Message from the President

I am pleased to present the second annual report for activities undertaken by the Office of Mortgage Settlement Oversight through June 30, 2014. This report includes:

• An updated overview of the organization, its Board of Directors, and its contractors and employees.

• An outline of work completed to date and priorities for the coming year, plus a timeline of the settlements.

• Audited financial statements for the period July 1, 2013, through June 30, 2014.

This report is focused entirely on the business of monitoring the National Mortgage Settlement and does not include any data related to Servicer performance toward consumer relief obligations or compliance with the servicing standards. These reports can be found on my website, www.mortgageoversight.com. It is my hope that this report will continue my efforts to openly discuss and report to the public all aspects of my work as the Settlement’s Monitor.

Sincerely,

Joseph A. Smith, Jr.
Monitor
Overview of OMSO

Joseph A. Smith, Jr. formed the Office of Mortgage Settlement Oversight (OMSO), a not-for-profit corporation, to help him carry out his duties as Monitor (the Monitor) of the National Mortgage Settlement. The Monitor’s primary tasks determine whether the Servicers are in compliance with the mortgage servicing standards and consumer relief requirements as set forth in the consent judgments that compose the settlement. OMSO assists the Monitor with functions related to the business of being the Monitor, including managing the OMSO budget, contracting with consultants and professional firms, hiring employees and maintaining books and records. Incorporated on February 6, 2012, OMSO operates as a noncharitable tax-exempt organization.

OMSO Ocwen

In February 2014, the United States District Court for the District of Columbia (Court) entered a new consent judgment reflecting the agreement reached among Ocwen Financial Corporation, the Consumer Financial Protection Bureau (CFPB), 49 states and the District of Columbia requiring Ocwen to provide $2 billion in consumer relief and comply with the Settlement servicing standards for Ocwen’s entire loan portfolio. Joseph A. Smith, Jr. was appointed to the position of Monitor under the consent judgment. OMSO Ocwen, LLC, a single-member nonprofit subsidiary of OMSO, was formed to assist the Monitor with his duties in respect to that consent judgment.

1 In 2012, the attorneys general of 49 states and the District of Columbia, the federal government and five banks and mortgage servicers (Bank of America, Citi, JPMorgan Chase, the ResCap Parties and Wells Fargo) reached agreement on the National Mortgage Settlement (the “NMS” or “Settlement”) that created new servicing standards, provided relief to distressed homeowners and required direct payments to certain borrowers and to state and federal governments. The NMS was made formal and binding on April 5, 2012, when the United States District Court of the District of Columbia (Court) entered the consent judgments containing the Settlement terms. The ResCap portfolio was purchased by Ocwen Loan Servicing, LLC and Green Tree Servicing, LLC in February 2013.

2 Unless the context otherwise requires, references in this report to the “Settlement” or “NMS” also include the Ocwen consent judgment.
Board of Directors and Governance

OMSO enables the Monitor to carry out his duties transparently and independently with administrative oversight and support from a Board of Directors consisting of the Monitor and four independent directors. The independent directors do not have any role in overseeing the Settlement.

The Board consists of five members, including the Monitor, who also serves as the Chairman of the Board. Directors are:

JOHN S. ALLISON

John Allison, former commissioner of the Mississippi Department of Banking and Consumer Finance, served the state from 1972 until his retirement in 2011. Over the span of his career, he held various positions within the department, including deputy commissioner and acting commissioner. His three-term appointment as commissioner spanned the final 12 years of his tenure.

In addition to his work for Mississippi, Allison was an active member of the Conference of State Bank Supervisors, the association that oversees and regulates the nation’s 6,000 state-chartered commercial and savings banks and 400 state-licensed foreign banking offices. He held numerous leadership roles, chairing the organization in 2005.

From 2002 to 2006, Allison was a member of the State Liaison Committee of the Federal Financial Institutions Examination Council (FFIEC), serving as chairman during his last two years with the organization. While part of the FFIEC, which sets standards for the federal examination of financial institutions and makes recommendations to improve their supervision, Allison participated in an emergency preparedness task force. That group developed a plan to help institutions prepare for a catastrophic event such as Hurricane Katrina.

In September 2007, Allison was appointed to the six-member board of managers of the CSBS States Regulatory Registry LLC, which was charged with developing and now overseeing the national licensing system for mortgage professionals.

