Introduction

The following public report (Report) is my third on JP Morgan Chase's (Chase) progress toward completing its obligations under its settlement with the federal government and five states (Chase RMBS Settlement or Settlement). The Chase RMBS Settlement addresses claims that Chase, Bear Stearns and Washington Mutual packaged and sold bad residential mortgage-backed securities to investors before the financial crisis.

This Report outlines my review and crediting of the consumer relief Chase's Internal Review Group (HRG) reported to me on August 14, 2014. That relief activity occurred in the period from October 1, 2013 through June 30, 2014 (Second Testing Period). As discussed below, I have credited $868,616,504 of consumer relief to date under the Chase RMBS Settlement.

This Report also details the consumer relief activity through September 30, 2014 (Third Testing Period) that Chase's HRG asserted to me on November 14, 2014. The HRG asserted $1,377,056,996 in consumer relief in the Third Testing Period. This activity has not yet been credited by me; I am in the process of confirming that additional credit amount and will provide further details in my next report.
Consumer Relief

The Chase RMBS Settlement requires the company to distribute $4 billion in credited relief to consumers by December 31, 2017. The relief may be distributed via forgiveness/forbearance of first and second lien mortgages; rate reduction/refinancing; lending to low- to moderate-income borrowers, lending to borrowers in disaster areas, and other lending; and anti-blight activities. Different types of relief are credited toward the $4 billion total in different ways and at different amounts. Additionally, incentives are provided for certain relief activity conducted in the first year, in hardest hit areas as defined by the Department of Housing and Urban Development, and on loans held for investment. For more information, see the Monitor’s first report or the Settlement.

Second Testing Period

Overview

In my first public report, I reported that my professionals and I validated that Chase earned $6,325,087 in consumer relief as a result of a test sample of 100 loans submitted for credit as of March 31, 2014 (First Testing Period). On August 14, 2014 after completing its review according to the agreed-upon work plan (Satisfaction Review), the HRG submitted to me an HRG Assertion regarding the amount of consumer relief credit that Chase claimed to have earned for the Second Testing Period. According to the August 14, 2014 HRG Assertion, as of June, 30 2014, Chase had correctly claimed an additional $862,291,417 of consumer relief credit, pursuant to Annex 2, for first lien principal forgiveness, first lien forbearance, second lien principal forgiveness (including extinguishments), and lending to both borrowers in hardest hit areas and first-time, low-to-moderate-income homebuyers.

As described below, my professionals and I have conducted the confirmatory due diligence work necessary to permit me to validate the additional credit claimed in the August 14, 2014 HRG Assertion.

August 14, 2014 HRG Assertion and Satisfaction Review

The table immediately below sets out a breakdown of the consumer relief credit, by type of relief, as set forth in the August 14, 2014 HRG Assertion. Approximately 39 percent of Chase’s claimed credit was through modification through forgiveness and forbearance and approximately 61 percent of Chase’s claimed credit was through Chase’s lending program for borrowers in hardest hit areas and first-time, low-to-moderate-income homebuyers.
After submitting the August 14, 2014 HRG Assertion, the HRG reported to me the results of its Satisfaction Review, which report concluded that:

i) the consumer relief asserted by Chase for the Second Testing Period was based upon completed transactions that were correctly reported by Chase;

ii) Chase had correctly credited such consumer relief activities, so that the claimed amount of credit is correct; and

iii) the claimed consumer relief correctly reflected the requirements, conditions and limitations, as currently applicable, set forth in Annex 2.

The report of the HRG with regard to its Satisfaction Review was accompanied by the HRG’s work papers reflecting its review and analysis.

*HRG Testing and Confirmation as to Consumer Relief Credit Earned*

According to the work plan, the HRG must test a statistically valid sample from each of four different testing populations (Testing Population):

1. Modification – Forgiveness/Forbearance

2. Rate Reduction/Refinancing

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1 The HRG’s process for testing is set out in the “HRG’s Satisfaction Review” section of my first public report.

