 21 additional days after such a determination by the members of the Monitoring Committee before commencing an enforcement action.

3. **Enforcement Action.** In the event of an action to enforce the obligations of Servicer and to seek remedies for an uncured Potential Violation for which Servicer's time to cure has expired, the sole relief available in such an action will be:
   (a) Equitable Relief. An order directing non-monetary equitable relief, including injunctive relief, directing specific performance under the terms of this Consent Judgment, or other non-monetary corrective action.
   (b) Civil Penalties. The Court may award as civil penalties an amount not more than $1 million per uncured Potential Violation; or, in the event of a second uncured Potential Violation of Metrics 1.a, 1.b, or 2.a (*i.e.*, a Servicer fails the specific Metric in a Quarter, then fails to cure that Potential Violation, and then in subsequent Quarters, fails the same Metric again in a Quarter and fails to cure that Potential Violation again in a subsequent Quarter), where the final uncured Potential Violation involves widespread noncompliance with that Metric, the Court may award as civil penalties an amount not more than $5 million for the second uncured Potential Violation.

   Nothing in this Section shall limit the availability of remedial compensation to harmed borrowers as provided in Section E.5.

   (c) Any penalty or payment owed by Servicer pursuant to the Consent Judgment shall be paid to the clerk of the Court or as otherwise agreed by the Monitor and the Servicer and distributed by the Monitor as follows:
      1. In the event of a penalty based on a violation of a term of the Servicing Standards that is not specifically related to conduct in bankruptcy, the penalty shall be allocated, first, to cover the costs incurred by any state or states in prosecuting the violation, and second, among the participating states according to the same allocation as the State Payment Settlement Amount.
      2. In the event of a penalty based on a violation of a term of the Servicing Standards that is specifically related to conduct in bankruptcy, the penalty shall be allocated to the United States or as otherwise directed by the Director of the United States Trustee Program.
      3. In the event of a payment due under Paragraph 10.d of the Consumer Relief requirements, 50% of the payment shall be allocated to the United States, and 50% shall be allocated to the State Parties to the Consent Judgment, divided among them in a manner consistent with the allocation in Exhibit B of the Consent Judgment.

K. **Sunset.** This Consent Judgment and all Exhibits shall retain full force and effect for three and one-half years from the date it is entered (the “Term”), unless otherwise specified in the Exhibit. Servicer shall submit a final Quarterly Report for the last quarter or portion thereof falling within the Term, and shall cooperate with the Monitor's review of said report, which shall be concluded no later than six months following the end of the Term, after which time Servicer shall have no further obligations under this Consent Judgment.

Servicing Standards Quarterly Compliance Metrics

Executive Summary

Sampling: (a) A random selection of the greater of 100 loans and a statistically significant sample. (b) Sample will be selected from the population as defined in column E

Review and Reporting Period: Results will be reported Quarterly and 45 days after the end of the quarter.

Errors Definition: An error is a measurement in response to a test question related to the Servicing Standards that results in the failure of the specified outcome. Errors in response to multiple questions with respect to a single outcome would be treated as only a single error.

Metrics Tested

A	B	C	D	E	F
Metric	**Measurements**	**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
1. Outcome Creates Significant Negative Customer Impact					
A. Foreclosure sale in error	Customer is in default, legal standing to foreclose, and the loan is not subject to active trial, or BK.	n/a	1%	**Population Definition**: Foreclosure Sales that occurred in the review period. A. **Sample** :# of Foreclosure Sales in the review period that were tested. B. **Error Definition**: # of loans that went to foreclosure sale in error due to failure of any one of the test questions for this metric. Error Rate = B/A	1. Did the foreclosing party have legal standing to foreclose? 2. Was the borrower in an active trial period plan (unless the servicer took appropriate steps to postpone sale)? 3. Was the borrower offered a loan modification fewer than 14 days before the foreclosure sale date (unless the borrower declined the offer or the servicer took appropriate steps to postpone the sale)? 4. Was the borrower not in default (unless the default is cured to the satisfaction of the Servicer or investor within 10 days before the foreclosure sale date and the Servicer took appropriate steps to postpone sale)? 5. Was the borrower protected from foreclosure by Bankruptcy (unless Servicer had notice of such protection fewer than 10 days before the foreclosure sale date and Servicer took appropriate steps to postpone sale)?

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
B. Incorrect Mod denial	Program eligibility, all documentation received, DTI test, NPV test.		5% On income errors	5%	**Population Definition:** Modification Denied In the Review Period. **Error Definition:** # of loans that were denied a modification as a result of failure of anyone of the test questions for this metric.	1. Was the evaluation of eligibility Inaccurate (as per HAMP, Fannie, Freddie or proprietary modification criteria)? 2. Was the income calculation Inaccurate? 3. Were the inputs used in the decision tool (NPV and Waterfall test) entered in error or inconsistent with company policy? 4. Was the loan NPV positive? 5. Was there an inaccurate determination that the documents received were incomplete? 6. Was the trial inappropriately failed?
2. Integrity of Critical Sworn Documents						
A. Was AOI properly prepared	Based upon personal knowledge, properly notarized, amounts agree to system of record within tolerance if overstated.		Question 1, Y/N; Question 2, Amounts overstated (or, for question on Escrow Amounts, understated) by the greater of \$99 or 1% of the Total Indebtedness Amount	5%	**Population Definition:** Affidavits of indebtedness filed in the review period. **Error Definition:** For question 1, yes; for question 2, the # of Loans where the sum of errors exceeds the allowable threshold.	1. Taken as a whole and accounting for contrary evidence provided by the Servicer, does the sample indicate systemic issues with either affiants lacking personal knowledge or improper notarization? 2. Verify all the amounts outlined below against the system of record a. Was the correct principal balance used Was the correct interest amount (and per diem) used? b. Was the escrow balance correct? c. Were correct other fees used? d. Was the correct corporate advance balance used? e. Was the correct late charge balance used? f. Was the suspense balance correct? g. Was the total indebtedness amount on the Affidavit correct?
B. POC	Accurate statement of pre-petition arrearage to system of record.		Amounts over stated by the greater of \$50 or 3% of the correct Pre-Petition Arrearage	5%	**Population Definition:** POCs filed in the review period. **Error Definition:** # of Loans where sum of errors exceeds the allowable threshold.	1) Are the correct amounts set forth in the form, with respect to pre-petition missed payments, fees, expenses charges, and escrow shortages or deficiencies?

A	B		C	D	E	F
Metric	Measurements		Loan Level Tolerance for Error[1]	Threshold Error Rate[2]	Test Loan Population and Error Definition	Test Questions
C. MRS Affidavits	Customer is in default and amount of arrearage is within tolerance.		Amounts overstated (or for escrows amounts, understated) by the greater of $50 or 3% of the correct Post Petition Total Balance	5%	**Population Definition:** Affidavits supporting MRS's filed in the review period **Error Definition:** # of Loans where the sum of errors exceeds the allowable threshold.	1. Verify against the system of record, within tolerance if overstated: a. the post-petition default amount; b. the amount of fees or charges applied to such pre-petition default amount or post-petition amount since the later of the date of the petition or the preceding statement; and c. escrow shortages or deficiencies.
3. Pre-foreclosure Initiation						
A. Pre Foreclosure Initiation	Accuracy of Account information.		Amounts over stated by the greater of $99 or 1% of the Total balance	5%	**Population Definition:** Loans with a Foreclosure referral date in the review period. **Error Definition:** # of Loans that were referred to foreclosure with an error in any one of the foreclosure initiation test questions.	** Verify all the amounts outlined below against the system of record. 1. Was the loan delinquent as of the date the first legal action was filed? 2. Was information contained in the Account Statement completed accurately? a) The total amount needed to reinstate or bring the account current, and the amount of the principal; b) The date through which the borrower's obligation is paid; c) The date of the last full payment; d) The current interest rate in effect for the loan; e) The date on which the interest rate may next reset or adjust; f) The amount of any prepayment fee to be charged, if any; g) A description of any late payment fees; and h) a telephone number or electronic mail address that may be used by the obligor to obtain information regarding the mortgage.

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
B. Pre Foreclosure Initiation Notifications	Notification sent to the customer supporting right to foreclose along with: Applicable information upon customers request, Account statement information, Ownership statement, and Loss Mitigation statement. Notifications required before 14 days prior to referral to foreclosure.		N/A	5%	**Population Definition:** Loans with a Foreclosure referral date in the review period. **Error Definition:** # of Loans that were referred to foreclosure with an error in any one of the foreclosure initiation test questions.	1. Were all the required notifications statements mailed no later than 14 days prior to first Legal Date (i) Account Statement; (ii) Ownership Statement; and (iii) Loss Mitigation Statement? 2. Did the Ownership Statement accurately reflect that the servicer or investor has the right to foreclose? 3. Was the Loss Mitigation Statement complete and did it accurately state that a) The borrower was ineligible (if applicable); or b) The borrower was solicited, was the subject of right party contact routines, and that any timely application submitted by the borrower was evaluated?
4. Accuracy and Timeliness of Payment Application and Appropriateness of Fees						
A. Fees adhere to guidance (Preservation fees, Valuation fees and Attorney's fees)	Services rendered, consistent with loan instrument, within applicable requirements.		Amounts over stated by the greater of $50 or 3% of the Total Default Related Fees Collected	5%	**Population Definition:** Defaulted loans (60 +) with borrower payable default related fees* collected. **Error Definition:** # of loans where the sum of default related fee errors exceeds the threshold. * Default related fees are defined as any fee collected for a default-related service after the agreement date.	For fees collected in the test period: 1. Was the frequency of the fees collected (in excess of what is consistent with state guidelines or fee provisions in servicing standards? 2. Was amount of the fee collected higher than the amount allowable under the Servicer's Fee schedule and for which there was not a valid exception?

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
B. Adherence to customer payment processing	Payments posted timely (within 2 business days of receipt) and accurately.		Amounts understated by the greater $50.00 or 3% of the scheduled payment	5%	**Population Definition:** All subject payments posted within review period. **Error Definition:** # of loans with an error in any one of the payment application test questions.	1. Were payments posted to the right account number? 2. Were payments posted in the right amount? 3. Were properly identified conforming payments posted within 2 business days of receipt and credited as of the date of receipt? 4. Did servicer accept payments within $50.00 of the scheduled payment, including principal and interest and where applicable taxes and insurance as required by the servicing standards? 5. Were partial payments credited to the borrower's account as of the date that the funds cover a full payment? 6. Were payments posted to principal interest and escrow before fees and expenses?

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error**[1]	**Threshold Error Rate**[2]	**Test Loan Population and Error Definition**	**Test Questions**
C. Reconciliation of certain waived fees. (I.b.11.C)	Appropriately updating the Servicer's systems of record in connection with the reconciliation of payments as of the date of dismissal of a debtor's Chapter 13 bankruptcy case, entry of an order granting Servicer relief from the stay under Chapter 13, or entry of an order granting the debtor a discharge under Chapter 13, to reflect the waiver of any fee, expense or charge pursuant to paragraphs III.B.1.c.i or III.B.1.d of the Servicing Standards **(within applicable tolerances)**.		Amounts over stated by the greater of $50 or 3 % of the correct reconciliation amount	5%	**Population Definition:** All accounts where in-line reconciliation routine is completed within review period. **Error Definition:** # of loans with an error in the reconciliation routine resulting in overstated amounts remaining on the borrower account.	1. Were all required waivers of Fees, expense or charges applied and/or corrected accurately as part of the reconciliation?
D. Late fees adhere to guidance	Late fees are collected only as permitted under the Servicing Standards (**within applicable tolerances**).		Y/N	5%	**Population Definition:** All late fees collected within the review period. **Error Definition:** # of loans with an error on any one of the test questions.	1. Was a late fee collected with respect to a delinquency attributable solely to late fees or delinquency charges assessed on an earlier payment?
5. Policy/Process Implementation						

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error**[1]	**Threshold Error Rate**[2]	**Test Loan Population and Error Definition**	**Test Questions**
A. Third Party Vendor Management	Is periodic third party review process in place? Is there evidence of remediation of identified issues?		Y/N	N	Quarterly review of a vendors providing Foreclosure Bankruptcy, Loss mitigation and other Mortgage services. **Error Definition:** Failure on any one of the test questions for this metric.	1. Is there evidence of documented oversight policies and procedures demonstrating compliance with vendor oversight provisions: (i) adequate due diligence procedures, (ii) adequate enforcement procedures (iii) adequate vendor performance evaluation procedures (iv) adequate remediation procedures?[3] 2. Is there evidence of periodic sampling and testing of foreclosure documents (including notices of default and letters of reinstatement) and bankruptcy documents prepared by vendors on behalf of the servicer? 3. Is there evidence of periodic sampling of fees and costs assessed by vendors to; (i) substantiate services were rendered (ii) fees are in compliance with servicer fee schedule (iii) Fees are compliant with state law and provisions of the servicing standards? 4. Is there evidence of vendor scorecards used to evaluate vendor performance that include quality metrics (error rate etc)? 5. Evidence of remediation for vendors who fail metrics set forth in vendor scorecards and/or QC sample tests consistent with the servicer policy and procedures?
B. Customer Portal	**Implementation of a customer portal**.		**Y/N**	N	**A Quarterly testing review of Customer Portal.**	1. Does the portal provide loss mitigation status updates?

A	B	C	D	E	F
Metric	**Measurements**	**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
C. SPOC	Implement single point of contact ("SPOC").	Y/N 5% for Question 4	N For Question #4: 5%	Quarterly review of SPOC program per provisions in the servicing standard. **Population Definition (for Question 4):** Potentially eligible borrowers who were identified as requesting loss mitigation assistance. **Error Definition:** Failure on any one of the test questions for this metric.	1. Is there evidence of documented policies and procedures demonstrating compliance with SPOC program provisions? 2. Is there evidence that a single point of contact is available for applicable borrowers? 3. Is there evidence that relevant records relating to borrower's account are available to the borrower's SPOC? 4. Is there evidence that the SPOC has been identified to the borrower and the method the borrower may use to contact the SPOC has been communicated to the borrower?
D. Workforce Management	Training and staffing adequacy requirements.	Y/N	N	Loss mitigation, SPOC and Foreclosure Staff. **Error Definition:** Failure on any one of the test questions for this metric.	1. Is there evidence of documented oversight policies and procedures demonstrating effective forecasting, capacity planning, training and monitoring of staffing requirements for foreclosure operations? 2. Is there evidence of periodic training and certification of employees who prepare Affidavits sworn statements or declarations.
E. Affidavit of Indebtedness Integrity.	Affidavits of Indebtedness are signed by affiants who have personal knowledge of relevant facts and properly review the affidavit before signing it.	Y/N	N	Annual Review of Policy.	1. Is there evidence of documented policies and procedures sufficient to provide reasonable assurance that affiants have personal knowledge of the matters covered by affidavits of indebtedness and have reviewed affidavit before signing it?
F. Account Status Activity.	System of record electronically documents key activity of a foreclosure, loan modification, or bankruptcy.	Y/N	N	Annual Review of Policy.	1. Is there evidence of documented policies and procedures designed to ensure that the system of record contains documentation of key activities?
6. Customer Experiences					

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
A. Complaint response timeliness	Meet the requirements of Regulator complaint handling.		N/A	5%	**Population Definition: Government submitted complaints and inquiries from individual borrowers who are in default and/or have applied for loan modifications** received during the three months prior to 40 days prior to the review period. (To allow for response period to expire). **Error Definition:** # of loans that exceeded the required response timeline.	1. Was written acknowledgment regarding complaint/inquires sent within 10 business days of complaint/inquiry receipt?** 2. Was a written response ("Forward Progress") sent within 30 calendar days of complaint/inquiry receipt?** **receipt= from the Attorney General, state financial regulators, the Executive Office for United States Trustees/regional offices of the United States Trustees, and the federal regulators and documented within the System of Record.
B. Loss Mitigation						
i. Loan Modification Document Collection timeline compliance			N/A	5%	**Population Definition:** Loan modifications and loan modification requests (packages) that that were missing documentation at receipt and received more than **40** days prior to the end of the review period. **Error Definition:** The total # of loans processed outside the allowable timelines as defined under each timeline requirement tested.	1. Did the Servicer notify borrower of any known deficiency in borrower's initial submission of information, no later than 5 business days after receipt, including any missing information or documentation? 2. Was the Borrower afforded 30 days from the date of Servicer's notification of any missing information or documentation to supplement borrower's submission of information prior to making a determination on whether or not to grant an initial loan modification?
ii. Loan Modification Decision/Notification timeline compliance				10%	**Population Definition:** Loan modification requests (packages) that are denied or approved in the review period. **Error Definition:** The total # of loans processed outside the allowable timelines as defined under each timeline requirement tested.	1. Did the servicer respond to request for a modification within 30 days of receipt of all necessary documentation? 2. Denial Communication: Did the servicer notify customers within 10 days of denial decision?
iii. Loan Modification Appeal timeline compliance				10%	**Population Definition:** Loan modification requests (packages) that are borrower appeals in the review period. **Error Definition:** The total # of loans processed outside the allowable timeline tested.	1. Did Servicer respond to a borrowers request for an appeal within 30 days of receipt?