A native of Olive Branch, Mississippi, Allison graduated from Olive Branch High School in 1965. He earned his bachelor’s degree from the University of Mississippi, majoring in banking and finance. Following his undergraduate work, he served for two years in the United States Army, earning the Bronze Star Medal during a tour of duty in Vietnam.

Allison is also a graduate of the School of Banking of the South at Louisiana State University, and he has participated in a number of federal regulatory courses and seminars. He is married to the former Jan Garner of Kosciusko, Mississippi, and they have two grown children.

BONNIE HANCOCK

Bonnie Hancock is executive director of the Enterprise Risk Management Initiative at the North Carolina State University Poole College of Management, where she also teaches. Before joining academia, Hancock worked for Fortune 250 company Progress Energy, where she led the merger of Carolina Power & Light Company and Florida Progress. She also served as president of Progress Fuels, an unregulated subsidiary with more
than $1 billion in assets, and she held a number of executive positions during her tenure, including senior vice president, finance and information technology; vice president, strategic planning; vice president, accounting and controller; and tax manager. Hancock also held management positions at Potomac Electric Power Co. in Washington, D.C., and worked in public accounting.

Currently, Hancock teaches and consults on a range of topics from strategic planning and business valuation to financial management and enterprise risk management. She also serves as an outside director for AgFirst Farm Credit Bank, where she chairs the risk policy committee, and she serves on the board of Powell Industries, a publicly traded company in Houston, Texas.

Hancock holds a bachelor’s degree in business administration from the College of William and Mary and a master’s degree in taxation from Georgetown University. She has also completed an executive management program at Duke University. She was a 1983 recipient of a Sells Award, a national recognition for performance on the CPA examination.

DONALD A. PAPE

Donald Pape is a banker and an attorney with the Norman, Oklahoma, office of Phillips Murrah P.C., an Oklahoma City-based business law firm. He also brings 36 years of experience to this position as chairman of the board of Republic Bank & Trust in Norman, where assets have grown from $18 million to $410 million under his leadership.

In addition, Pape serves as the past chair of the Bankers Advisory Board of the United States Conference of State Bank Supervisors in Washington, D.C., and is a member of the Oklahoma Tobacco Settlement Endowment Trust Board of Investors.

Pape, whose law practice is focused on banking law and regulation, is admitted to practice in all Oklahoma state courts, the United States District Court for the Western District of Oklahoma and the United States Supreme Court.

D. KEITH PIGUES

D. Keith Pigues is a partner at Keen Strategy, a boutique business strategy and marketing consulting firm in Raleigh, North Carolina. He is co-author of “Winning with Customers: A Playbook for B2B” (Pigues and Alderman, Wiley & Sons, 2010) and the forthcoming book “Get More Out of Work and Life: Experience More Fulfillment Than You Ever Thought Possible” (Pigues, self-published, expected 2015). From 2011 to 2014, he served as a tenured professor of management, dean of the School of Business and senior academic and administrative officer at North Carolina Central University in Durham. He also has taught as an adjunct professor of leadership and executive coach in the MBA Program at the University of North Carolina at Chapel Hill’s Kenan-Flagler Business School. He is a speaker, business advisor and coach.

Pigues has held executive positions at Honeywell, CEMEX, ADP and RR Donnelley. He has more than 25 years of experience in marketing, strategic planning and sales leadership in firms ranging from the Fortune 500 to mid-market private-equity-backed ventures in a variety of industries. He has served in a range of senior leadership positions, including corporate senior vice president and executive committee member.

Pigues received his MBA from UNC’s Kenan-Flagler Business School, where he participated in an international exchange program at the University of Manchester’s Manchester Business School in the United Kingdom. He received his bachelor’s degree in electrical engineering from Christian Brothers University.

JOSEPH A. SMITH, JR.

Joseph Smith was appointed Monitor of the NMS on April 5, 2012, by a bipartisan group of 49 state attorneys general, the District of Columbia, the United States Federal Government and the nation’s five largest mortgage servicers. In this role, Smith oversees the banks’ compliance with the 304 servicing standards, or reforms, as measured by a series of metrics, or tests, laid out in the Settlement. He also validated the Servicers’ calculation of credit under the NMS for more than $20 billion in relief to homeowners. Smith’s appointment is for a three-and-a-half-year term. Smith’s work under the NMS was subsequently expanded by the Ocwen consent judgment.
On November 19, 2013, Smith was also appointed to monitor the consumer relief obligations included in the $13 billion settlement between the United States Department of Justice and JPMorgan Chase. In his role, Smith is responsible for validating JPMorgan Chase’s calculation of credit under such settlement for $4 billion in consumer relief to be provided by the Servicer.