2 Annex 2, Menu Item 1

3 Annex 2, Menu Item 2
3. Low to Moderate Income and Disaster Area Lending

4. Anti-Blight

For the Second Testing Period, Chase claimed credit for consumer relief in two of these Testing Populations:

(i) Modification – Forgiveness/Forbearance, including first lien principal forgiveness, first lien forbearance (payment forgiveness) and second lien principal forgiveness (including extinguishments)

(ii) low to moderate income and other lending

The sample size for each Testing Population was calculated in each testing period using an Excel-based sample size calculator and loans were selected for testing using randomizing software. In determining the sample size, the work plan requires that the HRG use a 99 percent confidence level (one-tailed), 2.5 percent estimated error rate and 2 percent margin of error approach (99/2.5/2 approach). The total number of loans in each Testing Population and the number of loans tested by the HRG are in Table 2, below:

<table>
<thead>
<tr>
<th>Testing Population</th>
<th>Number of Loans in Credit Population</th>
<th>Total Reported Credit Amount</th>
<th>Number of Loans in HRG Sample</th>
<th>Total Reported Credit Amount in HRG Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modification – Forgiveness/Forbearance</td>
<td>6,859</td>
<td>$332,204,667</td>
<td>316</td>
<td>$15,579,652</td>
</tr>
<tr>
<td>Low to Moderate Income and Other Lending</td>
<td>39,445</td>
<td>$530,086,750</td>
<td>329</td>
<td>$4,387,250</td>
</tr>
<tr>
<td>Total Consumer Relief Programs</td>
<td>46,304</td>
<td>$862,291,417</td>
<td>645</td>
<td>$19,966,902</td>
</tr>
</tbody>
</table>

For each of the loans in the samples drawn from the two Testing Populations, the HRG conducted an independent review to determine whether the loan was eligible for credit and the amount of credit reported by Chase was calculated correctly. The HRG executed this review pursuant to and in accordance with the testing definition templates and related test plans for each of the two Testing Populations by accessing from Chase’s system of record (SOR) the various data inputs required to undertake the eligibility determination and credit calculation for each loan.

After verifying the eligibility and recalculating credit for all loans in the sample for each Testing Population, the HRG calculated the sum of the recalculated credits for the sample for each Testing Population (Actual Credit Amount) and compared that amount against the amount of credit claimed by Chase for the sample of the respective Testing Population (Reported Credit Amount). According to the work plan, if the Actual

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4 Annex 2, Menu Item 3
5 Annex 2, Menu Item 4
6 Confidence level is a measure of the reliability of the outcome of a sample. A confidence level of 99% in performing a test on a sample means there is a probability of at least 99% that the outcome from the testing of the sample is representative of the outcome that would be obtained if the testing had been performed on the entire population.
Credit Amount is the same or within 2 percent of the Reported Credit Amount for either of the two Testing Populations, the Reported Credit Amount will be deemed correct and Chase’s Consumer Relief Report will pass the Satisfaction Review and be certified by the HRG to me.

If, however, the HRG determined that the Reported Credit Amount for any of the two Testing Populations exceeded the Actual Credit Amount by more than 2 percent, the HRG would inform Chase. Chase would then be required to analyze the data of all loans in the affected Testing Population, identify and correct any errors and provide an updated Consumer Relief Report to the HRG. The HRG would then select a new sample and test the applicable Testing Population or Testing Populations against the updated report using the same process above.

If the HRG determined that the Actual Credit Amount was greater than the Reported Credit Amount by more than 2 percent for a particular Testing Population, Chase had the option of either (i) taking credit for the amount it initially reported to the HRG or (ii) correcting any underreporting of consumer relief credit and resubmitting the entire population of loans to the HRG for further testing in accordance with the above process.

Following the steps above, the HRG determined that, for each sample from the two Testing Populations, the Reported Credit Amount did not exceed the Actual Credit Amount by more than the 2 percent error threshold described above. These findings by Testing Population are summarized in Table 3, below:

<table>
<thead>
<tr>
<th>Testing Population</th>
<th>Loans Sampled</th>
<th>Servicer Reported Credit Amount</th>
<th>HRG Calculated Actual Credit Amount</th>
<th>Amount Overstated/ (Understated)</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modification – Forgiveness/ Forbearance</td>
<td>316</td>
<td>$15,579,652</td>
<td>$15,674,012</td>
<td>($94,360)</td>
<td>(.60%)</td>
</tr>
<tr>
<td>Low to Moderate Income and Other Lending</td>
<td>329</td>
<td>$4,387,250</td>
<td>$4,387,250</td>
<td>$ -</td>
<td>-%</td>
</tr>
</tbody>
</table>

Based on these results, the HRG certified that the amount of consumer relief credit claimed by Chase in the Testing Population was accurate and conformed to the requirements in Annex 2. This certification was evidenced in the August 14, 2104 HRG Assertion in the form required by the work plan.