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
iv. Short Sale Decision timeline compliance				10%	**Population Definition:** Short sale requests (packages) that are complete in the three months prior to 30 days prior to the end of the review period. (to allow for short sale review to occur). **Error Definition:** The total # of loans processed outside the allowable timeline tested.	1. Was short sale reviewed and a decision communicated within 30 days of borrower submitting completed package?
v. Short Sale Document Collection timeline compliance				5%	**Population Definition:** Short sale requests (packages) missing documentation that are received in the three months prior to 30 days prior to the end of the review period (to allow for short sale review to occur). **Error Definition:** The total # of loans processed outside the allowable timeline tested.	1. Did the Servicer provide notice of missing documents within 30 days of the request for the short sale?
vi. Charge of application fees for Loss mitigation				1%	**Population Definition:** loss mitigation requests (packages) that are Incomplete, denied , approved and borrower appeals in the review period. (Same as 6.B.i) **Error Definition:** The # of loss mitigation applications where servicer collected a processing fee.	1. Did the servicer assess a fee for processing a loss mitigation request?
vii. Short Sales						
a. Inclusion of notice of whether or not a deficiency will be required	Provide information related to any required deficiency claim.		n/a	5%	**Population Definition:** Short sales approved in the review period. **Error Definition:** The # of short sales that failed any one of the deficiency test questions	1. If the short sale was accepted, did borrower receive notification that deficiency or cash contribution will be needed? 2. Did borrower receive in this notification approximate amounts related to deficiency or cash contribution?
viii. Dual Track						
a. Referred to foreclosure in violation of Dual Track Provisions	Loan was referred to foreclosure in error.		n/a	5%	**Population Definition:** Loans with a first legal action date in the review period. **Error Definition:** The # of loans with a first legal filed in the review period that failed any one of the dual tracking test questions.	1. Was the first legal commenced while the borrower was approved for a loan modification but prior to the expiration of the borrower acceptance period, borrower decline of offer or while in an active trial period plan?

A	B		C	D	E	F
Metric	**Measurements**		**Loan Level Tolerance for Error[1]**	**Threshold Error Rate[2]**	**Test Loan Population and Error Definition**	**Test Questions**
b. Failure to postpone foreclosure proceedings in violation of Dual Track Provisions	Foreclosure proceedings allowed to proceed in error.		n/a	5%	**Population Definition:** Active foreclosures during review period. **Error Definition**: # of active foreclosures that went to judgment as a result of failure of any one on of the active foreclosure dual track test question.	1. Did the servicer proceed to judgment or order of sale upon receipt of a complete loan modification package within 30 days of the Post-Referral to Foreclosure Solicitation Letter?** **Compliance of Dual tracking provisions for foreclosure sales are referenced in 1.A
C. Forced Placed Insurance						
i. Timeliness of notices	Notices sent timely with necessary information.		n/a	5%	**Population Definition:** Loans with forced placed coverage initiated in review period. **Error Definition**: # of loans with active force place insurance resulting from an error in any one of the force-place insurance test questions.	1. Did Servicer send all required notification letters (ref. V 3a i-vii) notifying the customer of lapse in insurance coverage? 2. Did the notification offer the customer the option to have the account escrowed to facilitate payment of all insurance premiums and any arrearage by the servicer prior to obtaining force place insurance? 3. Did the servicer assess forced place insurance when there was evidence of a valid policy?
ii Termination of Force place Insurance	Timely termination of force placed insurance.			5%	**Population Definition:** Loans with forced placed coverage terminated in review period. **Error Definition**: # of loans terminated force place insurance with an error in any one of the force- place insurance test questions.	Did Servicer terminate FPI within 15 days of receipt of evidence of a borrower's existing insurance coverage and refund the pro-rated portion to the borrower's escrow account?

[1] Loan Level Tolerance for Error: This represents a threshold beyond which the variance between the actual outcome and the expected outcome on a single test case is deemed reportable.

[2] Threshold Error Rate: For each metric or outcome tested if the total number of reportable errors as a percentage of the total number of cases tested exceeds this limit then the Servicer will be determined to have failed that metric for the reported period.

[3] For purposes of determining whether a proposed Metric and associated Threshold Error Rate is similar to those contained in this Schedule, this Metric 5.A shall be excluded from consideration and shall not be treated as representative.

EXHIBIT F

FEDERAL RELEASE

This Federal Release ("Release") is entered into among the United States of America, its agencies, and departments (collectively, "the United States"), acting through the United States Department of Justice, and Bank of America Corporation (the "COMPANY") (hereafter the United States and the COMPANY are collectively referred to as "the Parties"), through their authorized representatives.

RECITALS

A. The COMPANY is a Delaware corporation headquartered in Charlotte, North Carolina.

B. The COMPANY is a financial holding and a bank holding company. Various entities affiliated with the COMPANY, including entities affiliated with Countrywide Financial Corporation (including during the period before Countrywide Financial Corporation merged with a subsidiary of the COMPANY), during the relevant period served: (1) as a participant in the Direct Endorsement Lender program of the Federal Housing Administration ("FHA") within the United States Department of Housing and Urban Development ("HUD"); (2) as a mortgagee or servicer for mortgages insured or guaranteed by federal mortgage programs administered by agencies that include FHA, the United States Department of Veterans Affairs ("VA"), and the United States Department of Agriculture Rural Development; (3) as a participating servicer in the Making Home Affordable Program ("MHA") (including MHA's component program, the Home Affordable Modification Program ("HAMP")) of the United States Department of the Treasury ("Treasury") and HUD, and as a participant in various state programs of the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("HHF"); and (4) as an entity that litigates single-family residential mortgage issues in U.S. Bankruptcy Courts in capacities that include commencing and pursuing or supporting litigation commenced against mortgagors and other debtors.

C. The United States contends that it has certain civil claims based on conduct of the COMPANY and its affiliated entities in servicing of mortgage loans (the "Covered Servicing Conduct"). Such Covered Servicing Conduct encompasses all activities of the COMPANY, of any affiliated entity during or prior to such time as it was an affiliated entity, and all of the current or former officers, directors, employees and agents of any of the foregoing, directed toward servicing (including subservicing and master servicing), whether for their own account or for the account of others, of mortgage loans for single-family residential homeowners (which includes loans secured by one- to four-family residential properties, whether used for investor or consumer purposes), whether in the form of a mortgage, deed of trust or other security instrument creating a lien upon such property or any other property described therein that secures the related mortgage loan ("single-family residential mortgage loans") from and after the closing of a borrower's mortgage loan and includes, but is not limited to, the following conduct:

(1) Deficiencies in performing loan modification and other loss mitigation activities, including extensions, forbearances, short sales and deeds in lieu of foreclosure, setting the qualifying criteria for any of the foregoing and/or setting the terms and conditions for any of the foregoing;

(2) Deficiencies in foreclosing on single-family residential mortgage loans or acquiring title in lieu of foreclosure, including the designation and identity of the foreclosing party, the timing of foreclosures, transfer of legal or beneficial ownership to the mortgage loan and/or the related servicing rights or obligations, the charging of any fees, the preparation, contents, execution, notarization or presentation of any documents filed with or submitted to a court or any government agency, or otherwise used as part of the foreclosure process (including, but not limited to, affidavits, declarations, certifications, substitutions of trustees, and assignments) and dual-tracking foreclosure and loan modification activities, and communications with borrowers in respect of foreclosure;

(3) Other deficiencies in servicing single-family residential mortgage loans relating to:

(a) Collections activity, including all contact with borrowers (e.g., telephone calls, letters, and in-person visits) in respect of such activities;

(b) Practices relating to paying or failing to pay taxes (including property taxes), hazard insurance, forced-place insurance, and homeowner association dues or other items provided for in a mortgage loan escrow arrangement (including making or failing to make such payments), including obtaining or maintaining insurance and advancing funds to pay therefor and the creation and maintenance of such escrow accounts;

(c) Use or supervision of vendors, agents and contract employees, and their activities in connection with creation and recording of assignments, servicing, foreclosure, and loss mitigation activities, including subservicers, foreclosure and bankruptcy attorneys, and other default service providers, and pursuit of claims against vendors and other third parties for failure of such third parties to comply with contractual or other obligations;

(d) Activities related to the executing, notarizing, transferring or recording of mortgages; the obtaining, executing, notarizing, transferring or recording of assignments; or activities related to the use of any mortgage registry system, including MERS, and including the transferring of mortgages or assignments using MERS;

(e) Account statements, disclosures, and/or other communications to borrowers; unintentional reporting errors regarding activities that, but for this Paragraph, would be Covered Servicing Conduct, and unintentional remittance errors that are cured;

(f) Maintenance and placement of loan-level and pool-level mortgage insurance and guarantees, hazard insurance, flood insurance, title insurance, and other insurance related to mortgage loans and related properties, including claims activity;

(g) Handling and resolution of inquiries, disputes and complaints by or on behalf of borrowers and frequency and adequacy of communications with borrowers;

(h) Securing, inspecting, repairing, maintaining, or preserving properties both before and after foreclosure or other acquisition of title;

(i) Adequacy of staffing, training, systems and processes, including maintenance and security of access to records relating to servicing, foreclosure, bankruptcy, property sale and management and activities related or ancillary thereto;

(j) Determinations in respect of the appropriate actions of obtaining value for mortgage loans, including whether to pursue foreclosure on properties, whether to assert or abandon liens and other claims and actions taken in respect thereof, and whether to pursue a loan modification or any particular loan modification or other form of loss mitigation;

(k) Acceptance, rejection, application, or reporting of payments made on behalf of borrowers, including the assessment of any fees and placement of the payment(s) in a suspense account;

(l) Obtaining, securing, updating, transferring, or providing promissory notes or endorsements of promissory notes through allonges or otherwise;

(m) Licensing or registration of employees, agents, or contractors, or designation of employees as agents for another entity, through corporate resolutions or Powers of Attorney or otherwise;

(n) Pursuing claims post foreclosure, including seeking deficiency judgments;

(o) Eviction notices, registrations of vacant properties, and any activity relating to the sale or disposition of foreclosed or acquired properties (including Real Estate Owned properties), including management of such properties and proceedings related to such properties;

(p) Executing, notarizing, or recording any documents related to the sale of acquired properties, including the warranty deeds and closing documents;

(q) Custodial and trustee functions related to the Covered Servicing Conduct;

(r) Quality control, quality assurance or compliance or audit testing or oversight related to the Covered Servicing Conduct; for avoidance of doubt, quality control or compliance reviews associated with the origination, sale, or securitization of mortgage loans does not constitute

Covered Servicing Conduct;

(s) Reporting, certification or registration requirements related to any of the Covered Servicing Conduct; and

(t) Communications with borrowers with respect to the Covered Servicing Conduct.

(4) Deficiencies in the COMPANY's or any of its affiliates' participation in and implementation of the Hardest Hit Fund Program and Making Home Affordable Program, including all of its component programs (e.g., HAMP, 2MP, HAFA, UP, PRA-HAMP, FHA-HAMP, FHA2LP, and RD-HAMP).

D. The United States further contends that it has certain civil claims based on the conduct of the COMPANY and its affiliated entities in originating mortgage loans (the "Covered Origination Conduct"). Such Covered Origination Conduct consists of all activities of the COMPANY, of any affiliated entity during or prior to such time as it was an affiliated entity, and all of the current or former officers, directors, employees, and agents of any of the foregoing, directed toward directly or indirectly originating, assisting in the origination of, or purchasing single-family residential mortgage loans and excludes conduct occurring following the closing of the borrower's mortgage loan that is otherwise covered as the Covered Servicing Conduct. Such Covered Origination Conduct includes, but is not limited to, the following conduct:

(1) Submitting loans for insurance endorsement and claims for insurance benefits for FHA loans that the COMPANY or any affiliated entity during or prior to such time as it was an affiliated entity endorsed or underwrote as a participant in the FHA's Direct Endorsement Program that failed to meet any applicable underwriting requirements, including those set forth in the applicable version of the HUD Handbook 4155.1, as supplemented by relevant mortgagee letters, all as of the time of origination;

(2) Submitting loans for insurance endorsement or claims for insurance benefits for FHA loans that the COMPANY or any affiliated entity during or prior to such time as it was an affiliated

entity endorsed or underwrote as a participant in the FHA's Direct Endorsement Program while failing to implement applicable quality control measures; and

(3) Other deficiencies in originating single-family residential mortgage loans relating to:

(a) Processing, underwriting, closing, or funding of loans and the terms and conditions of such loans;

(b) Approving or denying loan applications;

(c) Pricing of loans, including the charging and splitting of any fee or discount points;

(d) Recommendations of particular types of loan products, loan features or terms and conditions of any loan;

(e) Valuing the properties used as collateral for such loans, including use of employee, independent and vendor management appraisers and alternative valuation methods such as AVMs and BPOs;

(f) Use of vendors, including vendor management companies and other providers of real estate settlement services, whether affiliated or unaffiliated;

(g) Payment of fees or other things of value in connection with the making or receiving of referrals of settlement and other services;

(h) Conduct of any vendors used in connection with the origination of loans, including, but not limited to, closing agents, appraisers, real estate agents, title review, flood inspection, and mortgage brokers;

(i) Drafting of loan documents and loan disclosures and the provision of such disclosures;

(j) Obtaining and recording of collateral documents relating to loans, including, but not limited to, use of trustees or designees on mortgages or deeds of trust;

(k) Advertising of loans and solicitation of borrowers;

(l) Licensing, registration, qualifications or approvals of employees in connection with the Covered Origination Conduct; and

(m) Quality control, quality assurance or compliance or audit testing or oversight related to the Covered Origination Conduct.

E. The United States further contends that it has certain civil claims based on the COMPANY's servicing, including servicing by any affiliated entity during or prior to such time as it was an affiliated entity, and by any of the COMPANY's or such affiliated entities' current or former officers, directors, employees, and agents, of loans of borrowers in bankruptcy (the "Covered Bankruptcy Conduct"). Such Covered Bankruptcy Conduct includes, but is not limited to, the following conduct:

(1) Deficiencies in servicing residential mortgage loans for borrowers in bankruptcy relating to:

(a) The preparation, prosecution, documentation, substantiation, or filing of proofs of claim, motions seeking relief from the automatic stay, objections to plan confirmation, motions to dismiss bankruptcy cases, and affidavits, declarations, and other mortgage-related documents in bankruptcy courts;

(b) Charging and timing of fees and expenses, including any fees or expenses assessed to the borrower due to delay while the bankruptcy court reviews a pending request for loan modification or delay by the Chapter 13 trustee to timely remit the borrower's payments;

(c) Use or disclosure of escrow accounts, including any advances on borrower's behalf;

(d) Account statements, disclosures, and/or other communications to borrowers, including: (i) assessing, imposing, posting, or collecting fees and charges; (ii) disclosure of fees and charges assessed, imposed or posted during the bankruptcy case; and (iii) collection of undisclosed post-petition fees and charges after the borrower receives a discharge, the COMPANY obtains relief from the automatic stay, or the bankruptcy case is dismissed;

(e) Adequacy of staffing, training, systems, and processes relating to administering and servicing loans for borrowers in bankruptcy;

(f) Use or supervision of vendors and contract employees, including Lender Processing Services, Inc., bankruptcy attorneys and other default service providers;

(g) Pursuit of or failure to pursue claims against vendors and other third parties for failure of such third parties to comply with contractual or other obligations; and

(h) Handling and resolution of inquiries, disputes or complaints by or on behalf of borrowers, and frequency and adequacy of communications with borrowers in bankruptcy.

(2) Deficiencies in accounting for, processing, approving and administering loan modifications for borrowers in bankruptcy relating to:

(a) Charging late fees or seeking arrearages while a trial period modification plan or permanent loan modification plan is in place and borrower is timely making payments under the terms of the loan modification plan;

(b) Seeking relief from the automatic stay when the COMPANY has approved a trial period or permanent loan modification plan and borrower is timely making payments under the terms of the loan modification plan; and

(c) Delays in approving or finalizing the documentation necessary to the approval of loan modifications for borrowers in bankruptcy.