As a monitor, Smith has been favorably profiled in news outlets across the nation, and he has spoken in front of groups including the National Association of Attorneys General, the Federal Reserve Bank of Kansas City and the Loyola University Chicago School of Law, among others.

Smith served as North Carolina Commissioner of Banks from 2002 to 2012. As Commissioner, he oversaw the licensing and regulation of banks and thrifts. He also helped implement the North Carolina Mortgage Lending Act, North Carolina Secure and Fair Enforcement Mortgage Licensing Act and State Home Foreclosure Prevention Project. While Commissioner, Smith also served from 2009 to 2010 as chairman of the Conference of State Bank Supervisors. He was an organizer and member of the Board of Managers of the State Regulatory Registry, LLC, an organization dedicated to creating a nationwide mortgage licensing system.

Prior to his tenure in state government, Smith spent 27 years practicing corporate, securities and banking law in North Carolina, Connecticut and New York. He is the former general counsel and secretary of a North Carolina bank holding company and is of counsel to Poyner Spruill LLP.

Smith earned a bachelor’s degree from Davidson College in 1971 and his Juris Doctor from the University of Virginia in 1974.

Between July 1, 2013, and June 30, 2014, the Board met eight times.

The Board has established an Audit Committee, an Investment Committee and a Public Policy Committee composed of the following members:

**AUDIT COMMITTEE:**
Bonnie Hancock, Chair; John Allison

**INVESTMENT COMMITTEE:**
Donald Pape, Chair; Joseph Smith

**PUBLIC POLICY COMMITTEE:**
Keith Pigues, Chair; Donald Pape
**Officers**
The officers of OMSO are Joseph Smith, who serves as the President and Chairman of the Board; John Sabiston, who serves as the Treasurer and Secretary; and Christine Hood, who serves as the Assistant Secretary and is an employee of Poyner Spruill LLP.

**Contractors**
The consent judgments that make up the Settlement authorize the Monitor to retain a Primary Professional Firm (PPF) and various Secondary Professional Firms (SPFs) to support him in carrying out his duties. Acting through OMSO, the Monitor engaged BDO Consulting (BDO), a division of BDO USA, LLP, as his PPF.

In addition, through OMSO, the Monitor retained five SPFs, each of which is independent of the Servicer to which it is assigned:

- **Baker Tilly Virchow Krause, LLP** – Assigned to the ResCap Parties (formerly GMAC), Green Tree and Ocwen
- **BKD, LLP** – Assigned to Citi
- **Crowe Horwath LLP** – Assigned to Bank of America
- **Grant Thornton LLP** – Assigned to Chase
- **McGladrey LLP** – Assigned to Wells Fargo

Additionally, the Settlement allows the Monitor to engage attorneys or other professionals to represent or assist him.

OMSO contracted with a staff of consultants, forensic accountants, attorneys and secondary professional firms to assist the Monitor with his role in monitoring the Settlement. OMSO retained the law firms of Poyner Spruill LLP and Smith Moore Leatherwood LLP; the forensic accounting firm of Parkside Associates LLC; the accounting firm Cherry Bekaert LLP; and the communications firm Capstrat. As required by the Settlement, each firm is independent of the Servicers. Separately, OMSO retained Brooks, Pierce, McLendon, Humphrey & Leonard, LLP as general counsel.

**Conflicts & Protocol**
The consent judgments provide that the Monitor and professionals in his employ shall not have any prior relationships with the Servicers that would undermine public confidence in the objectivity of their work. Prior to contracting with any firm, the Monitor conducted a thorough background review of each candidate firm to verify that there were no substantial or meaningful conflicts of interest. Additionally, all master contracts with OMSO include a provision that the contractor has no agreements, has had no agreements and will not enter into any agreements that may conflict in any way with the services to be provided. The Monitor established a corporate policy that requires each contractor to sign a conflict of interest certification every six months stating that its conflict of interest status has not changed. The consent judgments also require that any firm that performs work overseeing a Servicer must agree not to work on behalf of that Servicer for a period of six months after the conclusion of the term of engagement. OMSO has ensured compliance with these agreements.