Monitor’s Review

As discussed in my first public report, before reviewing the results of the HRG’s Satisfaction Review for the First Testing Period, I, along with some of my professionals, met with representatives of Chase to better understand its mortgage banking operations, SOR and HRG program, and the HRG’s proposed approach for consumer relief testing, among other things. These initial meetings informed the work on the First Test Period and Second Testing Period and my professionals continued to meet with the HRG and Chase as necessary or appropriate.
At my direction, BDO conducted an extensive review of the testing conducted by the HRG relative to consumer relief crediting. The review of consumer relief crediting occurred in August and September 2014.

The principal focus of the review was BDO’s testing of the entire sample of loans in each of the two Testing Populations, following the processes and procedures set out in the testing definition templates and the HRG’s test plans. These reviews were of the same type as those undertaken by BDO in performing its confirmatory work for the test sample of 100 loans and included access to information of the type substantially identical to that to which it was afforded access relative to its confirmatory work for the First Testing Period.

After completing the loan-level testing, BDO determined that the HRG had correctly validated the consumer relief credit amount reported by Chase. The results of BDO’s loan-level testing are set forth in Table 4, below:

Table 4

<table>
<thead>
<tr>
<th>Testing Population</th>
<th>Loans Reviewed by PPF</th>
<th>Servicer Reported Credit Amount</th>
<th>PPF Calculated Actual Credit Amount</th>
<th>Amount Overstated/ (Understated)</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modification – Forgiveness/ Forbearance</td>
<td>316</td>
<td>$15,579,652</td>
<td>$15,674,012</td>
<td>$(94,360)</td>
<td>(.60%)</td>
</tr>
<tr>
<td>Low to Moderate Income and Other Lending</td>
<td>329</td>
<td>$4,387,250</td>
<td>$4,372,875</td>
<td>$14,375</td>
<td>.33%</td>
</tr>
</tbody>
</table>

For each of the samples tested, BDO determined that the Reported Credit Amount did not exceed the Actual Credit Amount by more than the 2 percent error threshold in the work plan. In addition, other than BDO finding an isolated incident of a single loan that was ineligible for credit because the property was not in a hardest hit area, BDO’s credit calculations and the HRG’s credit calculations were the same.

BDO documented its findings in its work papers and has reported them to me. I then undertook an in-depth review of the HRG’s work papers with BDO, as well as BDO’s work papers.

Monitor’s Review of Non-Creditable Requirements of The Settlement

As part of the review of Chase’s consumer relief activities, I undertook an inquiry into whether it complied with certain policy-based, non-creditable requirements (Non-Creditable Requirements) of the Settlement. Specifically, under Annex 2 to the Settlement, Chase agreed that consumer relief would not (a) “be implemented through any policy that violates the Fair Housing Act or Equal Credit Opportunity Act,”7 and (b) “be conditioned on a waiver or release by a borrower, provided that waivers and releases shall be permitted in the case of a contested claim where the borrower would not otherwise have received as favorable terms or consideration.”8

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In order to assess Servicer’s compliance with the Non-Creditable Requirements, BDO and I interviewed Chase’s Executive Vice President and DOJ Executive Sponsor, its Chief Controls Officer assigned to the Chase RMBS Settlement, and its Associate General Counsel. The focus of this interview process was an inquiry into the processes and procedures that Chase utilized to (i) select the borrowers to whom it provided the consumer relief for which it now seeks and will in the future seek credit pursuant to the Judgment and (ii) ensure that it is complying with the Non-Creditable Requirements. Based upon the interview of the foregoing persons, in conjunction with the above-described loan-level testing undertaken by BDO, I have no reason to believe that Chase has, as of the date of this Report:

i) implemented consumer relief through any policy that violates the Fair Housing Act or Equal Credit Opportunity Act; or

ii) conditioned consumer relief on a waiver or release by a borrower, other than in the case of a contested claim where the borrower would not otherwise have received as favorable terms or consideration.

Third Test Period

On November 14, 2014, the HRG reported to the Monitor the amount of gross relief Chase had provided as a result of its relief activity conducted through September 30, 2014 and the amount of consumer relief credit that Chase claimed to have earned and the HRG had validated as of September 30, 2014.