F. This Release is neither an admission of liability of the allegations of the Complaint or in cases settled pursuant to this Consent Judgment, nor a concession by the United States that its claims are not well-founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of the Consent Judgment, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

(1) The COMPANY and/or its affiliated entities shall pay or cause to be paid, for the purposes specified in the Consent Judgment, the amount specified in Paragraph 3 of the Consent Judgment (“Direct Payment Settlement Amount”) by electronic funds transfer no later than seven days after the United States District Court for the District of Columbia enters the final non-appealable Consent Judgment (the “Effective Date of the Consent Judgment”) pursuant to written instructions to be provided by the United States Department of Justice. The COMPANY and/or its affiliated entities shall also undertake, for the purposes specified in the Consent Judgment, certain consumer relief activities as set forth in Exhibit D to such Consent Judgment and will be obligated to make certain payments (the “Consumer Relief Payments”) in the event that it does not or they do not complete the Consumer Relief Requirements set forth in Exhibit D to the Consent Judgment. The releases contained in this Release shall become effective upon payment of the Direct Payment Settlement Amount. The United States may declare this Release null and void with respect to the United States if the COMPANY or its affiliated entities do not make the Consumer Relief Payments required under this Consent Judgment and fail to cure such non-payment within thirty days of written notice by the United States.

(2)

(a) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims the United States has or may have, and from any civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose, based on the Covered Servicing Conduct that has taken place as of 11:59 p.m., Eastern Standard Time, on

February 8, 2012 (and, for the avoidance of doubt, with respect to FHA-insured loans, whether or not a claim for mortgage insurance benefits has been or is in the future submitted), under the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA"), the False Claims Act, the Racketeer Influenced and Corrupt Organizations Act, the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Truth in Lending Act, the Interstate Land Sales Full Disclosure Act, 15 U.S.C. § 1691(d) ("Reason for Adverse Action") or § 1691(e) ("Appraisals"), sections 502 through 509 (15 U.S.C. § 6802-6809) of the Gramm-Leach Bliley Act except for section 505 (15 U.S.C. § 6805) as it applies to section 501(b) (15 U.S.C. § 6801(b)), or that the Civil Division of the United States Department of Justice has actual and present authority to assert and compromise pursuant to 28 C.F.R. § 0.45.

(b) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, or current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims the United States has or may have, and from any civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose, based on the Covered Origination Conduct that has taken place as of 11:59 p.m., Eastern Standard Time, on February 8, 2012, under the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act, the Truth in Lending Act, 15 U.S.C. § 1691(d) ("Reason for Adverse Action") or § 1691(e) ("Appraisals"), or the Interstate Land Sales Full Disclosure Act.

(c) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liability associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims the United States has or may have, and from any civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek to impose under FIRREA based on the Covered Origination Conduct only to the extent that:

(i) such claim is (A) based upon false, misleading or fraudulent representations (or a scheme to defraud consisting solely of such a false, misleading or fraudulent representation) made by the COMPANY or affiliated entity as of 11:59 p.m., Eastern Standard Time, on February 8, 2012, to a borrower in connection with the COMPANY's or affiliated entity's making of a residential mortgage loan to such borrower; or (B) an action pursuant to 12 U.S.C. § 1833a(c)(2) in which the action is consisting solely of the allegation that the COMPANY or one of its affiliated entities made a false statement or misrepresentation (or engaged in a scheme to defraud based solely upon such a false statement or misrepresentation) to the COMPANY or another affiliated entity, as of 11:59 p.m., Eastern Standard Time, on February 8, 2012, in connection with the COMPANY's or affiliated entity's making of a residential mortgage loan to a borrower; and

(ii) (A) the only federally insured financial institution that was affected by the statement or misrepresentation (or scheme), or by actions based on, incorporating, or omitting the statement or misrepresentation (or scheme) was the COMPANY or an affiliated entity; (B) the false statement or misrepresentation (or scheme) was not made to, directed at, or part of a scheme to defraud, any person or entity other than or in addition to the borrower and/or the COMPANY or an affiliated entity, including, but not limited to, any other financial institution (as defined in 18 U.S.C. § 20), investors, and governmental entities; (C) the false statement or misrepresentation (or scheme), or actions based on, incorporating, or omitting the statement or misrepresentation (or scheme) did not harm any other financial institution (as defined in 18 U.S.C. § 20), investors, governmental entities, or any other entities other than the COMPANY or an affiliated entity; and (D) there was no material monetary effect on an agency of the United States.

(3)

(a) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the United States Department of Housing and Urban Development fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims it has or may have, and from any civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose, based on the Covered Servicing Conduct with respect to FHA loans that has taken place as of 11:59 p.m., Eastern Standard Time, on February 8, 2012 (and, for the avoidance of doubt, with respect to FHA-insured loans, whether or not a claim for mortgage insurance benefits has been or is in the future submitted). Notwithstanding the foregoing, in no instance shall this Release relieve the COMPANY or any affiliated entity from the obligation to remedy, upon identification, defects of title or such other problems caused by the acts or omissions of the COMPANY or any affiliated entity that may preclude FHA from accepting assignment or paying a claim for which FHA lacks statutory authority pursuant to 12 U.S.C. § 1707(a) and § 1710(a)(1)(B), in which case FHA shall reconvey the property back to the COMPANY or the affiliated entity to remedy the defect in title or such other problem and the COMPANY or the affiliated entity shall convey the property back to FHA once the defect or problem is cured. Further, nothing in this Release shall relieve COMPANY or affiliated entity of any obligation to provide FHA with any and all mortgage insurance premium payments that have been or should have been collected, plus interest, if any. Notwithstanding any other provision of this Release, FHA shall calculate the payment of insurance benefits for any insured mortgage in accordance with its regulations.

(b) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims it has or may have and from any civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose under FIRREA, the False Claims Act, and the Program Fraud Civil Remedies Act where the sole basis for such claim or claims is that the COMPANY or any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity) or any of their respective successors or assigns, submitted to HUD-FHA prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 a false or fraudulent annual certification that the mortgagee had "conform[ed] to all HUD-FHA regulations necessary to maintain its HUD-FHA approval" (including, but not limited to, the requirement that the mortgagee implement and maintain a quality control program that conforms to HUD-FHA requirements), or "complied with and agree[d] to continue to comply with HUD-FHA regulations, handbooks, Mortgagee Letters, Title I Letters, policies, and terms of any agreements entered into with the Department under HUD's Direct Endorsement Program." For avoidance of doubt, this Paragraph means that the United States is barred from asserting that a false annual certification renders the COMPANY or any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity) liable under the False Claims Act and the other laws cited above for loans endorsed by the COMPANY or its affiliated entity for FHA insurance during the period of time applicable to the annual certification without regard to whether any such loans contain material violations of HUD-FHA requirements, or that a false individual loan certification that "this mortgage is eligible for HUD mortgage insurance under the Direct Endorsement program" renders the COMPANY or any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity) liable under the False Claims Act for any individual loan that does not contain a material violation of HUD-FHA requirements. However, this Paragraph does not (i) release, bar or otherwise preclude the right of the United States to pursue any civil or administrative claims or remedies it has or may have, or release or preclude under res judicata or collateral estoppel theories any civil or administrative remedies or penalties it may seek or impose, against the COMPANY, any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, for conduct with respect to the insurance of residential mortgage loans that violates any laws, regulations or other HUD-FHA requirements applicable to the insurance of residential mortgage loans by HUD, including, but not limited to, material violations of any applicable HUD-FHA requirements with respect to an individual loan or loans, except if and to the extent such claim, remedy or penalty is based solely on such entity's failure to provide HUD with an accurate annual certification as described above; (ii) release or otherwise bar the United States from introducing evidence of any alleged failure to comply with applicable HUD-FHA requirements, including, but not limited to, sufficient quality control, underwriting or due diligence programs, in any way (including, but not limited to, for the purpose of proving intent) in connection with any claim that there was a material violation(s) of applicable HUD-FHA requirements with respect to an individual loan or loans that would subject the COMPANY or an affiliated entity to liability under the False Claims Act or any other federal statutory or common law administrative or judicial claim; or (iii) permit the COMPANY or its affiliates to offset or otherwise reduce any potential liability for such claims or remedies by any amount paid under the Consent Judgment. The parties agree that the issue of whether and to what extent the United States may use statistical sampling of individual loans or similar techniques for calculating damages or proving material violations of HUD-FHA underwriting requirements with respect to a pool of loans is not addressed by the Consent Judgment and shall be governed by the law of the relevant administrative or judicial forum of any future dispute. Notwithstanding the foregoing, in no instance shall this Release relieve the COMPANY or any affiliated entity from the obligation to remedy, upon identification, defects of title or such other problems caused by the acts or omissions of the COMPANY or an affiliated entity that may preclude FHA from accepting assignment or paying a claim for which FHA lacks statutory authority pursuant to 12 U.S.C. § 1707(a) and § 1710(a)(1)(B), in which case FHA shall reconvey the property back to the COMPANY or affiliated entity to remedy the defect in title or such other problem and the COMPANY or affiliated entity shall convey the property back to FHA once the defect or problem is cured.

(4) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, for loans that closed before 11:59 p.m., Eastern Standard Time, on February 8, 2012 and are guaranteed by the Department of Veterans Affairs (VA), the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims it has or may have based on Covered Origination Conduct that arises under FIRREA, the False Claims Act, or the Program Fraud Civil Remedies Act to the extent that they are based on any failure by the COMPANY or any current or former affiliated entity and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, to conform to all VA regulations necessary to maintain the authority of the COMPANY or any current or former affiliated entity to close VA-guaranteed loans on an automatic basis. Nothing in the foregoing shall be interpreted to release the right of the United States to pursue any civil or administrative claims it has or may have, or to release any civil or administrative remedies or penalties it may seek or impose, against the COMPANY, any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, based on Covered Origination Conduct that violates the laws or regulations applicable to the guaranty of residential mortgage loans by VA with respect to any residential mortgage loan or loans, except if and to the extent such claim, remedy or penalty is based on such entity's failure to provide VA with an accurate general

program compliance certification, to implement an effective quality control plan, or to conform to all VA regulations necessary to maintain the authority of the COMPANY or any current or former affiliated entity to close VA-guaranteed loans on an automatic basis.

(5) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, for loans that closed before 11:59 p.m., Eastern Standard Time, on February 8, 2012 and are guaranteed by the Department of Agriculture (USDA), the United States fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claims it has or may have against the COMPANY and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, based on Covered Origination Conduct that arises under FIRREA, the False Claims Act, or the Program Fraud Civil Remedies Act to the extent that they are based on statements made in the COMPANY's or current or former affiliated entity's application for approved lender status in the Single Family Housing Guaranteed Loan Program. Nothing in the foregoing shall be interpreted to release the right of the United States to pursue any civil or administrative claims it has or may have, or to release any civil or administrative remedies or penalties it may seek or impose, against the COMPANY, any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, based on Covered Origination Conduct that violates the laws or regulations applicable to the guaranty of residential mortgage loans by USDA with respect to any residential mortgage loan or loans, except if and to the extent such claim, remedy or penalty is based on such entity's failure to provide USDA with an accurate general program compliance certification, to implement an effective quality control plan, or on statements made in the COMPANY's or current or former affiliated entity's application for approved lender status in the Single Family Housing Guaranteed

Loan Program.

(6) Subject to the exceptions described in this Paragraph 6 and in Paragraph 11 (concerning excluded claims) below, the United States Department of the Treasury ("Treasury") fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, and will refrain from instituting, directing, or maintaining any civil or administrative claims the Treasury has or may have, and from any civil remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose against the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, based on the Covered Servicing Conduct that has taken place as of 11:59 p.m., Eastern Standard Time, on February 8, 2012; furthermore, as of February 8, 2012, Treasury is withholding Making Home Affordable servicer incentive payments from the COMPANY or any current or former affiliated entity, and, upon the immediately succeeding Making Home Affordable Program incentive payment date, Treasury shall release and remit to the COMPANY and any current or former affiliated entity all outstanding Making Home Affordable Program servicer incentive payments previously withheld by Treasury. Notwithstanding the foregoing, Treasury, in connection with the Making Home Affordable Program, reserves the right to continue to perform compliance reviews on the COMPANY's Making Home Affordable Program activities occurring prior to February 8, 2012, to require non-financial remedies with respect to such activities, and to publicly release servicer assessments with respect thereto. If, as the result of any such compliance review occurring after February 8, 2012, Treasury determines that the COMPANY or any of its affiliated entities have not adequately corrected identified instances of noncompliance that occurred prior to the date specified in the first sentence of this Paragraph

and were communicated to COMPANY or any of its affiliated entities by Treasury in a letter dated March 9, 2012, Treasury reserves the right to adjust any Making Home Affordable Program incentive payments made or owed to the COMPANY or any of its affiliated entities with respect to those identified instances of noncompliance. In addition, with respect to instances of noncompliance that occur after February 8, 2012, Treasury reserves the right to exercise all available remedies, both financial and non-financial, under the Making Home Affordable Program Commitment to Purchase Financial Instrument and Servicer Participation Agreement, as amended, between Treasury and COMPANY or any of its affiliated entities ("the SPA").

(7) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, the Bureau of Consumer Financial Protection ("CFPB") fully and finally releases the COMPANY and any current or former affiliated entity (to the extent such COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, and will refrain from instituting, directing, or maintaining any civil or administrative claims the CFPB has or may have, and from any civil remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose against the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, or current or former employee of any of the foregoing, individually and collectively, based on Covered Servicing Conduct or Covered Origination Conduct that has taken place prior to July 21, 2011. Notwithstanding the foregoing, the CFPB reserves the right to obtain information related to conduct that occurred prior to July 21, 2011 under its authority granted by Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(8) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below, and conditioned upon the full payment of the Direct Payment Settlement Amount and the satisfaction of

Paragraph I of the Supplemental Consent Judgment and Order, Federal Trade Commission v. Countrywide Home Loans, Case No. 10-4193-JFW-SSX, the Federal Trade Commission fully and finally releases the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative claim the Federal Trade Commission has or may have, or civil or administrative remedies or penalties (expressly including punitive or exemplary damages) it may seek or impose, based on the Covered Origination Conduct that has taken place as of 11:59 p.m., Eastern Standard Time, on February 8, 2012, or based on the Covered Servicing Conduct that has taken place as of 11:59 p.m., Eastern Standard Time, on February 8, 2012, provided, however, that nothing in this Paragraph or Release shall be interpreted to release any liability to the Federal Trade Commission relating to the Covered Servicing Conduct or Covered Origination Conduct of any affiliated entity that the COMPANY has acquired on or after November 30, 2011, or, notwithstanding Section C.3.i of this Release, any conduct or claims involving the privacy, security, or confidentiality of consumer information.

(9) Subject to the exceptions in Paragraph 11 (concerning excluded claims) below:

(a) Upon the Effective Date of the Consent Judgment, the Executive Office for United States Trustees ("EOUST") and the United States Trustees and Acting United States Trustees for Regions 1 through 21 (collectively, with the EOUST, "the United States Trustees") will consent to and agree to take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of pending objections and other actions by the United States Trustees, including all related discovery requests, whether formal or informal, and requests for examination under Fed. R. Bankr. P. 2004 (collectively, "the Discovery Requests") and subpoenas or subpoenas duces tecum (collectively, "the Subpoenas"), directed to or filed against the COMPANY, its affiliates, and employees and officers of the COMPANY and its affiliates, pertaining to the COMPANY's or its affiliates' mortgage-related claims filed in a bankruptcy case prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct. The United States Trustees further agree not to take any action to obtain discovery from the COMPANY or any affiliated entity pursuant to any court order granting such Discovery Requests or with respect to enforcing related Subpoenas pending as of 11:59 p.m., Eastern Standard Time, on February 8, 2012. Upon the Effective Date of the Consent Judgment, the United States Trustees further agree to take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of Discovery Requests and Subpoenas directed to or filed against any other party where the discovery was sought for the purpose of obtaining relief against the COMPANY, its affiliates, or employees and officers of the COMPANY or its affiliates, and pertains to the COMPANY's or its affiliates' mortgage-related claims filed in a bankruptcy case prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct, except that nothing in this Paragraph requires the United States Trustee to withdraw or facilitate the dismissal of Discovery Requests and Subpoenas to the extent that relief against another party, other than the COMPANY, its affiliates, or employees and officers of the COMPANY or its affiliates, is the purpose of such discovery.

(b) Upon the Effective Date of the Consent Judgment, the COMPANY and its affiliated entities will consent to and agrees to take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of pending adversary proceedings, contested matters, appeals, and other actions filed by the COMPANY or its affiliated entities, including all Discovery Requests and Subpoenas directed to or filed against any United States Trustee, relating to objections and other actions by the United States Trustees, including Discovery Requests and Subpoenas, directed to or filed against the COMPANY, its affiliated entities, or employees and officers of the COMPANY or its affiliated entities pertaining to the COMPANY's or its affiliated entities' mortgage-related claims filed in a bankruptcy case prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct. The COMPANY and its affiliated entities further agree not to take any action to obtain discovery from the United States Trustees pursuant to any court order granting such Discovery Requests or with respect to enforcing related Subpoenas pending as of 11:59 p.m., Eastern Standard Time, on February 8, 2012.