**Employees**
To handle business functions of monitoring the Settlement, the Monitor hired two full-time staff members - John Sabiston and Maggie Beasley. Additionally, Christine Hood, an employee of Poyner Spruill, provides full-time-equivalent services to OMSO.
The Monitor’s Work

CONSUMER RELIEF

The Monitor released the final self-reported data from the Servicers under the five initial consent judgments in his Final Progress Report in August 2013. In March 2014, he released his Final Crediting Report to the public confirming that Bank of America, Citi, JPMorgan Chase and Wells Fargo satisfied their consumer relief and refinancing obligations under the Settlement; the ResCap Parties had previously satisfied their consumer relief and refinancing obligations under the Settlement. He has awarded certification to all five initial Servicers through the United States District Court for the District of Columbia (Court).

The Monitor will soon begin the validation work for Ocwen pursuant to its February 2014 consent judgment and anticipates issuing an initial report in the first half of 2015.

SERVICING STANDARDS

The Monitor delivered two additional sets of reports to the Court this year on the Servicers’ compliance with the servicing standards under the five initial consent judgments.

The Monitor also announced four additional metrics for testing the Servicers’ compliance with servicing standards under the five initial consent judgments. These metrics were shaped by the compliance tests, along with discussions the Monitor had with attorneys general, counselors, advocates and distressed borrowers. These metrics address consumer concerns relating to the loan modification process, single points of contact and billing statement accuracy.

The Monitor’s work to test the Servicers’ compliance continues, and his next reports will be filed with the Court in the fourth quarter 2014.

COMPLAINTS

The Monitor further evaluates the Servicers through analysis of the complaints received from the Servicers, attorneys general, governmental agencies and public groups and organizations.

CONSUMER FINANCIAL PROTECTION BUREAU

OMSO signed an agreement with the Consumer Financial Protection Bureau (CFPB) on February 8, 2013, to provide the Monitor with access to CFPB’s Consumer Complaint Database government portal, an electronic delivery system operated by the CFPB that provides secure access to various complaints from individuals submitting complaints on their own behalf about the business practices of others. The purpose of the agreement is to facilitate the sharing of consumer complaint data collected by the CFPB. The CFPB data supplements the complaints OMSO receives through its other channels—specifically, professional complaints captured via the OMSO website (www.mortgageoversight.com), letters sent to the Monitor’s office and executive office complaints provided by the Servicers.
PUBLIC ROLE

Engagement with the public continues to be a priority for the Monitor. To inform the public and policymakers of his activities in a timely and transparent manner, the Monitor has conducted regular interviews with the media, appeared at speaking engagements across the country, posted regularly to the OMSO website, which includes a platform for professional complaints, and regularly visited with on-the-ground experts who work with clients having servicing issues.

FUTURE ACTIVITIES OVERVIEW

OMSO expects to continue to support Joseph A. Smith, Jr. in his role under the Settlement throughout his term as Monitor. In addition, OMSO expects to release a third annual report that will highlight the activities OMSO undertook during the current fiscal year (July 1, 2014, through June 30, 2015). A more detailed overview regarding expected future activities of OMSO can be found in Appendix A.
Timeline

The following infographic shows the historical dates beginning with the announcement of the National Mortgage Settlement. It also spells out deadlines when banks must provide relief to distressed homeowners and adopt better mortgage-related practices, or servicing standards.
Jan. 1, 2013
IRG began conducting Satisfaction Review of Consumer Relief requirements through 12/31/12.

Jan. 1, 2013
Servicers began quarter when they will be evaluated against all 29 Metrics.

Feb. 14, 2013
Servicers delivered State Reports to states with copy to Monitor.

Feb. 14, 2013
Monitor released Progress Report.

Feb. 14, 2013

Feb. 28, 2013
Servicers delivered State Reports to states with copy to Monitor.

Mar. 13, 2013
Monitor released Progress Report.

Mar. 18, 2013
Monitor issued Final Crediting Report to D.C. District Court on servicer’s satisfaction of Consumer Relief requirements.

May 15, 2013
Servicers delivered State Reports to states with copy to Monitor.

May 15, 2013
Quarterly Report from servicer to Monitor regarding Q1 2013 performance on Metrics.

June 19, 2013
Monitor issued Summary of Compliance Report.

