Legacy Asset Servicing

Terry Laughlin

Legacy Asset Servicing Executive

Bank of America

Key Takeaways

- Split of Legacy Asset Servicing from Bank of America Home Loans to accomplish two goals:
  - Enable greater focus on the future of the mortgage business
  - Achieve resolution of legacy issues
- Legacy Asset Servicing will focus on resolving legacy servicing and owned portfolios
  - Provide delinquent customers with fair and transparent loan modification solutions
  - Continue to ensure timely execution of loss mitigation activities
  - Provide final resolution in decisions for customers, investors, and shareholders
- Manage remaining legacy costs and exposures

Bank of America Home Loans and Legacy Asset Servicing

Scope of Responsibilities

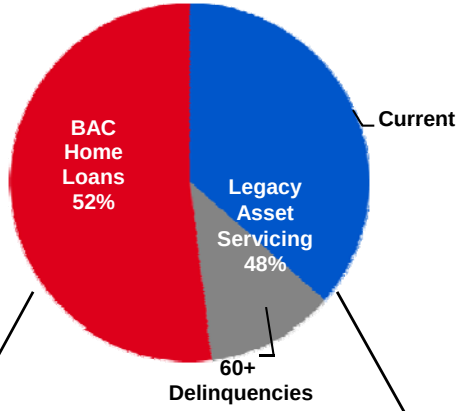
Barbara Desoer President, Bank of America Home Loans	**Terry Laughlin** Legacy Asset Servicing Executive
• First Mortgage & Home Equity loan originations – Credit policy and management, product development and pricing – Consumer sales channels and referral partners – Correspondent and Warehouse lending – Underwriting and fulfillment – Secondary marketing • Home Loan Servicing – Customer Service – Servicing Operations – Investor Remittance • Mortgage Operations – Closing Services – Post Closing & Central Services • Insurance Services – Credit Protection – Balboa Insurance Group through transaction execution	• Home Loan Default Servicing – Outreach – Collections – Modifications – Short-sale, Deed-in-Lieu, Foreclosures – Real Estate Owned • Legacy Portfolio Management – Home retention and loss mitigation strategies – Portfolio liquidations • Representations & Warranties Resolution – Government Sponsored Enterprises (GSEs) – Private investors – Monolines

Legacy Asset Servicing Portfolio Composition

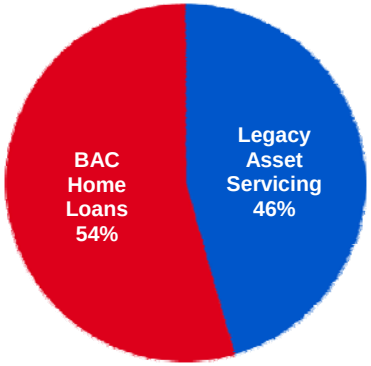
Servicing and owned portfolios are being split between Legacy Asset Servicing and Bank of America Home Loans

Total Portfolio (Owned and Serviced for Others)

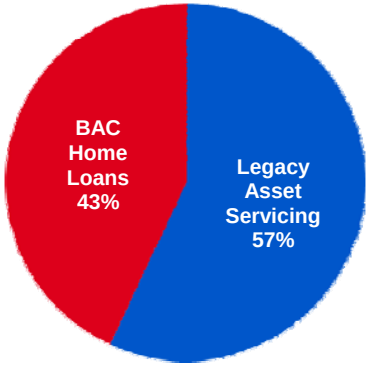
Total by Count



First Mortgage by Count

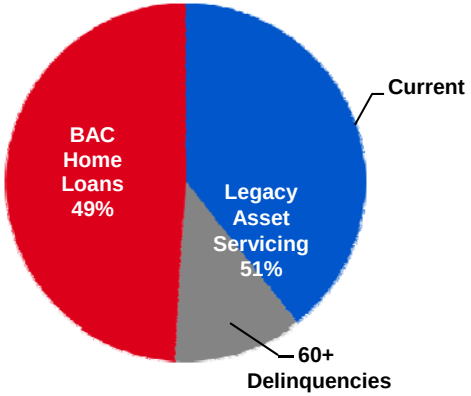


Home Equity by Count



Owned Portfolio

Owned by Count



Residential Loan Portfolio Characteristics

	Outstanding Principal Balance	Loan Count
	($B)	(K)
Total Portfolio[1]	$ 2,150	13,885
Owned - First Mortgage	282	967
Owned- Home Equity	136	2,583
Serviced for GSE	961	5,882
Serviced for Ginnie Mae	258	1,564
Serviced for Others	454	2,462
Subserviced	58	426