(c) The United States Trustees fully and finally release any claims, and will refrain from instituting, directing or maintaining any action or participating in any action by a third party (except that the United States Trustees may participate in an action to the extent ordered by a court provided that the United States Trustees may not seek such a court order formally or informally), against the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, pertaining to the COMPANY's or its affiliated entities' mortgage-related claims filed in a bankruptcy case prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct. The United States Trustees shall refrain from sharing information obtained via the Discovery Requests and Subpoenas outside the federal government (unless required to do so under applicable law or pursuant to a court order) in support of any action, against the COMPANY, or any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, pertaining to the COMPANY's or its affiliates' mortgage-related claims filed in a bankruptcy case prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct. Except as otherwise provided in the Enforcement Terms in Exhibit E of the Consent Judgment, the United States Trustees further agree to refrain from seeking to invalidate the COMPANY's or its affiliates' lien on residential real property, including in an adversary proceeding pursuant to Fed. R. Bank. P. 7001(2) and 11 U.S.C. § 506, or to impose monetary sanctions or other punitive relief against the COMPANY, and any current or former affiliated entity (to the extent the

COMPANY retains liabilities associated with such former affiliated entity), and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, pertaining to the COMPANY's or its affiliated entities' mortgage-related claims filed in a bankruptcy case after 11:59 p.m., Eastern Standard Time, on February 8, 2012 and based on the Covered Bankruptcy Conduct where the Covered Bankruptcy Conduct occurred before 11:59 p.m., Eastern Standard Time, on February 8, 2012.

(d) Notwithstanding the foregoing, nothing in this Paragraph shall be construed to be (1) a waiver of any defenses or claims of the COMPANY, its affiliates, or employees and officers of the COMPANY or its affiliates, against any other party, or a dismissal of any pending adversary proceedings, contested matters, appeals, and other actions filed by the COMPANY, its affiliates, or employees and officers of the COMPANY or its affiliates, against any other party, wherein the United States Trustee is a party or otherwise involved; (2) a waiver of any defenses or claims of the United States Trustee against any other party, or a dismissal of any pending adversary proceedings, contested matters, appeals, and other actions filed by the United States Trustee against any other party wherein the COMPANY, its affiliates, or employees and officers of the COMPANY or its affiliates, is a party or otherwise involved; or (3) a waiver of, or restriction or prohibition on, the United States Trustees' ability, to the extent permitted by law, informally or formally, in individual bankruptcy cases, to seek a cure of material inaccuracies in the COMPANY's or its affiliates' mortgage-related claims filed in a bankruptcy case and based on the Covered Bankruptcy Conduct, but not to impose monetary sanctions or other punitive relief against the COMPANY or its affiliates in addition to such cure; provided, however, that this provision shall not constitute a waiver of, or restriction or prohibition on, the COMPANY's or its affiliates' ability to dispute whether the United States Trustees have authority or ability to seek such a cure.

(10) For the purposes of this Release, the term “affiliated entity” shall mean entities that are directly or indirectly controlled by, or control, or are under common control with, the COMPANY as of or prior to 11:59 p.m., Eastern Standard Time, on February 8, 2012. The term “control” with respect to

an entity means the beneficial ownership (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 50 percent or more of the voting interest in such entity.

(11) Notwithstanding any other term of this Release, the following claims of the United States are specifically reserved and are not released:

(a) Any liability arising under Title 26, United States Code (Internal Revenue Code);

(b) Any liability of individuals (including current or former directors, officers, and employees of the COMPANY or any affiliated entity) who have received or receive in the future notification that they are the target of a criminal investigation (as defined in the United States Attorneys' Manual); have been or are indicted or charged; or have entered or in the future enter into a plea agreement, based on the Covered Servicing Conduct, the Covered Origination Conduct, and the Covered Bankruptcy Conduct (collectively, the "Covered Conduct");

(c) Any criminal liability;

(d) Any liability to the United States for any conduct other than the Covered Conduct, or any liability for any Covered Conduct that is not expressly released herein or in Exhibit I to the Consent Judgment;

(e) Any and all claims whether legal or equitable, in connection with investors or purchasers in or of securities or based on the sale, transfer or assignment of any interest in a loan, mortgage, or security to, into, or for the benefit of a mortgage-backed security, trust, special purpose entity, financial institution, investor, or other entity, including but not limited to in the context of a mortgage securitization or whole loan sale to such entities ("Securitization/Investment Claims"). Securitization/Investment Claims include, but are not limited to, claims based on the following, all in connection with investors or purchasers in or of securities or in connection with a sale, transfer, or assignment of any interest in loan, mortgage or security to, into, or for the benefit of a mortgage-backed security, trust, special purpose entity, financial institution, investor, or other entity:

(i) The United States' capacity as an owner, purchaser, or holder of whole loans, securities, derivatives, or other similar investments, including without limitation, mortgage backed securities, collateralized debt obligations, or structured investment vehicles.

(ii) The creation, formation, solicitation, marketing, assignment, transfer, valuation, appraisal, underwriting, offer, sale, substitution, of or issuance of any interest in such whole loans, mortgages, securities, derivatives, or other similar investments.

(iii) Claims that the COMPANY or an affiliated entity made false or misleading statements or omissions, or engaged in other misconduct in connection with the sale, transfer or assignment of any interest in a loan, mortgage, or security or in connection with investors or purchasers in or of such loans, mortgages, or securities, including but not limited to conduct that affected a federally insured financial institution or violated a legal duty to a mortgage-backed security, trust, special purpose entity, financial institution, or investor (including the United States), or governmental agency and/or that subjects the COMPANY or an affiliated entity to a civil penalty or other remedy under 12 U.S.C. § 1833a.

(iv) Representations, warranties, certifications, statements, or claims made regarding such whole loans, securities, derivatives or other similar investments, including representations, warranties, certifications or claims regarding the eligibility, characteristics, or quality of mortgages or mortgagors;

(v) Activities related to the executing, notarizing, transferring or recording of mortgages; the endorsement or transfer of a loan; and the obtaining, executing, notarizing, transferring or recording of assignments;

(vi) Obtaining, securing, updating, transferring, or providing promissory notes or endorsements of promissory notes through allonges or otherwise;

(vii) Custodial and trustee functions;

(viii) Intentional or fraudulent failure to pay investors sums owed with respect to any security, derivatives, or similar investment;

(ix) Contractual covenants, agreements, obligations and legal duties to a mortgage-backed security, trust, special purpose entity, financial institution, investor, or other entity (including the United States);

(x) Covered Origination Conduct (except to the extent such conduct is released in Paragraphs 3.b, 4 or 5); and

(xi) Covered Servicing Conduct to the extent the COMPANY or any affiliated entity engaged in the Covered Servicing Conduct in question not in its capacity as servicer, subservicer or master servicer, but in its capacity as the originator of a mortgage loan or as seller, depositor, guarantor, sponsor, securitization trustee, securities underwriter, document custodian or any other capacity.

The exclusion set forth above in this Paragraph shall not apply to Securitization/Investment Claims based on the following conduct, and such claims are included in what is being released:

Securitization/Investment Claims based on Covered Servicing Conduct by the COMPANY or any current or former affiliated entity where: (1) such conduct was performed by the COMPANY or any affiliated entity in its capacity as the loan servicer, master servicer or subservicer, whether conducted for its own account or pursuant to a third party servicing agreement or similar agreement, and not in its capacity as loan originator, seller, depositor, guarantor, sponsor, securitization trustee, securities underwriter, or any other capacity; and (2) such conduct was not in connection with (x) the creation, formation, solicitation, marketing, sale, assignment, transfer, offer, sale, substitution, underwriting, or issuance of any interest in securities, derivatives or other similar investments or (y) the sale or transfer of mortgage loans. The claims addressed in this sub-paragraph include, without limitation, Securitization and Investment Claims that the party seeking to enforce a mortgage loan against a borrower and homeowner in respect of that borrower's default did not have a documented enforceable interest in the promissory note and mortgage or deed of trust under applicable state law or is otherwise not a proper party to the foreclosure or bankruptcy action or claims based on such party's attempts to obtain such a documented enforceable interest or become such a proper party.

(f) Any liability arising under Section 8 of the Real Estate Settlement Procedures Act, 12 U.S.C. § 2607, relating to private mortgage insurance, with respect to claims brought by the CFPB;

(g) Except with respect to claims related to the delivery of initial or annual privacy notices, requirements with respect to the communication of non-public personal information to non-affiliated third parties, or other conduct required by Sections 502 through 509 of the Gramm-Leach-Bliley Act (15 U.S.C. §§ 6802-6809), any claims or conduct involving the obligation of a financial institution under Section 501(b) of the Gramm-Leach-Bliley Act (15 U.S.C. s. 6801(b)) and its implementing regulations to maintain administrative, technical, and physical information security safeguards;

(h) Any liability arising under the Fair Housing Act; any provision of the Equal Credit Opportunity Act that is not expressly released in Paragraph 2 of this Release, including any provision prohibiting discriminatory conduct; the Home Mortgage Disclosure Act; or any other statute or law that prohibits discrimination of persons based on race, color, national origin, gender, disability, or any other protected status;

(i) Administrative claims, proceedings, or actions brought by HUD against any current or former director, officer, or employee for suspension, debarment or exclusion from any HUD program;

(j) Any liability arising under the federal environmental laws;

(k) Any liability to or claims brought by (i) the Federal Housing Finance Agency; (ii) any Government Sponsored Enterprise, including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (except where the Government Sponsored Enterprise seeks to impose such liability or pursue such claims in its capacity as an administrator of the Making Home Affordable Program of Treasury); (iii) the Federal Deposit Insurance Corporation (whether in its capacity as a Corporation, Receiver, or Conservator); (iv) the Government National Mortgage Association ("Ginnie Mae") arising out of COMPANY's contractual obligations related to serving as Master Subservicer on defaulted Ginnie Mae portfolios, including claims for breach of such obligations; (v) the CFPB with respect to claims within its authority as of the designated transfer date of July 21, 2011 that are not expressly released in Paragraph 7; (vi) the National Credit Union Administration, whether in its capacity as a Federal agency, Liquidating Agent, or Conservator; (vii) the Securities and Exchange Commission; (viii) the Federal Reserve Board and its member institutions; (ix) Maiden Lane LLC, Maiden Lane II LLC, Maiden Lane III LLC, entities that are consolidated for accounting purposes on the financial statements of the Federal Reserve Bank of New York, and the Federal Reserve Bank of New York; (x) the Office of the Comptroller of the Currency; (xi) the USDA (except to the extent claims are released in Paragraph 5); (xii) the VA (except to the extent claims are released in Paragraph 4); (xiii) the Commodity Futures Trading Commission; and (xvi) the Inspectors General of such entities;

(l) Any liability to the United States for the following claims alleged against the COMPANY or any of its current or former subsidiaries, affiliates, officers, directors, employees or agents, including but not limited to Countrywide Financial Corporation, Countrywide Home Loans Servicing, LP, BAC Home Loans Servicing, LP, Banc of America Mortgage Securities, Inc., Landsafe Appraisal Services, Inc., and LaSalle Bank, or any other entity or person:

(i) All claims or allegations based on any conduct in the complaint filed on June 21, 2011 in United States ex rel. [Under Seal] v. [Under Seal], No. 11 Civ. 4207

(S.D.N.Y.), but only to the extent such conduct is alleged to have resulted in a loss or injury to persons or entities other that the Federal Housing Administration or the Department of Housing and Urban Development;

(ii) All claims or allegations based on any conduct alleged in the Second or Third Amended Complaint in United States ex rel. [Under Seal] v. [Under Seal], No. 11 Civ. 4207 (S.D.N.Y.), including any appraisal or valuations of collateral relating to non-FHA mortgage loans and any representations, acts, or omissions related thereto, but only to the extent such conduct is alleged to have resulted in a loss or injury to persons or entities other than the Federal Housing Administration or the Department of Housing and Urban Development and is not Covered Servicing Conduct that is otherwise released in this Agreement. Notwithstanding any other provision of this Agreement, for purposes of this Subparagraph and this Subparagraph alone, the COMPANY agrees that any appraisal or valuation of collateral relating to non-FHA mortgage loans and any representations, acts, or omissions related thereto shall not be deemed to be Covered Servicing Conduct and therefore shall be deemed not to be released;

(iii) All claims or allegations based on any conduct in the complaint filed on February 24, 2012 in United States ex rel. [Under Seal] v. [Under Seal], No. 12 Civ. 1422 (S.D.N.Y.), including any underwriting or quality control relating to non-FHA mortgage loans and any representations, acts, or omissions related thereto, but only to the extent such conduct is alleged to have resulted in a loss or injury to persons or entities other that the Federal Housing Administration or the Department of Housing and Urban Development;

(iv) All claims or allegations based on any conduct alleged in United States ex rel. [Under Seal] v. [Under Seal], Civ. No. 2:11-cv-00535-RLH-RJJ (D. Nev.);

(v) All claims or allegations based on any conduct alleged in United

States ex rel. Szymoniak v. [Under Seal], Civ No. 0:10-cv-01465 (D.S.C.) or in United States ex rel. Szymoniak v. [Under Seal], Civ No. 3:10-cv-575 (W.D.N.C.), except any such claims that are encompassed by the releases described in Paragraphs 2 to 9, above, and not otherwise reserved from these releases in this agreement;

(vi) All claims or allegations based on any conduct alleged in United States of America ex rel. Bibby et al. v. Wells Fargo Bank National Association, Inc. et al., C.A. No. 1:06-CV-0547-AT (N.D. Ga.);

(m) Any action that may be taken by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against COMPANY, any of its affiliated entities, and/or any institution-affiliated party of COMPANY, as defined in 12 U.S.C. § 1813(u), pursuant to 12 U.S.C. § 1818, and any action by the FBA to enforce the Consent Order issued against the COMPANY by the FBA on April 13, 2011;

(n) Any liability based upon obligations created by this Consent Judgment;

(o) The parties agree that notwithstanding any other provision of this Release, the United States retains the right to investigate and sue the COMPANY and any affiliated entity under FIRREA for any conduct, statements or omissions that are:

(i) Made or undertaken in connection with either (a) the creation, formation, transfer, sale, conveyance, or securitization of mortgage-backed securities, derivatives, collateralized debt obligations and credit default swaps, or other similar securities or (b) the sale or transfer of mortgage loans;

(ii) Made or undertaken by the COMPANY or an affiliated entity in its capacity as loan originator, seller, depositor, guarantor, sponsor, securitization trustee, securities underwriter, or any capacity other than as loan servicer, master servicer or subservicer, in connection with the origination (including Covered Origination Conduct), underwriting, due diligence, quality control, valuation, appraisal, pledging, substitution, recording, assignment, or securitization of mortgages, whole loans, mortgage-backed securities, derivatives, collateralized debt obligations and credit default swaps, or other similar securities (except to the extent such conduct is released in Paragraphs 2.c, 3.b, 4 or 5 and not excluded from this Release in Subsections (a)-(n) of this Paragraph 11);

(iii) Made to or directed at federal governmental entities (except to the extent such conduct is released in Paragraphs 2.a, 3.a, 3.b, 4 or 5 and not excluded from this Release in Subsections (a)-(n) of this Paragraph 11); or

(iv) Based on (A) the failure by the COMPANY or affiliated entity to pay investors or trustees any sums received by the COMPANY or affiliated entity and owed to the investors and trustees with respect to any security, derivatives, or similar investment; (B) the failure by the COMPANY or affiliated entity to disclose that it failed to pay investors or trustees any sums received by the COMPANY or affiliated entity and owed to investors or trustees with respect to any security, derivatives, or similar investment; (C) the collection by the COMPANY or affiliated entity of money or other consideration from loan sellers with respect to loans that the COMPANY or an affiliated entity had sold to others or packaged into a security for sale to others; or (D) the failure by the COMPANY or affiliated entity to repurchase loans to the extent that it had a contractual obligation to repurchase.

The COMPANY and its affiliated entities agree that they have not been released from any liability under FIRREA for such conduct or statements. To the extent that this reservation of FIRREA claims is inconsistent with any other provision of this Release (not including Paragraph 5 of Exhibit I), the reservation of FIRREA claims shall control. This reservation of FIRREA Claims shall not be construed to otherwise limit any other claim that the United States has against the COMPANY or its affiliated entities, to alter the requirements of FIRREA, or to waive any defense available to the COMPANY or its affiliated entities under existing law.

(12) For avoidance of doubt, this Release shall not preclude a claim by any private individual or entity for harm to that private individual or entity, except for a claim asserted by a private individual or entity under 31 U.S.C. § 3730(b) that is subject to this Release and not excluded by Paragraph 11.

(13) The COMPANY and its affiliated entities waive and shall not assert any defenses they may have to any criminal prosecution or administrative action based on the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Release bars a remedy sought in such criminal prosecution or administrative action. Nothing in this Paragraph or any other provision of this Consent Judgment constitutes an agreement by the United States concerning the characterization of the Federal Settlement Amount for purposes of Title 26, United States Code (Internal Revenue Code).