Aug. 14, 2013
Servicers delivered State Reports to states with copy to Monitor unless Consumer Relief obligations satisfied.

Aug. 22, 2013
Monitor released a Final Progress Report.

Oct. 16, 2013
Monitor issued Interim Crediting Report.

Nov. 14, 2013
Servicers delivered State Reports to states with copy to Monitor unless Consumer Relief obligations already satisfied.

Nov. 14, 2013
Quarterly Report from servicer to Monitor regarding Q3 2013 performance on Metrics.

Dec. 4, 2013
Monitor Issued Report to D.C. District Court on Metrics through 6/30/13.
April 5, 2016
Date by which Monitor will issue last Monitor Report to D.C. District Court on Metrics.

TBD
Monitor to determine and certify servicers’ Consumer Relief activity upon satisfaction of any category of payment obligation at request of servicer.
OFFICE OF MORTGAGE SETTLEMENT OVERSIGHT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2014

And Report of Independent Auditor
OFFICE OF MORTGAGE SETTLEMENT OVERSIGHT

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Report of Independent Auditor

Board of Directors
Office of Mortgage Settlement Oversight
Raleigh, North Carolina

Report on the Financial Statements
We have audited the accompanying financial statements of the Office of Mortgage Settlement Oversight ("OMSO") which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OMSO’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMSO’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMSO as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cherry Bekaert LLP

Raleigh, North Carolina
August 29, 2014
**OFFICE OF MORTGAGE SETTLEMENT OVERSIGHT**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2014**

<table>
<thead>
<tr>
<th>ASSETS</th>
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<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 8,409,001</td>
<td></td>
<td></td>
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<tr>
<td>Accounts receivable</td>
<td>1,255</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
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<tr>
<td><strong>Other Assets:</strong></td>
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</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,265,525</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>10,675,781</strong></td>
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<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
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<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
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<tr>
<td>Accounts payable</td>
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<tr>
<td>Accrued liabilities</td>
<td>20,723</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>9,478,432</strong></td>
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<tr>
<td><strong>Net Assets:</strong></td>
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<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,197,349</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>1,197,349</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$ 10,675,781</strong></td>
<td></td>
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</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
OFFICE OF MORTGAGE SETTLEMENT OVERSIGHT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2014

Unrestricted revenue and other support

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service income</td>
<td>$72,185,836</td>
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<tr>
<td>Interest income</td>
<td>$7,435</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>72,193,271</strong></td>
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</table>

Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional services</td>
<td>$69,470,794</td>
</tr>
<tr>
<td>Management and general</td>
<td>$2,452,875</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>71,923,669</strong></td>
</tr>
</tbody>
</table>

Increase in unrestricted net assets 269,602

Net unrestricted assets at beginning of year 927,747

Net unrestricted assets at end of year $1,197,349

The accompanying notes to the financial statements are an integral part of this statement.
The accompanying notes to the financial statements are an integral part of this statement.
Note 1—Organization and summary of significant accounting policies

Organization
Office of Mortgage Settlement Oversight (“OMSO”) was incorporated as a non-profit corporation in North Carolina on February 6, 2012. OMSO was formed by the Monitor, Joseph Smith, to help him carry out the duties he was given in the National Mortgage Settlement, as described below.

On February 9, 2012 the attorneys general of 49 states and the District of Columbia, the federal government, and five banks and mortgage servicers reached agreement on a mortgage settlement that will create new servicing standards, provide loan modification relief to distressed homeowners and provide funding for state and federal governments. The Settlement was made formal and binding on April 5, 2012 when the U.S. District Court in Washington, D.C. entered the consent judgments containing the Settlement terms.

On December 19, 2013 the attorney general of 49 states and the District of Columbia, the federal government, and a nonbank mortgage loan servicer reached an agreement on mortgage settlement. The Settlement was made formal and binding on February 26, 2014.

Summary of significant accounting policies
Basis of Accounting – OMSO’s financial statements are prepared on the accrual basis of accounting, whereby income is recognized when earned and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in its Accounting Standard Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. This Statement requires that not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. Also, the Statement requires classification of an Organization’s net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions (permanently restricted, temporarily restricted, or unrestricted). All net assets of OMSO and changes therein are considered unrestricted net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, OMSO considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. OMSO places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers $250,000 for substantially all depository accounts. As of June 30, 2014, OMSO had no amounts in excess of these insured amounts.