Gross Relief

Chase has asserted that it has provided $13.8 billion dollars in principal forgiveness or eligible lending to 111,924 borrowers as of September 30, 2014.

Table 5

<table>
<thead>
<tr>
<th>Relief Type</th>
<th>March 31, 2004</th>
<th>June 30, 2014</th>
<th>September 30, 2014</th>
<th>Program to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Borrowers</td>
<td>Aggregate Amount</td>
<td>Number of Borrowers</td>
<td>Aggregate Amount</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>----------------------</td>
<td>--------------------</td>
<td>--------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>First Lien Principal Forgiveness</td>
<td>50 $5,588,855</td>
<td>2,583 $234,183,641</td>
<td>1,678 $146,226,918</td>
<td>4,311 $385,999,413</td>
</tr>
<tr>
<td>First Lien Forbearance</td>
<td>50 $4,824,866</td>
<td>3,479 $234,343,346</td>
<td>2,658 $152,059,489</td>
<td>6,187 $391,227,702</td>
</tr>
<tr>
<td>Second Lien Principal Forgiveness</td>
<td>—</td>
<td>797 $37,670,339</td>
<td>695 $44,419,559</td>
<td>1,492 $82,089,898</td>
</tr>
<tr>
<td>Rate Reduction</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>31,086 $1,013,605,729</td>
</tr>
<tr>
<td>Total Gross Consumer Relief</td>
<td>100 $10,413,721</td>
<td>46,304 $7,615,005,839</td>
<td>65,520 $6,167,169,843</td>
<td>111,924 $13,792,589,403</td>
</tr>
</tbody>
</table>

*Throughout this table, one dollar differences in totals are the result of rounding.*
These figures represent gross dollars and cannot be used to measure against Chase’s $4 billion requirement because they have not been subject to the Settlement’s crediting formulas.

**November 14, 2014 HRG Assertion**

In its November 14, 2014 assertion, the HRG reported that Chase had correctly claimed $1,377,056,996 of consumer relief credit during the third quarter of 2014 and $2,245,673,500 of consumer relief credit for the period from October 1, 2013 through September 30, 2014.

I have not yet verified the HRG’s assertion for the Third Testing Period. My team and I are in the process of conducting that verification work in relation to the consumer relief credit that Chase has claimed for the third quarter of 2014. I will report on the results of that validation work in my next report.

**Table 6**

<table>
<thead>
<tr>
<th>Consumer Relief Reported Through 9/30/2014</th>
<th>March 31, 2014</th>
<th>June 30, 2014</th>
<th>September 30, 2014</th>
<th>Program to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modification – Forgiveness/Forbearance</td>
<td>$6,325,087</td>
<td>$332,204,667</td>
<td>$217,346,942</td>
<td>$555,876,696</td>
</tr>
<tr>
<td>Rate Reduction</td>
<td>—</td>
<td>—</td>
<td>$791,758,929</td>
<td>$791,758,929</td>
</tr>
<tr>
<td>Low to Moderate Income and Disaster Area Lending</td>
<td>—</td>
<td>$530,086,750</td>
<td>$367,951,125</td>
<td>$898,037,875</td>
</tr>
<tr>
<td>Anti-Blight</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Consumer Relief (HRG Assertion)</strong></td>
<td><strong>$6,325,087</strong></td>
<td><strong>$862,291,417</strong></td>
<td><strong>$1,377,056,996</strong></td>
<td><strong>$2,245,673,500</strong></td>
</tr>
<tr>
<td><strong>Total Credited Consumer Relief</strong></td>
<td><strong>$6,325,087</strong></td>
<td><strong>$862,291,417</strong></td>
<td>Crediting in Progress</td>
<td><strong>$868,616,504</strong></td>
</tr>
</tbody>
</table>

**Conclusion**

On the basis of the information submitted to me and the work as described in this Report, I report the following:

(i) I have determined that the amount of consumer relief set out in the August 14, 2014 HRG Assertion is correct and accurate within the tolerances permitted under the work plan; and

(ii) I have no reason to believe that Chase has failed to comply with all of the requirements of Annex 2 to the Settlement for the period extending from October 1, 2013 through June 30, 2014.

I will report the results of my validation work for the Third Test Period in my next report to the public.