(14) The COMPANY and any current or former affiliated entity, as well as any current or former director, current or former officer, or current or former employee of any of the foregoing, but only to the extent that the COMPANY and any current or former affiliated entity possesses the ability to release claims on behalf of such individuals or entities, fully and finally releases the United States and its employees from any claims based on the Covered Conduct to the extent, and only to the extent, that such individual or entity is released from claims based on that Covered Conduct under Paragraphs 2 through 9 of this Release and such claim is not excluded under Paragraph 11 of this Release (including, for the avoidance of doubt, claims by the entities listed in Paragraph 11(k)), as well as claims under the Equal Access to Justice Act, 28 U.S.C. § 2412 based on the United States' investigation and prosecution of the foregoing released claims. Nothing herein is intended to release claims for mortgage insurance or mortgage guaranty payments or claims for payment for goods and services, such as incentive payments under HAMP.

(15)

(a) Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulations, 48 C.F.R. § 31.205-47) incurred by or on behalf of the COMPANY and any current or former affiliated entity (to the extent the COMPANY retains liabilities associated with such former affiliated entity), any successor or assign, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, in connection with:

(1) the matters covered by the Consent Judgment;

(2) the United States' audits and civil investigations of the matters covered by the Consent Judgment;

(3) the COMPANY's and its affiliated entities' investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by the Consent Judgment (including attorney's fees);

(4) the negotiation and performance of the Consent Judgment; and

(5) the payments made to the United States or others pursuant to the Consent Judgment,

(6) are unallowable costs for government contracting purposes (“Unallowable Costs”).

(b) Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by the COMPANY and its affiliated entities, and the COMPANY and its affiliated entities shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

(c) Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of the Consent Judgment, the COMPANY and its affiliated entities shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by the COMPANY or any of its affiliated entities from the United States. The COMPANY and its affiliated entities agree that the United States, at a minimum, shall be entitled to recoup from any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States reserves its rights to audit, examine, or re-examine the COMPANY's or affiliated entities' books and records and to disagree with any calculations submitted by the COMPANY or any of its affiliated entities regarding any Unallowable Costs included in payments previously sought by the COMPANY or its affiliated entities, or the effect of any such Unallowable Costs on the amount of such payments.

(16) The COMPANY and its affiliated entities agree to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Release. Upon reasonable notice, the COMPANY shall encourage, and agrees not to impair, the reasonable cooperation of its directors, officers and employees, and shall use its reasonable efforts to make available and encourage the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals.

(17) This Release is intended to be and shall be for the benefit only of the Parties and entities and individuals identified in this Release, and no other party or entity shall have any rights or benefits hereunder.

(18) Each party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Consent Judgment.

(19) Each party and signatory to this Consent Judgment represents that it freely and voluntarily enters into the Consent Judgment without any degree of duress or compulsion.

(20) This Release is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute arising out of matters covered by this Release is the United States District Court for the District of Columbia. For purposes of construing this Release, this Release shall be deemed to have been drafted by all the Parties and shall not, therefore, be construed against any party for

that reason in any subsequent dispute.

(21) The Consent Judgment constitutes the complete agreement between the Parties as to the matters addressed herein. The Consent Judgment may not be amended except by written consent of the Parties.

(22) The undersigned represent and warrant that they are fully authorized to execute the Consent Judgment on behalf of the Parties indicated below.

(23) The Consent Judgment may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Consent Judgment.

(24) This Release is binding on, and inures to the benefit of, the COMPANY's and its affiliated entities' successors, heirs, and assigns.

(25) The Parties may disclose this Release, and information about this Release, to the public at their discretion.

(26) Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Release.

(27) Whenever the words “include,” “includes,” or “including” are used in this Release, they shall be deemed to be followed by the words “without limitation.”

EXHIBIT G

State Release

I. Covered Conduct

For purposes of this Release, the term “Covered Conduct” means residential mortgage loan servicing, residential foreclosure services, and residential mortgage loan origination services. For purposes of this Release, the term “Bank” means Bank of America Corporation, as well as its current and former parent corporations or other forms of legal entities, direct and indirect subsidiaries, brother or sister corporations or other forms of legal entities, divisions or affiliates, and the predecessors, successors, and assigns of any of them, as well as the current and former directors, officers, and employees of any of the foregoing. For purposes of this Section I only, the term “Bank” includes agents (including, without limitation, third-party vendors) of the Bank and the Bank is released from liability for the covered conduct acts of its agents (including, without limitation, third-party vendors). This Release does not release the agents (including, without limitation, third-party vendors) themselves for any of their conduct. For purposes of this Release, the term “residential mortgage loans” means loans secured by one- to four-family residential properties, irrespective of usage, whether in the form of a mortgage, deed of trust, or other security interest creating a lien upon such property or any other property described therein that secures the related mortgage note.

For purposes of this Release, the term “residential mortgage loan servicing” means all actions, errors or omissions of the Bank, arising out of or relating to servicing (including subservicing and master servicing) of residential mortgage loans from and after the closing of such loans, whether for the Bank's account or for the account of others, including, but not limited to, the following: (1) Loan modification and other loss mitigation activities, including, without limitation, extensions, forbearances, payment plans, short sales and deeds in lieu of foreclosure, and evaluation, approval, denial, and implementation of the terms and conditions of any of the foregoing; (2) Communications with borrowers relating to borrower accounts, including, without limitation, account statements and disclosures provided to borrowers; (3) Handling and resolution of inquiries, disputes or complaints by or on behalf of borrowers; (4) Collection activity related to delinquent borrower accounts; (5) Acceptance, rejection, application or posting of payments made by or on behalf of borrowers, including, without limitation, assessment and collection of fees or charges, placement of payments in suspense accounts and credit reporting; (6) Maintenance, placement or payment (or failure to make payment) of any type of insurance or insurance premiums, or claims activity with respect to any such insurance; (7) Payment of taxes, homeowner association dues, or other borrower escrow obligations, and creation and maintenance of escrow accounts; (8) Use, conduct or supervision of vendors, agents and contract employees, whether affiliated or unaffiliated, including, without limitation, subservicers and foreclosure and bankruptcy attorneys, in connection with servicing, loss mitigation, and foreclosure activities; (9) Adequacy of staffing, training, systems, data integrity or security of data that is unrelated to privacy issues, quality control, quality assurance, auditing and processes relating to the servicing of residential mortgage loans, foreclosure, bankruptcy, and property sale and management services; (10) Securing, inspecting, repairing, maintaining, or preserving properties before and after foreclosure or acquisition or transfer of title; (11) Servicing of residential mortgage loans involved in bankruptcy proceedings; (12) Obtaining, executing, notarizing, endorsing, recording, providing, maintaining, registering (including in a registry system), and transferring promissory notes, mortgages, or mortgage assignments or other similar documents, or transferring interests in such documents among and between servicers and owners, and custodial functions or appointment of officers relating to such documents; (13) Decisions on disposition of residential mortgage loans, including, without limitation, whether to pursue foreclosure on properties, whether to assert or abandon liens and other claims and actions taken in respect thereof, and whether to pursue any particular loan modification or other form of loss mitigation; (14) Servicing of residential mortgage loans of borrowers who are covered by federal or state protections due to military status; (15) Licensing or registration of employees, agents, vendors or contractors, or designation of employees as agents of another entity; (16) Quality control, quality assurance, compliance, audit testing, oversight, reporting, or certification or registration requirements related to the foregoing; and (17) Trustee functions related to the servicing of residential mortgage loans.

For purposes of this Release, the term "residential foreclosure services" means all actions, errors or omissions of the Bank arising out of or relating to foreclosures on residential mortgage loans, whether for the Bank's own account or for the account of others, including, but not limited to, the following: (1) Evaluation of accounts for modification or foreclosure referral; (2) Maintenance, assignment, recovery and preparation of documents that have been filed or otherwise used to initiate or pursue foreclosures, and custodial actions related thereto; (3) Drafting, review, execution and notarization of documents (including, but not limited to, affidavits, notices, certificates, substitutions of trustees, and assignments) prepared or filed in connection with foreclosures or sales of acquired properties, or in connection with remediation of improperly filed documents; (4) Commencement, advancement and finality of foreclosures, including, without limitation, any issues relating to standing, fees, or notices; (5) Acquisition of title post-foreclosure or in lieu of foreclosure; (6) Pursuit of pre- and post-foreclosure claims by the Bank, including, without limitation, the seeking of deficiency judgments when permitted by law, acts or omissions regarding lien releases, and evictions and eviction proceedings; (7) Management, maintenance, and disposition of properties in default or properties owned or controlled by the Bank, whether prior to or during the foreclosure process or after foreclosure, and executing, notarizing, or recording any documents related to the sale of acquired properties; and (8) Trustee functions related to the foreclosure of residential mortgage loans.

For purposes of this Release, the term "residential mortgage loan origination services" means all actions, errors or omissions of the Bank arising out of or relating to the origination of, or the assistance in the origination of, residential mortgage loans, or the purchasing of residential mortgage whole loans, including, but not limited to, the following: (1) Advertising, solicitation, disclosure, processing, review, underwriting, closing and funding of borrower residential mortgage loans or lending services, including, without limitation, the charges, terms, pricing, and conditions of such loans or lending services; (2) Approving or denying loan applications; (3) Recommendation, offering or provision of loan products, including, without limitation, whether such products' features or terms and conditions were appropriate for a particular borrower; (4) Valuation of the properties used as collateral for such loans, including, without limitation, use of employees, independent and vendor management appraisers, and alternative valuation methods such as AVMs and BPOs; (5) Use, referral, conduct or supervision of, or payment of fees or other forms of consideration to, vendors, agents or contract employees, whether affiliated or unaffiliated, and whether retained by the Bank, borrower or otherwise, including, without limitation, closing agents, appraisers, real estate agents, mortgage brokers, and providers of real estate settlement services; (6) Drafting and execution of residential mortgage loan documents and disclosures and the provision of such disclosures; (7) Obtaining or recording of collateral documents relating to the origination of residential mortgage loans, including, without limitation, use of trustees or designees on mortgages or deeds of trust; (8) Licensing and registration of employees in connection with origination of residential mortgage loans; (9) Quality control, quality assurance, or compliance audit testing, or oversight related to the origination of residential mortgage loans; and (10) Communications with borrowers related to the origination of residential mortgage loans.

II. Release of Covered Conduct

By their execution of this Consent Judgment, the Attorneys General and state mortgage regulators ("Regulators") that are parties to this Consent Judgment release and forever discharge the Bank from the following: any civil or administrative claim, of any kind whatsoever, direct or indirect, that an Attorney General or Regulator, respectively, has or may have or assert, including, without limitation, claims for damages, fines, injunctive relief, remedies, sanctions, or penalties of any kind whatsoever based on, arising out of, or resulting from the Covered Conduct on or before the Effective Date, or any examination (or penalties arising from such an examination) relating to the Covered Conduct on or before the Effective Date, except for claims and the other actions set forth in Section IV, below (collectively, the "Released Claims").

This Release does not release any claims against any entity other than the Bank as defined in

Section I above.

III. Covenants by the Bank

1. The Bank waives and shall not assert any defenses the Bank may have to any criminal prosecution based on the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Release bars a remedy sought in such criminal prosecution.

2. The Bank agrees to cooperate with an Attorney General's criminal investigation of individuals and entities not released in this Release. For purposes of this covenant, cooperation shall not include any requirement that the Bank waive the attorney-client privilege or any other applicable privileges or protection, included but not limited to the attorney work product doctrine. Upon reasonable notice, the Bank agrees not to impair the reasonable cooperation of its directors, officers and employees, and shall use its reasonable efforts to make available and encourage the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals.

IV. Claims and Other Actions Exempted from Release

Notwithstanding the foregoing and any other term of this Consent Judgment, the following claims are hereby not released and are specifically reserved:

1. Securities and securitization claims based on the offer, sale, or purchase of securities, or other conduct in connection with investors or purchasers in or of securities, regardless of the factual basis of the claim, including such claims of the state or state entities as an owner, purchaser, or holder of whole loans, securities, derivatives or similar investments, including, without limitation, mortgage backed securities, collateralized debt obligations or structured investment vehicles, and including, but not limited to, such claims based on the following:

(a) the creation, formation, solicitation, marketing, assignment, transfer, offer, sale or substitution of securities, derivatives, or other similar investments, including, without limitation, mortgage backed securities, collateralized debt obligations, collateralized loan obligations, or structured investment vehicles;

(b) representations, warranties, certifications, or claims made regarding such securities or investments, such as representations, warranties, certifications or claims regarding origination, funding, and underwriting activities, and including the eligibility, characteristics, or quality of the mortgages or the mortgagors;

(c) the transfer, sale, conveyance, or assignment of mortgage loans to, and the purchase and acquisition of such mortgage loans by, the entity creating, forming and issuing the securities, derivatives or other similar investments relating to such mortgage loans;

(d) all servicing-, foreclosure-, and origination-related conduct, but solely to the extent that such claims are based on the offer, sale, or purchase of securities, or other conduct in connection with investors or purchasers in or of securities; and

(e) all Covered Conduct, but solely to the extent that such claims are based on the offer, sale, or purchase of securities, or other conduct in connection with investors or purchasers in or of securities.

For avoidance of doubt, securities and securitization claims based on the offer, sale, or purchase of securities, or other conduct in connection with investors or purchasers in or of securities, that are based on any source of law, including, but not limited to, false claims acts or equivalent laws, securities laws, and common law breach of fiduciary duty, are not released.

2. Claims against a trustee or custodian or an agent thereof based on or arising out of the conduct of the trustee, custodian or such agent related to the pooling of residential mortgage loans in trusts, mortgage backed securities, collateralized debt obligations, collateralized loan obligations, or structured investment vehicles, including, but not limited to, the performance of trustee or custodial functions in such conduct.

3. Liability based on the Bank's obligations created by this Consent Judgment.

4. Obligations relating to assurances of voluntary compliance entered into between various states and Wells Fargo, N.A. in 2010, 2011, and 2012 relating to pay option ARMs.

5. Claims raised by the Illinois Attorney General in *Illinois v. Wells Fargo & Co., et al.*, 2009-CH-26434.

6. Claims raised in *State of Connecticut v. Acordia, Inc.*, X10-UNYCV-0704020455-S (currently pending before the Connecticut Supreme Court).

7. Claims raised in *State ex rel. Darrell V. McGraw, Jr. v. Acordia of West Virginia, Inc., et al.* (civil action no. 05-C-115W - circuit court of Hancock County).

8. Claims raised in *State of New York v. JPMorgan Chase Bank, et al*., Index No. 2768/2012 (N.Y. Sup. Ct.), and any similar claims - relating to the same types of acts, practices, or conduct set forth in that lawsuit - that may be asserted in the future by the Office of the New York State Attorney General against Citigroup, Inc., Citibank, N.A., CitiMortgage, Inc., Ally Financial, Inc., GMAC Mortgage LLC, Residential Capital, LLC, or their parents, subsidiaries, or affiliates.

9. Claims and remedies raised in *State of Delaware v. MERSCORP, Inc. et al.* (CA-NO-6987-CS), currently pending in the Court of Chancery for the State of Delaware, and any similar claims - relating to the same types of acts, practices, or conduct set forth in that lawsuit in connection with mortgages registered in the MERS system and loans secured by such mortgages - that may be asserted in the future by the Delaware Department of Justice against Bank of America, N.A., BAC Home Loans Servicing, LP, JPMorgan Chase Bank, N.A., Chase Home Finance LLC, EMC Mortgage Corporation, Wells Fargo Bank, N.A., Citigroup, Inc., Citibank, N.A., CitiMortgage, Inc., Ally Financial, Inc., GMAC Mortgage LLC, Residential Capital, LLC, or their parents, subsidiaries, or affiliates.

10. Claims raised in *Commonwealth of Massachusetts v. Bank of America, N.A., et al.* (Civ. A. No. 11-4363), currently pending in the Superior Court of Massachusetts, Suffolk County.

11. Claims of any kind that the State of Utah has or may have against any person or entity not

released under this Consent Judgment, or any right that State of Utah has or may have to take law enforcement action of any kind against any person or entity not released under this Consent Judgment, including any person or entity who is or may be a co-obligor with a person or entity that is released under this Consent Judgment, all of which claims, rights and actions are expressly reserved by the State of Utah.

12. Claims against Mortgage Electronic Registration Systems, Inc. or MERSCORP, INC.

13. Claims arising out of alleged violations of fair lending laws that relate to discriminatory conduct in lending.

14. Claims of state, county and local pension or other governmental funds as investors (whether those claims would be brought directly by those pension or other governmental funds or by the Office of the Attorney General as attorneys representing the pension or other governmental funds).

15. Tax claims, including, but not limited to, claims relating to real estate transfer taxes.

16. Claims of county and local governments and claims of state regulatory agencies having specific regulatory jurisdiction that is separate and independent from the regulatory and enforcement jurisdiction of the Attorney General, but not including claims of Regulators that are released herein.