Prepaid Expenses – OMSO purchased a general liability insurance policy in the amount of $4,352,000 with a policy period of April 1, 2012 through April 1, 2017. The policy has a limit of liability of $50,000,000 in the aggregate for each policy period. In connection with the Settlement on February 26, 2014, OMSO renewed its general liability insurance policy for the additional exposure. The premium paid for the additional exposure totaled $250,425. These payments are being accounted for as a prepaid, with the policy expense being amortized accordingly.

Property and Equipment – OMSO leases predominantly all property and equipment due to the finite life of the organization.
Note 1—Organization and summary of significant accounting policies (continued)

Revenue Recognition – Revenue is recognized in the statement of activities and changes in net assets generally when cash is received by OMSO.

Income Taxes – OMSO has applied to be exempt from income tax under Section 501(c)(4) of the Internal Revenue Code, and accordingly, is not subject to federal income tax. Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes. Management believes that OMSO continues to satisfy the requirements of a tax-exempt organization at June 30, 2014. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined OMSO had no uncertain income tax positions at June 30, 2014. OMSO’s federal Exempt Organization Business Income Tax Returns (Form 990) for 2014 and 2013 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they are filed.

Note 2—Operating lease

OMSO leases its operating space under an operating lease expiring in 2016. The lease term is 53 months with monthly payments of $9,622 for the first seven months. The monthly payment increases by approximately two percent each year through the term of the lease.

On March 31, 2014, OMSO amended their existing sublease agreement with the law firm Poyner Spruill, LLP to provide Poyner Spruill, LLP the capability of subleasing OMSO’s operating space to a co-tenant and reducing the monthly payment and parking rates charged to OMSO. Under the amended agreement, OMSO and the co-tenant are allocated their proportional share of the base rent based on a usage factor that is determined by their respective share of the total number of billable hours generated by OMSO and the co-tenants subcontractors with respect to their businesses for a given calendar year. The current monthly payment is $8,770 plus an annual additional adjustment for operating expenses of the facility.

Rent expense amounted to $115,128 for the year ended June 30, 2014.

Future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>106,347</td>
</tr>
<tr>
<td>2016</td>
<td>108,283</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$214,630</strong></td>
</tr>
</tbody>
</table>

Note 3—Related-party transactions

OMSO has a sublease agreement with the law firm Poyner Spruill LLP. The Monitor, Joseph A. Smith, Jr., is ‘Of Counsel’ with Poyner Spruill LLP. OMSO's operating lease agreement details are listed above in Note 2. The leased space is used as the office space for OMSO's employee and management team. The office space is sublet from Poyner Spruill at the same rate as Poyner Spruill's lease agreement. OMSO also has a Legal and Consulting Services Agreement with Poyner Spruill for legal and administrative support.

The expenses associated with the lease agreement and the legal and consulting services agreement are included in the statement of activities and changes in net assets for the year ended June 30, 2014.
Note 4—Commitments and contingencies

OMSO is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of OMSO if disposed of unfavorably.

Note 5—Subsequent events

OMSO has evaluated subsequent events through August 29, 2014, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.
## OFFICE OF MORTGAGE SETTLEMENT OVERSIGHT
### SCHEDULE OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2014**

<table>
<thead>
<tr>
<th>Functional Expenses</th>
<th>Professional services</th>
<th>General and managerial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional fees</td>
<td>$ 69,470,794</td>
<td>$</td>
<td>$ 69,470,794</td>
</tr>
<tr>
<td>Payroll expense</td>
<td>-</td>
<td>955,654</td>
<td>955,654</td>
</tr>
<tr>
<td>Board of Director fees</td>
<td>-</td>
<td>94,500</td>
<td>94,500</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>69,659</td>
<td>69,659</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
<td>115,128</td>
<td>115,128</td>
</tr>
<tr>
<td>Telephone</td>
<td>-</td>
<td>15,658</td>
<td>15,658</td>
</tr>
<tr>
<td>Other office</td>
<td>-</td>
<td>102,586</td>
<td>102,586</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>3,600</td>
<td>3,600</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>1,095,740</td>
<td>1,095,740</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>-</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
<td><strong>$ 69,470,794</strong></td>
<td><strong>$ 2,452,875</strong></td>
<td><strong>$ 71,923,669</strong></td>
</tr>
</tbody>
</table>