17. Criminal enforcement of state criminal laws.

18. Claims of county recorders, city recorders, town recorders or other local government officers or agencies (or, for Hawaii only, where a statewide recording system is applicable and operated by the state, claims by Hawaii; and for Maryland, where the recording system is the joint responsibility of the counties or Baltimore City and the state, claims of the counties or Baltimore City and the state), for fees relating to the recordation or registration process of mortgages or deeds of trust, including assignments, transfers, and conveyances, regardless of whether those claims would be brought directly by such local government officers or agencies or through the Office of the Attorney General as attorneys representing such local government officers or agencies.

19. Claims and defenses asserted by third parties, including individual mortgage loan borrowers on an individual or class basis.

20. Claims seeking injunctive or declaratory relief to clear a cloud on title where the Covered Conduct has resulted in a cloud on title to real property under state law; provided, however, that neither the Attorneys General nor Regulators shall otherwise take actions seeking to invalidate past mortgage assignments or foreclosures in connection with loans serviced and/or owned by the Bank. For the avoidance of doubt, nothing in this paragraph 20 releases, waives or bars any legal or factual argument related to the validity of past mortgage assignments or foreclosures that could be made in support of claims not released herein, including, without limitation, all claims preserved under paragraphs 1 through 23 of Section IV of this Release.

21. Disciplinary proceedings brought by a Regulator against individual employees with respect to mortgage loan origination conduct for misconduct or violations under state law.

22. Authority to resolve consumer complaints brought to the attention of the Bank for resolution outside of the monitoring process, as described in Section H of the Enforcement Terms (Exhibit E).

23. Claims against Bank for reimbursement to mortgage borrowers:

(a) That represent: (i) a fee imposed upon and collected from a mortgage borrower by Bank and retained by Bank which fee is later determined to have been specifically prohibited by applicable state law (an "Unauthorized Fee"), provided that such determination of impermissibility is not predicated, directly or indirectly, on a finding of a violation of any federal law, rule, regulation, agency directive or similar requirement; and (ii) an actual overpayment by a borrower resulting from a clear and demonstrable error in calculation of amounts due from said borrower; and

(b) That are subject to the following: (i) are identified in the course of a mandatory state regulatory compliance examination commenced after the Effective Date by the Iowa Division of Banking, Nevada Division of Mortgage Lending, New Hampshire Banking Department, Ohio Division of Financial Institutions, or Rhode Island Department of Business Regulation, which examination period is specifically limited to Bank's Covered Conduct beginning on January 1, 2011 and ending on January 1, 2012; or (ii) are part of a state regulatory compliance examination that was open or in process as of the Effective Date; and

(c) That are not duplicative of any prior voluntary or involuntary payment to the affected loan borrower by Bank, whether directly or indirectly, from any State Payment or other source.

EXHIBIT H

USDOJ Servicemembers Civil Relief Act Settlement Provisions:

Bank of America N.A., Countrywide Home Loans, Inc., Countrywide Financial Corporation, Countrywide Home Loans Servicing, L.P., and BAC Home Loans Servicing, L.P.

In exchange for a full release of the United States'[1] potential civil claims[2] under the Servicemembers Civil Relief Act ("SCRA"), 50 U.S.C. app. § 501, *et seq.*, arising prior to the date of this agreement against Servicer[3] with respect to the servicing of residential mortgages, under (a) Section 521 of the SCRA, as it pertains to mortgage foreclosure, and (b) Section 527 of the SCRA, prohibiting charging more than 6% interest on SCRA-covered mortgaged debt after a valid request by a servicemember to lower the interest rate and receipt of orders, Servicer agrees to the provisions set forth below.

I. Servicer shall comply with all the "Protections for Military Personnel" provisions in the Settlement Agreement ("Article V"). In addition, Servicer shall undertake additional remedial action and agree to the policy changes set forth below.

II. Compensation for Servicemembers and Co-Borrowers

   a. Violations of Section 521 of the SCRA related to completed foreclosures on active duty servicemembers: Servicer will engage an independent consultant whose duties shall include a review of all completed foreclosures from January 1, 2006 to the present to evaluate whether the completed foreclosures were in compliance with Section 521 of the SCRA. Servicer shall propose an independent consultant and submit the independent consultant's proposed methodology to DOJ for approval within 30 days after the entry of this agreement. The independent consultant shall begin its review within 30 days after

[1] The following claims are specifically reserved and not released: Any action that may be taken by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against Servicer, any of its affiliated entities, and/or any institution-affiliated party of Servicer, as defined in 12 U.S.C. § 1813(u), pursuant to 12 U.S.C. § 1818, and any action by the FBA to enforce the Consent Order issued against Servicer by the FBA on April 13, 2011.
[2] In *United States v. BAC Home Loans Servicing, LP* (C.D. Cal.), the United States resolved its claims under Section 533 of the SCRA involving BAC Home Loans Servicing, LP, formerly known as Countrywide Home Loans Servicing, LP.
[3] For purposes of the agreement in this exhibit, "Servicer" shall mean Bank of America N.A., Countrywide Home Loans, Inc., Countrywide Financial Corporation, Countrywide Home Loans Servicing, L.P., and BAC Home Loans Servicing, L.P., and any current affiliates and Bank of America N.A.'s successors and assignees in the event of a sale of all or substantially all of the mortgage servicing related assets of (1) Bank of America N.A., or (2) any of Bank of America N.A.'s division(s) or major business unit(s) that are engaged in servicing residential mortgages.

receiving the above-referenced approvals by DOJ. The independent consultant shall submit the results of its review to DOJ within 150 days after it receives the data necessary for its analysis from the Department of Defense's Defense Manpower Data Center ("DMDC"), providing relevant periods of military service of borrowers for completed foreclosures from January 1, 2006 to present. Based on the information gathered by the independent consultant, information submitted by Servicer, and DOJ's independent investigation, DOJ shall make the determination reasonably based on the information it has received and its investigative conclusions whether or not a completed foreclosure was in compliance with the SCRA. In the event Servicer disagrees with the DOJ's determination, Servicer shall be afforded 30 days to produce evidence of compliance, which DOJ shall consider in good faith. Where DOJ determines that a foreclosure was not in compliance with the SCRA, Servicer shall compensate the borrowers (i.e., any individual(s) who signed the note with respect to a foreclosed property) by providing:

(1) an amount of $116,785.00 to the servicemember-borrower or an amount consistent with what was provided under the OCC Consent Order Independent Review Process for similar violations of Section 521 of the SCRA, whichever is higher;

(2) any lost equity in the foreclosed property, as calculated by: subtracting:

(a) any outstanding principal, interest, and other amounts owing by the borrowers (excluding any fees associated with foreclosure) at the time of foreclosure, plus any junior liens and any disbursements made to the servicemember or a third party other than a junior lien holder from the proceeds of the foreclosure sale (exclusive of any fees associated with the foreclosure) from

(b) Either:

i. a contemporaneous appraisal reflecting the value of the home at the time of foreclosure;

ii. a BPO or other desktop determination of property valuation that results in property valuations reasonably consistent[4] with those contained in contemporaneous appraisals; or

iii. closa retroactive appraisal reflecting the value of the home at the time of foreure; and

(3) interest accrued on this lost equity, calculated from the date of the foreclosure sale until the date payment is issued, at the rate set forth in 28 U.S.C. § 1961.[5] While the amount described in subsection (1) shall be paid entirely to the servicemember-borrower on the note securing the mortgage, the amounts described in subsections (2) and (3) shall be distributed among all owners (including non-servicemember owners) on the deed.[6] In cases where Servicer has already taken remedial actions with respect to a foreclosure which DOJ determines did not comply with Section 521 of the SCRA, DOJ shall consider such remedial actions and adjust the compensation to be awarded to the subject borrower or mortgagor.[7] DOJ will submit lists or electronic links to, the Servicer identifying servicemembers or co-borrowers to be compensated, and Servicer must notify each identified servicemember or co-borrower (using best efforts to locate each person) by letter (using Exhibit 1 or a modified version mutually agreeable to Servicer and DOJ) within 45 days of receiving this list. Any letters returned with forwarding addresses must be promptly mailed to the forwarding address. Servicer shall issue and mail compensation

[4] Before Servicer may rely on a BPO or desktop determination for purposes of this subsection, Servicer must first obtain DOJ approval that the methodology for the BPO or desktop determination results in property valuations reasonably consistent with a contemporaneous appraisal. DOJ shall not unreasonably withhold such approval.

[5] The independent consultant shall calculate the lost equity and interest described herein as part of its review.

[6] If information is available regarding percentages of ownership interest in the subject property, the amounts described in subsections (2) and (3) will be distributed in amounts proportionate to the ownership interests. Otherwise, amounts described in subsections (2) and (3) will be distributed equally among owners.

[7] In determining the amount of compensation due to any servicemember or co-borrower pursuant to Subsection II.a, DOJ will credit any monetary compensation or other remediation efforts, including returning the home to the borrower, already provided to any servicemember or co-borrower for alleged compliance issues pursuant to Section 521 of the SCRA and arising from the same mortgage. In the event that a servicemember located through the OCC Independent Consultant review process elects to receive the return of his or her home in lieu of a flat fee damages payment pursuant to the OCC Consent Order remediation plan (which payment shall not be less than the amount provided in Section II.a.1 for violations of Section 521 of the SCRA and arising from the same mortgage, the servicemember shall be compensated pursuant to the terms of the OCC Consent Order remediation plan rather than Section II.a of this agreement.

checks no later than 21 days after receipt of a signed release from the servicemember or co-borrower aggrieved person. Every 6 months for a period of two years following entry of this agreement, Servicer shall provide the DOJ with an accounting of all releases received, checks issued (including copies of issued checks), credit entries repaired, and notifications without responses or that were returned as undeliverable.

b. Violations of Section 527 of the SCRA related to failing to limit interest rates to 6% on SCRA-covered mortgage debt: Servicer shall conduct a review of its compliance with Section 527 of the SCRA as described in the Consent Order entered in United States v. BAC Home Loans Servicing, LP. The independent auditor shall submit the results of its review within 120 days after entry of this agreement. Based on the information gathered by the independent auditor in the sample review, information submitted by the Servicer, and DOJ's independent investigation, DOJ shall make the determination, reasonably based on the information it has received and its investigative conclusions, whether or not potential violations of Section 527 occurred and whether or not the level of compliance revealed by the report necessitates expansion of the analysis by the independent auditor to an exhaustive review including all requests for interest rate protection on mortgage loans from January 1, 2008 to the present. In the event Servicer disagrees with the DOJ's determination of a violation, either with regard to exceptions located during the sample review or exceptions located during an exhaustive review if required, Servicer shall be afforded 30 days to produce evidence of compliance, which DOJ shall consider in good faith. Where DOJ determines that a mortgage loan was not serviced in compliance with Section 527, Servicer shall: (1) refund (with interest, as calculated pursuant to 28 U.S.C. § 1961) all interest and fees charged above 6%; and (2) provide an additional payment of $500 or triple the amount of the refund referenced in subsection (1), whichever amount is larger.[8] The compensation described in subsection (1) shall be distributed equally among

[8] The independent consultant shall calculate the amounts described herein as part of its review.

all borrowers (including non-servicemember borrowers) on the note secured by the mortgage. The compensation described in subsection (2) shall be paid entirely to the servicemember. In cases where Servicer has already taken remedial actions with respect to a mortgage which DOJ determines did not comply with Section 527 of the SCRA, DOJ shall consider such remedial actions and adjust the compensation to be awarded to the subject servicemember, borrower, or mortgagor.[9] DOJ will submit lists or electronic links to the Servicer of identified servicemembers or co-borrowers to be compensated, and Servicer must notify each identified servicemember or co-borrower (using best efforts to locate each person) by letter (using Exhibit 2 or a modified version mutually agreeable to Servicer and DOJ) within 60 days of receiving this list of servicemembers or co-borrowers to be compensated. Any letters returned with forwarding addresses must be promptly mailed to the forwarding address. Servicer shall issue and mail compensation checks no later than 21 days of receipt of a signed release from the servicemember or co-borrower aggrieved person. Every 6 months for a period of two years following entry of this agreement, Servicer shall provide the DOJ with an accounting of all releases received, checks issued (including copies of issued checks), credit entries repaired and notifications without responses or that were returned as undeliverable.

c. Concurrent with providing financial compensation to the servicemember-borrower, Servicer must request that all three major credit bureaus remove negative entries for the servicemember(s) and any co-borrower(s) attributable specifically to the *wrongful foreclosure or interest overcharges* and Servicer shall not pursue, and must indemnify the servicemember and his or her co-borrower(s) against any third-party pursuing, any deficiency that was remaining on the servicemember's SCRA-protected mortgage or junior

[9] In determining whether any compensation is due to any servicemember or co-borrower pursuant to Subsection II.b and, if so, the amount, DOJ will consider the timing of any remedial actions and will credit any monetary compensation already provided to any servicemember or co-borrower for alleged compliance issues pursuant to Section 527 of the SCRA and arising from the same mortgage, and/or provided under the OCC Consent Order Independent Consultant review process for violations of Section 527 of the SCRA and arising from the same mortgage.

lien after a foreclosure was completed in violation of the SCRA.

d. Servicer shall have 10 days after DOJ's final determination that a foreclosure was not in compliance with the SCRA or a mortgage loan was not serviced in compliance with Section 527, to seek judicial review on the ground that DOJ made a clearly erroneous factual determination.

III. SCRA Compliance

Policies

a. Servicer shall submit SCRA mortgage loan interest rate-related policies to DOJ for review and approval.[10] If the Servicer decides to make a material modification to these policies, Servicer will provide the modified policies for review and approval. DOJ will advise Servicer of the results of DOJ's review within 60 days of receipt of a complete submission of all SCRA mortgage loan interest rate-related policies and any subsequent material modifications. In addition to the areas covered under Article V of the Settlement Agreement, these policies must address:

i. Servicer shall accept servicemembers' requests for reduced mortgage interest rates pursuant to the SCRA via electronic mail, facsimile, U.S. Mail, Federal Express or other overnight/express delivery to facsimile numbers and addresses designated by the Servicer. Within six months after entry of this agreement, Servicer shall also accept servicemembers' requests for reduced mortgage interest rates pursuant to the SCRA via in-person delivery at the Servicer's full-service branch locations, should the Servicer maintain branch locations.

ii. When a servicemember requests interest rate relief under the SCRA, Servicer shall accept orders as defined in the Settlement Agreement or any other document that the DOD shall deem sufficient as a substitute for official orders.

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[10] Under the consent order entered in *United States v. BAC Home Loans Servicing, LP* (C.D. Cal.), BAC Home Loans Servicing, LP, formerly known as Countrywide Home Loans Servicing, LP, is required to adopt policies to ensure compliance with the SCRA's Section 533 and 521 foreclosure provisions and to implement a monitoring program to ensure compliance with those provisions.

iii. Servicer shall seek only orders identifying the beginning date of the applicable period of military service from the requesting servicemember and may not condition providing SCRA benefits on the servicemember submitting orders that include an end date.

iv. Before concluding that the SCRA permits raising the interest rate on the servicemember's loan higher than six percent, the Servicer shall access the DMDC website to determine the dates, where available, of active duty military service of those servicemembers who request reduced interest rates pursuant to the SCRA. If DMDC indicates that the individual is still on active duty, the Servicer must continue to limit the charges pursuant to Section 527 of the SCRA.

v. For those servicemembers who request a reduced interest rate pursuant to the SCRA, but are determined not to be eligible for the reduced rate, Servicer shall notify the servicemembers in writing of the reasons for the denial and that they may provide additional documentation or information to establish eligibility for the reduced interest rate.

b. In the event that DOJ requires a change or modification pursuant to this agreement that is in conflict with a policy required by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), under the Consent Order issued against the Servicer by the FBA on April 13, 2011, and the FBA will not consent to the change, DOJ shall meet and confer with the FBA to resolve the conflict. Nothing in this agreement prevents DOJ from requiring Servicer to adopt policies that provide additional protections beyond the policies required by the FBA.

IV. Training and Monitoring

Program

a. Under paragraph 15 of the Consent Order in *United States v. BAC Home Loans Servicing, LP*, BAC Home Loans Servicing, LP is required to submit its proposed SCRA training program to DOJ, which then has an opportunity to raise objections to the program. Within 45 days after entry of this agreement, Servicer shall provide the new portions of its SCRA training program (relating to provisions in this agreement that were not part of the Consent Order in *United States v. BAC Home Loans Servicing, LP)* to DOJ for approval. After receiving DOJ's approval, Servicer shall provide and require training on the SCRA and this settlement for employees (including management officials) involved in mortgage servicing, providing customer service to servicemembers, or adjusting interest rates for mortgage loans, within 60 days of DOJ's approval (if already employed in such a position), or within 30 days of his or her hiring, promotion or transfer.[11]

b. Servicer shall implement a monitoring program approved by DOJ designed to ensure compliance with this settlement and the SCRA. At a minimum, monitoring will include a quarterly report to be submitted to DOJ[12] within 60 days after the end of each quarter containing an analysis of a sample of judicial default foreclosures and a sample of mortgages where a borrower or mortgagor submitted orders seeking protection under Section 527 of the SCRA to determine compliance with the SCRA and this settlement. If Servicer learns that despite the policies required by Section III a violation of Section 521 or 527 has occurred, Servicer will take corrective action as set forth in Section II of this agreement.

V. Term of Agreement

This agreement shall retain full force and effect for three and one half years from the date it is entered (the "Term"). Servicer's obligation pursuant to Section III to submit quarterly reports and DOJ's review of the same shall continue for the six months following the Term, after which time Servicer shall have no further obligations under this agreement.

[11] Employees who have already been trained on their obligations under the SCRA pursuant to the Consent Order in United States v. BAC Home Loans Servicing, LP, Servicer need not be retrained on the same material pursuant to this agreement. The training of those employees may be limited to the new portions of the training stemming from this agreement.

[12] All materials required by this Order to be sent to the Department of Justice shall be sent by commercial overnight delivery service addressed as follows: Chief, Housing and Civil Enforcement Section, Civil Rights Division, U.S. Department of Justice, 1800 G Street NW, Washington, D.C. 20006, Attn: DJ 216-16-5.

EXHIBIT H - 1

[SCRA NOTIFICATION LETTER FOR SECTION 521 SERVICEMEMBER]

Name of Servicemember
123 Main Street
City, State Zip code

Re: Loan Number [Insert]

Dear [Servicemember]:

We write to inform you that ________________ ("the Bank"), entered into a settlement on ______________________, with the United States Department of Justice regarding alleged violations of the Servicemembers Civil Relief Act ("SCRA"). This settlement resolves the Department of Justice's allegations that the Bank foreclosed on servicemembers through default court proceedings without filing accurate affidavits notifying the court of the servicemembers' military statuses.

In connection with this settlement, the Department of Justice identified you as a person who may be eligible for financial compensation with respect to your loan [add loan number(s)]. Please read and carefully review the declaration attached to this letter. If it is accurate, please sign and return to us the release and declaration attached to this letter in the enclosed postage paid envelope. After we receive these documents, we will send you a check in the amount of [insert amount]. This amount includes your portion of any equity remaining in your home at the time of the foreclosure and monetary damages. In addition, the Bank will request that all major credit bureaus remove any negative entries on your credit report resulting from the foreclosure. This release and declaration must be returned by _____________.

You should be aware that the money you are eligible to receive may have consequences with respect to your federal, state, or local tax liability, as well as eligibility for any public assistance benefits you may receive. Neither the Bank nor the Department of Justice can advise you on tax liability or any effect on public assistance benefits. You may wish to consult with a qualified individual or organization about any possible tax or other consequences resulting from your receipt of this payment.

If you have any questions concerning the declaration, release or settlement or if anyone seeks to collect a debt arising from your mortgage, please contact [Insert Independent Consultant Name] at [Insert Contact Information including a phone number].

We deeply appreciate your service to our country. We are committed to serving the financial needs of our customers who serve in the military, and we regret any error that may have occurred on your account.

Sincerely,

[Name] [Title]

Enclosures: Release and Declaration

RELEASE

In consideration for the parties' agreement to the terms of the Consent Order entered in_____________, and the Defendant's payment to me of $_____________, pursuant to the Consent Order, I hereby release and forever discharge all claims, arising prior to the entrance of this Order, related to the facts at issue in the litigation referenced above and related to the alleged violations of Section 521 of the Servicemembers Civil Relief Act, that I may have against the Defendant, all related entities, parents, predecessors, successors, subsidiaries, and affiliates, and all of its past and present directors, officers, agents, managers, supervisors, shareholders and employees and their heirs, executors, administrators, successors or assigns.

Executed this _____ day of _____________, 20___.

____
Signature

____
Print Name

____
Address

[SCRA NOTIFICATION LETTER FOR SECTION 521 CO-BORROWER]

Name of Co-borrower
123 Main Street
City, State Zip code

Re: Loan Number [Insert]

Dear [Co-borrower]:

We write to inform you that________________("the Bank"), entered into a settlement on_________________, with the United States Department of Justice regarding alleged violations of the Servicemembers Civil Relief Act ("SCRA"). This settlement resolves the Department of Justice's allegations that the Bank foreclosed on servicemembers through default court proceedings without filing accurate affidavits notifying the court of the servicemembers' military statuses.

In connection with this settlement, the Department of Justice identified you as a person who may be eligible for financial compensation with respect to your loan [add loan number(s)]. If you sign and return to us the release attached to this letter in the enclosed postage paid envelope and your co-borrower signs and returns the declaration and release that will be sent separately to your co-borrower, we will send you a check in the amount of [insert amount]. This amount represents your portion of any equity remaining in your home at the time of the foreclosure. In addition, the Bank will request that all major credit bureaus remove any negative entries on your credit report attributable to the foreclosure.

To receive this payment, you must return the attached release within six months of the date of receipt of this letter. The release, if signed, releases any claim to lost equity that you may have under Section 521 of the SCRA; however, it does not release any other claim you may have under the SCRA, including Section 521, or other laws.

You should be aware that the money you are eligible to receive may have consequences with respect to your federal, state, or local tax liability, as well as eligibility for any public assistance benefits you may receive. Neither the Bank nor the Department of Justice can advise you on tax liability or any effect on public assistance benefits. You may wish to consult with a qualified individual or organization about any possible tax or other consequences resulting from your receipt of this payment.

If you have any questions concerning the release or settlement or if anyone seeks to collect a debt arising from your mortgage, please contact [Insert Independent Consultant Name] at [Insert Contact Information including a phone number].

We are committed to serving the financial needs of our customers who serve in the military, and we regret any error that may have occurred on your account.

Sincerely,

[Name]
[Title]

Enclosure: Release

RELEASE

In consideration for the parties' agreement to the terms of the Consent Order entered in ______________, and the Defendant's payment to me of $__________________, pursuant to the Consent Order, I hereby release and forever discharge any claim under Section 521 of the Servicemembers Civil Relief Act for lost equity in the property related to the litigation referenced above and arising prior to the entrance of this Order, that I may have against the Defendant, all related entities, parents, predecessors, successors, subsidiaries, and affiliates, and all of its past and present directors, officers, agents, managers, supervisors, shareholders and employees and their heirs, executors, administrators, successors or assigns.

Executed this _________ day of ________________, 20___.

____
Signature

____
Print Name

____
Address

EXHIBIT H - 2

[SCRA NOTIFICATION LETTER FOR SECTION 527 SERVICEMEMBER]

Name of Servicemember
123 Main Street
City, State Zip code

Re: Loan Number [Insert]

Dear [Servicemember]:

We write to inform you that____________________("the Bank"), entered into a settlement on ___________________, with the United States Department of Justice regarding alleged violations of the Servicemembers Civil Relief Act ("SCRA"). This settlement resolves the Department of Justice's allegations that the Bank charged servicemembers interest higher than six percent on mortgage loans that the servicemembers originated prior to entering active duty, despite receiving requests for interest rate relief and orders.

In connection with this settlement, the Department of Justice identified you as a person who may be eligible for financial compensation with respect to your loan [add loan number(s)]. Please read and carefully review the declaration attached to this letter. If it is accurate, please sign and return to us the release and declaration attached to this letter in the enclosed postage paid envelope. After we receive these documents, we will send you a check in the amount of [insert amount]. This amount includes any interest charges in excess of six percent and monetary damages. In addition, the Bank will request that all major credit bureaus remove any negative entries on your credit report resulting from the higher interest rate. This release and declaration must be returned by______________________.

You should be aware that the money you are eligible to receive may have consequences with respect to your federal, state, or local tax liability, as well as eligibility for any public assistance benefits you may receive. Neither the Bank nor the Department of Justice can advise you on tax liability or any effect on public assistance benefits. You may wish to consult with a qualified individual or organization about any possible tax or other consequences resulting from your receipt of this payment.

If you have any questions concerning the declaration, release or settlement, please contact [Insert Independent Consultant Name] at [Insert Contact Information including a phone number].

We deeply appreciate your service to our country. We are committed to serving the financial needs of our customers who serve in the military, and we regret any error that may have occurred on your account.

Sincerely,

[Name]
[Title]

Enclosures: Release and Declaration

RELEASE

In consideration for the parties' agreement to the terms of the Consent Order entered in______________, and the Defendant's payment to me of $________________, pursuant to the Consent Order, I hereby release and forever discharge all claims, arising prior to the entrance of this Order, related to the facts at issue in the litigation referenced above and related to the alleged violation of Section 527 of the Servicemembers Civil Relief Act, that I may have against the Defendant, all related entities, parents, predecessors, successors, subsidiaries, and affiliates, and all of its past and present directors, officers, agents, managers, supervisors, shareholders and employees and their heirs, executors, administrators, successors or assigns.

Executed this __________ day of _______________, 20___.

Signature

Print Name

Address

[SCRA NOTIFICATION LETTER FOR SECTION 527 CO-BORROWER]

Name of Co-borrower
123 Main Street
City, State Zip code

Re: Loan Number [Insert]

Dear [Co-borrower]:

We write to inform you that____________________(“the Bank”), entered into a settlement on____________________, with the Department of Justice regarding alleged violations of the Servicemembers Civil Relief Act (“SCRA”). This settlement resolves the Department of Justice's allegations that the Bank charged servicemembers interest higher than six percent on mortgage loans that the servicemembers originated prior to entering active duty, despite receiving requests for interest rate relief and orders.

In connection with this settlement, the Department of Justice identified you as a person who may be eligible for financial compensation with respect to your loan [add loan number(s)]. If you sign and return to us the release attached to this letter in the enclosed postage paid envelope and your co-borrower signs and returns the declaration and release that will be sent separately to your co-borrower, we will send you a check in the amount of [insert amount]. This amount represents your portion of any interest charges in excess of six percent. In addition, the Bank will request that all major credit bureaus remove any negative entries on your credit report attributable to the higher interest rate.

To receive this payment, you must return the attached release within six months of the date of receipt of this letter. The release, if signed, releases any claim to the return of excess interest that you may have under Section 527 of the SCRA; however, it does not release any other claim you may have under the SCRA, including Section 527, or other laws.

You should be aware that the money you are eligible to receive may have consequences with respect to your federal, state, or local tax liability, as well as eligibility for any public assistance benefits you may receive. Neither the Bank nor the Department of Justice can advise you on tax liability or any effect on public assistance benefits. You may wish to consult with a qualified individual or organization about any possible tax or other consequences resulting from your receipt of this payment.

If you have any questions concerning the release or settlement, please contact [Insert Independent Consultant Name] at [Insert Contact Information including a phone number].

We are committed to serving the financial needs of our customers who serve in the military, and we regret any error that may have occurred on your account.

Sincerely,

[Name]
[Title]

Enclosure: Release

RELEASE

In consideration for the parties' agreement to the terms of the Consent Order entered in____________________, and the Defendant's payment to me of $___________________, pursuant to the Consent Order, I hereby release and forever discharge any claim under Section 527 of the Servicemembers Civil Relief Act for the return of excess interest for my loan, [insert loan number], related to the litigation referenced above and arising prior to the entrance of this Order, that I may have against the Defendant, all related entities, parents, predecessors, successors, subsidiaries, and affiliates, and all of its past and present directors, officers, agents, managers, supervisors, shareholders and employees and their heirs, executors, administrators, successors or assigns.

Executed this ___________ day of __________________, 20___.

____
Signature

____
Print Name

____
Address

EXHIBIT I

BANK OF AMERICA/COUNTRYWIDE SETTLEMENT AGREEMENT

1. *Financial Terms.* Total settlement obligation of $3,232,415,075.00 (“BOA/CFC Settlement Amount”), in the manner provided below and subject to the terms and conditions provided herein.

   a. Pursuant to Paragraph 3 of the Consent Judgment, $2,382,415,075.00 (“Initial BOA/CFC Settlement Payment”) shall be paid by electronic funds transfer no later than seven days after the Effective Date of the Consent Judgment, in accordance with written instructions to be provided by the United States Department of Justice (“DOJ”), and shall be distributed in the manner and for the purposes identified in Paragraph 1 of Exhibit B to the Consent Judgment.

   b. BOA/CFC shall also be responsible for their share of attorneys' fees for qui tam relators.

   c. $850,000,000.00 (“Deferred BOA/CFC Settlement Payment”) shall be paid by electronic funds transfer no later than thirty days after the third anniversary of the Effective Date of the Consent Judgment (or, if a request for a Certification of Compliance is pending at that time or if BOA/CFC are exercising their right to cure pursuant to Paragraph 4.c, thirty days after such request is denied and any dispute with respect to such denial is resolved or thirty days after BOA/CFC have failed to cure such deficiency), in accordance with written instructions to be provided by DOJ, to be deposited, subject to 28 U.S.C. § 527 (Note), into the Federal Housing Administration's (“FHA”) Capital Reserve Account in the manner and for the purposes identified in Paragraph 1.a.i of Exhibit B to the Consent Judgment, except that:

      i. As provided in Paragraph 3.a, BOA/CFC shall have no obligation to make the Deferred BOA/CFC Settlement Payment if the Monitor has issued a Certification of Compliance pursuant to Paragraph 4.a; and

      ii. As provided in Paragraph 3.b, BOA/CFC shall have an obligation to make only a partial Deferred BOA/CFC Settlement Payment if the Monitor has issued a Certification of Partial Compliance pursuant to Paragraph 4.b.

2. *Settlement Loan Modification Program.* BOA/CFC shall conduct a one-time nationwide modification program to be offered to underwater borrowers with economic hardship on first-lien loans (“Settlement Loan Modification Program”).

   a. BOA/CFC shall solicit, in accordance with the Settlement Loan Modification Program Solicitation Requirements, all Potentially Eligible Borrowers with mortgages meeting conditions (i) through (v) in the definition of Eligible Mortgage in Paragraph 7.d.

b. As of the Effective Date of the Consent Judgment, BOA/CFC shall defer any foreclosure sale on a Potentially Eligible Borrower with a mortgage meeting conditions (i) through (v) in the definition of Eligible Mortgage in Paragraph 7.d until the Settlement Loan Modification Program Solicitation Requirements have been completed with respect to that borrower.

c. Borrowers with mortgages meeting conditions (i) through (v) in the definition of Eligible Mortgage in Paragraph 7.d who are not Potentially Eligible Borrowers may apply for a Settlement Loan Modification. However, BOA/CFC are not required to solicit such borrowers.

d. Unless otherwise required by law, BOA/CFC shall require only the Required Documentation, consistent with the FHA's verification of income standards, in connection with an application for a Settlement Loan Modification.

e. Subject to Paragraph 2.f, and notwithstanding whether BOA/CFC have satisfied their minimum requirement under Part 1 of the Consumer Relief Requirements, BOA/CFC shall provide a Settlement Loan Modification to any borrower (other than a borrower who chooses not to provide written consent under Paragraph 2.h) who holds an Eligible Mortgage and who satisfies the conditions for the offer set forth in Paragraphs 7.g-h and accepts the offer (unless such borrower is not a Potentially Eligible Borrower and BOA/CFC no longer own the mortgage servicing rights for the relevant loan).

f. Borrowers who qualify for and accept a Settlement Loan Modification shall get a trial offer. If the borrower remains current for ninety days following commencement of the trial, the loan modification shall, on written acceptance by the borrower, become permanent and BOA/CFC shall return the loan to normal servicing. BOA/CFC shall promptly, after successful completion of the trial, send the borrower documentation of the modification for acceptance of the modification by the borrower.

g. The Settlement Loan Modification Program shall use the United States Department of the Treasury's (“Treasury”) Net Present Value Model, including any amendments thereto.

h. With respect to any borrower who has ever been eligible to be referred to foreclosure consistent with the requirements of the Home Affordable Modification Program (“HAMP”) and, with written consent (it being understood that, so long as the borrower states he or she consents to be evaluated under the Settlement Loan Modification Program in lieu of HAMP and such statement is reflected by BOA/CFC in their servicing system or mortgage file, such written consent will be obtained only from borrowers who enter into a final modification agreement under the Settlement Loan Modification Program), any other borrower who is eligible for HAMP, BOA/CFC may, in lieu of any evaluation of such borrower under HAMP TIER 1 or TIER 2, evaluate such borrower under the Settlement Loan Modification Program. With respect to any borrower potentially eligible for both HAMP and the Settlement Loan Modification Program, (i) BOA/CFC agree to provide internal Quality Assurance (“QA”) coverage to the loans subject to the terms of this Agreement and potentially eligible for HAMP (which include HAMP TIER 1 and, once effective, HAMP TIER 2) (the “HAMP Eligible Loans”), substantially similar to QA coverage for loans eligible for the Making

Home Affordable ("MHA") program; (ii) BOA/CFC agree to allow Treasury and its compliance agent for the MHA program the right to review the nature and scope of testing, results of the testing, and the execution of remediation plans derived from the testing on the HAMP Eligible Loans; (iii) BOA/CFC agree to implement any reasonable recommendations from Treasury and its compliance agent to improve the QA testing of the HAMP Eligible Loans; and (iv) BOA/CFC shall provide a monthly report to Treasury detailing (A) the aggregate number of borrowers who have accepted a modification under the Settlement Loan Modification Program, both on a monthly basis and a cumulative basis (excluding those identified in response to clause (B)); (B) the aggregate number of borrowers who consented to be evaluated for a modification under the Settlement Loan Modification Program in lieu of a HAMP TIER 1 or TIER 2 modification and accepted a modification under the Settlement Loan Modification Program, both on a monthly basis and a cumulative basis; and (C) the cumulative number of completed Settlement Loan Modification Program modifications from (A) and (B) that are still outstanding and current (defined as not more than 59 days past due) as of such month. Notwithstanding the foregoing, any borrower whose consent is required to be evaluated for the Settlement Loan Modification Program in lieu of evaluation of such borrower under HAMP TIER 1 or TIER 2 may, if such borrower is denied a Settlement Loan Modification, thereafter request to be evaluated for HAMP TIER 1 or TIER 2.

i. Settlement Loan Modifications shall be treated as Qualified Loss Mitigation Plan modifications.

j. Notwithstanding any provision in this Agreement to the contrary, credit for obligations with respect to the Deferred BOA/CFC Settlement Payment shall be provided for first-lien principal forgiven and shall be calculated in accordance with Exhibit D to the Consent Judgment. Credit shall be provided for first-lien principal forgiven, whether under the Settlement Loan Modification Program or otherwise. BOA/CFC shall begin to receive credit against the Deferred BOA/CFC Settlement Payment once they exceed their minimum requirement under Part 1 of the Consumer Relief Requirements (*i.e.*, 30% of total consumer relief funds, subject to a reduction of 2.5% as a result of excess refinancing program credits); provided, however, that BOA/CFC shall retain, in their sole discretion, the right to apply first-lien principal forgiven in excess of their minimum requirement under Part 1 of the Consumer Relief Requirements to other aspects of the Consumer Relief Requirements.

3. *Satisfaction of Obligations.*

a. If the Monitor issues a Certification of Compliance pursuant to Paragraph 4.a, BOA/CFC shall be deemed to have satisfied their obligation under Paragraph 1.c.

b. If the Monitor issues a Certification of Partial Compliance pursuant to Paragraph 4.b, BOA/CFC shall be deemed to have partially satisfied their obligation under Paragraph 1.c. If the Monitor issues a Certification of Partial Compliance pursuant to Paragraph 4.b, the amount owed under Paragraph 1.c shall be reduced by the amount that BOA/CFC exceeded their minimum requirement under Part 1 of the Consumer Relief Requirements.

4. *Compliance.* BOA/CFC may request that the Monitor issue a Certification of Compliance or Certification of Partial Compliance at any time before thirty days after the third anniversary of the Effective Date of the Consent Judgment. In connection with such request, BOA/CFC may inform the Monitor that BOA/CFC have complied with the conditions required for the issuance of the applicable Certification of Compliance or Certification of Partial Compliance, as set forth in Paragraphs 4.a-b. The Monitor shall act expeditiously to determine if such a Certification of Compliance or Certification of Partial Compliance is warranted and may take steps necessary to verify that the conditions required for the issuance of the applicable Certification of Compliance or Certification of Partial Compliance have been satisfied, using methods consistent with Exhibit E to the Consent Judgment (Enforcement Terms). The Monitor and BOA/CFC shall work together in good faith to resolve any disagreements or discrepancies with respect to a Certification of Compliance or Certification of Partial Compliance. In the event that a dispute cannot be resolved, the Monitor or BOA/CFC may petition the Court for resolution in accordance with Section G of Exhibit E to the Consent Judgment (Enforcement Terms).

    a. The Monitor shall issue a Certification of Compliance if BOA/CFC (i) materially complied with the Settlement Loan Modification Program Solicitation Requirements; (ii) provided a Settlement Loan Modification to materially all Potentially Eligible Borrowers (excluding borrowers who chose not to provide written consent under Paragraph 2.h) with an Eligible Mortgage who satisfied the conditions for the offer set forth in Paragraphs 7.g-h and accepted the offer; and (iii) the total amount of first-lien principal forgiven exceeds BOA/CFC's minimum requirement under Part 1 of the Consumer Relief Requirements by at least $850,000,000.00. At BOA/CFC's request, the Monitor may make determination (i) prior to, and independently of, making determinations (ii) and (iii).

    b. If BOA/CFC exceed their minimum requirement under Part 1 of the Consumer Relief Requirements by an amount less than the Deferred BOA/CFC Settlement Payment, the Monitor shall issue a Certification of Partial Compliance. Such Certification of Partial Compliance shall specify the exact amount by which BOA/CFC exceeded their minimum requirement under Part 1 of the Consumer Relief Requirements.

    c. The Monitor shall provide BOA/CFC notice and an opportunity to cure if he or she determines (i) during the three years after the Effective Date of the Consent Judgment, that BOA/CFC are not in material compliance with the Settlement Loan Modification Program Solicitation Requirements, or (ii) that BOA/CFC have not provided a Settlement Loan Modification to materially all Potentially Eligible Borrowers (excluding borrowers who chose not to provide written consent under Paragraph 2.h) with an Eligible Mortgage who satisfied the conditions for the offer set forth in Paragraphs 7.g-h and accepted the resulting offer.

5. *Releases.*

    a. Subject to the exceptions in Paragraph 11.a-k, and m-n (concerning excluded claims) of Exhibit F to this Consent Judgment, and notwithstanding anything to the contrary in Paragraphs 2.c, 3.b, and 11.o of Exhibit F to this Consent Judgment, effective upon payment of the Initial BOA/CFC Settlement Payment, the United States fully and finally releases Bank of America Corporation and any current or former Affiliated Entities (to the extent Bank of America Corporation or any current Affiliated Entity retains liability associated with such former Affiliated Entity), and the predecessors, successors, and assigns of any of them, as well as any current directors, officers, and employees and any former directors, officers, and employees of any of the foregoing (subject to Paragraphs 5.d and 5.e), individually and collectively, from any civil or administrative claims or causes of action whatsoever that the United States has or may have, and from any monetary or non-monetary remedies or penalties (including, without limitation, multiple, punitive or exemplary damages), whether civil or administrative, that the United States may seek to impose, based on Covered Origination Conduct (as defined in Exhibit F to this Consent Judgment) that has taken place as of 11:59 p.m., Eastern Standard Time on February 8, 2012, with respect to any FHA-insured mortgage loan that is secured by a one- to four-family residential property either that was insured by FHA on or before April 30, 2009, or for which the terms and conditions of the mortgage loan were approved by an FHA direct endorsement underwriter on or before April 30, 2009, under the Financial Institutions Reform, Recovery, and Enforcement Act, the False Claims Act, the Program Fraud Civil Remedies Act, the Civil Monetary Penalties Law, the Racketeer Influenced and Corrupt Organizations Act, the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Truth in Lending Act, the Interstate Land Sales Full Disclosure Act, 15 U.S.C. § 1691(d) ("Reason for Adverse Action") or § 1691(e) ("Appraisals"), sections 502 through 509 (15 U.S.C. §§ 6802-6809) of the Gramm-Leach Bliley Act except for section 505 (15 U.S.C. § 6805) as it applies to section 501(b) (15 U.S.C. § 6801(b)), or that the United States Department of Housing and Urban Development ("HUD") has actual and present authority to assert and compromise, or that the Civil Division of the United States Department of Justice has actual and present authority to assert and compromise pursuant to 28 C.F.R. § 0.45; provided, however, that, except to the extent that such claim is otherwise released under the Consent Judgment, HUD-FHA does not release any administrative claims (or any judicial enforcement of such claims) for assessments equal to the amount of the claim under the Program Fraud Civil Remedies Act, or any rights to request for indemnification (*i.e.*, for single damages, but not for double damages, treble damages, or penalties) administratively pursuant to the governing statute and regulations, including amendments thereto, with respect to any loan for which a claim for FHA insurance benefits had not been submitted for payment as of 11:59 p.m., Eastern Standard Time, December 31, 2011.

b. The release in Paragraph 5.a shall not apply to any mortgage loan acquired by Bank of America Corporation or any Affiliated Entity after February 8, 2012.

c. The United States agrees and covenants that, upon payment of the Initial BOA/CFC Settlement Payment, HUD-FHA shall withdraw the Notices of Violation issued by HUD's Mortgagee Review Board on October 22, 2010, and November 2, 2010.

d. The release in Paragraph 5.a shall not apply to former officers, directors, or employees of Bank of America Corporation or of any Affiliated Entity with respect to claims or causes of action or remedies that the United States may have or may seek to impose under the False Claims Act or the Financial Institutions Reform, Recovery, and Enforcement Act.

e. Notwithstanding any other term of this Agreement, administrative claims, proceedings or actions brought by HUD against any current or former director, officer, or employee for suspension, debarment, or exclusion from any HUD program are specifically reserved and are not released.

6. *Servicing Standards*. In the event of a conflict between the requirements of the servicing standards in Exhibit A to the Consent Judgment and the servicing provisions in Paragraph 5 of the Settlement Agreement entered into by and among the Bank of New York Mellon and BOA/CFC on June 28, 2011, BOA/CFC's obligations shall be governed by the servicing standards in Exhibit A to the Consent Judgment and Section IX.A of the servicing standards in Exhibit A to the Consent Judgment shall not apply.

7. *Definitions.*

   a. *Affiliated Entity*. Affiliated Entity means entities that are directly or indirectly controlled by, or control, or are under common control with, Bank of America Corporation as of or prior to 11:59 PM Eastern Standard Time on February 8, 2012. The term "control" with respect to an entity means the beneficial ownership (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 50 percent or more of the voting interest in such entity.

   b. *BOA/CFC*. BOA/CFC means Bank of America Corporation, Bank of America, N.A., Countrywide Financial Corporation, and Countrywide Home Loans, Inc.

   c. *Consumer Relief Requirements.* Consumer Relief Requirements are the requirements imposed on BOA/CFC to provide a minimum amount of relief pursuant to Exhibit D to the Consent Judgment.

   d. *Eligible Mortgage.* An Eligible Mortgage is a mortgage that meets the following criteria:

      i. The mortgage is a first-lien mortgage.

      ii. The borrower was sixty days or more delinquent on his or her mortgage payments as of January 31, 2012.

      iii. The property securing the mortgage has not been sold in a foreclosure sale and is not subject to a judgment of foreclosure.

      iv. The mortgage is serviced by BOA/CFC (as of the Start Date as defined in Exhibit D to the Consent Judgment (Consumer Relief Requirements)) and is either part of a Countrywide securitization (and for which BOA/CFC have the delegated authority to modify principal) or is in the held-for-investment portfolio of Bank of America Corporation or any of its Affiliated Entities.

      v. The mortgage is permitted to be modified by BOA/CFC following the Settlement Loan Modification Program under applicable law and investor, guarantor, insurer or other credit support counterparty directive or contract (as in effect on February 9, 2012); for the purposes of this provision only, a modification is considered to be permitted if it would not subject BOA/CFC to adverse action under such law, directive or contract, such as indemnity, mandatory buy-in, compromise of insurance coverage, fines or penalties.

vi. The borrower has a debt-to-income ratio ("DTI") of 25% or greater.

e. *PMMS.* PMMS is the Primary Mortgage Market Survey promulgated by the Federal Home Loan Mortgage Corporation, or any successor thereto.

f. *Potentially Eligible Borrower.* A Potentially Eligible Borrower is a borrower who meets the following criteria:

i. The borrower presently holds the mortgage and was the owner-occupant of the residential property securing the mortgage at the time of origination.

ii. The borrower has not previously defaulted on a modification that afforded terms equal to or more favorable than those in the HAMP guidelines.

iii. The loan-to-value ratio ("LTV") of the property securing the borrower's mortgage exceeds 100% at the current market price of the property.

iv. The borrower is one whom BOA/CFC are not prohibited or prevented by law or by contract either from soliciting or from providing principal modification.

g. *Required Documentation.* Required Documentation shall consist of the following documents:

i. Credit Report.

ii. Salaried/Hourly Wages - Most recent pay stub.

iii. Self-Employed - Verbal financial information followed by completed P&L template certified by customer.

iv. Alimony and Child Support - Copy of legal agreement specifying amount to be received (customer shall certify twelve-month continuance if not included in legal agreement) and most recent bank statement, deposit slip or canceled check as evidence.

v. Other Taxable and Non-Taxable Benefits (Social Security / Disability / Pension / Public Assistance) - Award Letter OR most recent bank statement AND, if non-taxable, also need 4506-T.

vi. Rental Income - Signed letter from customer detailing details of rental income AND most recent bank statement, deposit slip or canceled check as evidence.

vii. Unemployment Benefits
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1. Pursuant to the requirements of FHA HAMP, unemployment benefits can be included as income with a benefit letter supporting twelve-month continuance, AND either two most recent bank statements, deposit slips or canceled checks as evidence, OR 4506T.

viii. Other Income (investment / part-time employment / etc.) - All sources of income shall be documented.

ix. Non-Borrower Income - With respect to non-borrower income, BOA/CFC shall apply the above rules depending upon type of income being used for qualifying non-borrower.

h. *Settlement Loan Modification.* A Settlement Loan Modification is a modification made according to the following priority:

i. All delinquent interest payments and late fees will be capitalized.

ii. Principal will be forgiven in the amount necessary to achieve a DTI of 25%, subject to the provision that the LTV need not be reduced below 100%.

iii. If, following the principal reduction step, DTI is above 31%, the interest rate will be reduced to the extent necessary to achieve a DTI of 31%, but in no event will the interest rate be reduced below 2% (beginning at year five, any reduced interest rate will be adjusted upward, so as to increase the net present value ("NPV") of modifications). HAMP step rate requirements will be utilized, as summarized below:

1. Modified rate no lower than 2% is in effect for five years.

2. At the end of five years, the rate steps up at (up to) 1% per year, until the PMMS rate in effect at the time of the modification is reached (rounded to the nearest eighth).

3. Once the PMMS rate is reached, then the rate is fixed for the remainder of the loan term.

iv. If, following the interest rate reduction step, DTI is above 31%, provide payment relief through forbearance until the end of the term of the loan in the amount necessary to achieve a DTI of 31%.

v. Consistent with HAMP, the combined impact of forgiveness and forbearance will go no lower than a floor of 70% LTV.

vi. In all instances, the adjustments must be limited so as to provide a positive NPV, with the calculation based on the Treasury NPV model outcome. If, following the priority above, the modification produces a negative NPV, the steps in the priority will be adjusted (in reverse order) to produce successive 1% increases in DTI (but in no event higher than 42%), and the NPV model will be re-run after each 1% payment adjustment. Modifications will be offered at the lowest DTI solution that is NPV-positive. There will be no modification if payments greater than 42% DTI are required to make the modification NPV-positive. BOA/CFC will be able to receive no more than 15% of their overall credit for First-Lien Mortgage Modifications under Exhibit D to the Consent Judgment from loans for which the modification is altered under this Paragraph 7.h.vi because the modification would otherwise have produced a negative NPV.

vii. Subject to Paragraphs 7.h.i-vi, and the provision that LTV need not be reduced below 100%, there is no percentage limit on the reduction of unpaid principal balances.

i. *Settlement Loan Modification Program Solicitation Requirements.* The Settlement Loan Modification Program Solicitation Requirements shall meet at least the following requirements:

i. If no Right Party Contact, as defined in Chapter II of the MHA Handbook, is established with the borrower since delinquency, BOA/CFC shall make a minimum of four telephone calls over a period of at least thirty days, at different times of the day.

ii. If no Right Party Contact is established with the borrower since delinquency, BOA/CFC shall send two proactive solicitations with a thirty-day response period, one via certified mail and the other via regular mail.

iii. Any contact with borrowers, whether by telephone, mail or otherwise, shall advise borrowers that they may be eligible for the Settlement Loan Modification Program.

iv. If Right Party Contact is established over the phone and the borrower expresses interest in the Settlement Loan Modification Program, BOA/CFC shall send one reactive package with a fifteen-day response period.

v. If the borrower does not respond by submitting the Required Documentation, BOA/CFC shall send another reactive package with a fifteen-day response period.

vi. If Right Party Contact is established but the borrower submits an incomplete set of the Required Documentation, BOA/CFC shall exhaust any remaining reasonable effort calls to complete the Required Documentation before declining these loans.

vii. BOA/CFC shall consider input from state attorneys general or non-governmental organizations regarding best practices for borrower solicitation.

j. *United States*. United States means the United States of America, its agencies, and departments.