Notes: (1) includes owned loans and loans serviced for others; all data shown is as of Q4 2010

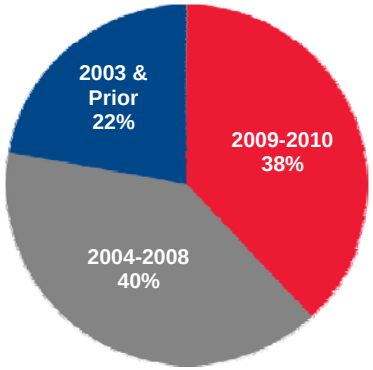
Legacy Asset Servicing Portfolio Composition

Legacy Asset Servicing portfolio will include all discontinued products and guidelines

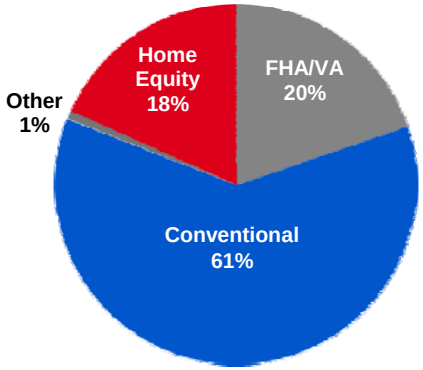
Bank of America Home Loans

$1.1T Outstanding Principal Balance
7.2MM Loans

Count by Vintage



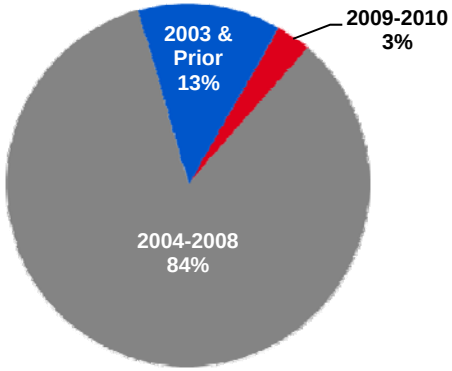
Count by Product



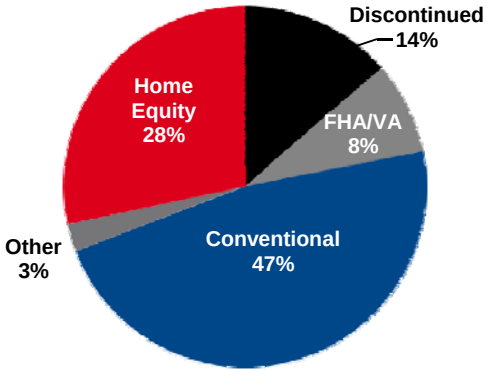
Legacy Asset Servicing

$1.0T Outstanding Principal Balance
6.7MM Loans

Count by Vintage



Count by Product



Notes: All data shown is as of Q4 2010

Legacy Asset Servicing Organization

Our Focus

- Home Loan Default Servicing
- Legacy Portfolio Management
- Representations & Warranties Resolution

Our People

Terry Laughlin
Legacy Asset Servicing Executive

Tony Meola
Default Servicing
(34 Years Banking Experience
< 1 Year with Bank of America)

Eric Telljohann
Credit Loss Mitigation Strategies
(23 Years Banking Experience
17 Years with Bank of America)

Helen Eggers
Servicing Initiatives
(27 Years Banking Experience
27 Years with Bank of America)

Larry Washington
Servicing Special Projects
(30 Years Banking Experience
5 Years with Bank of America)

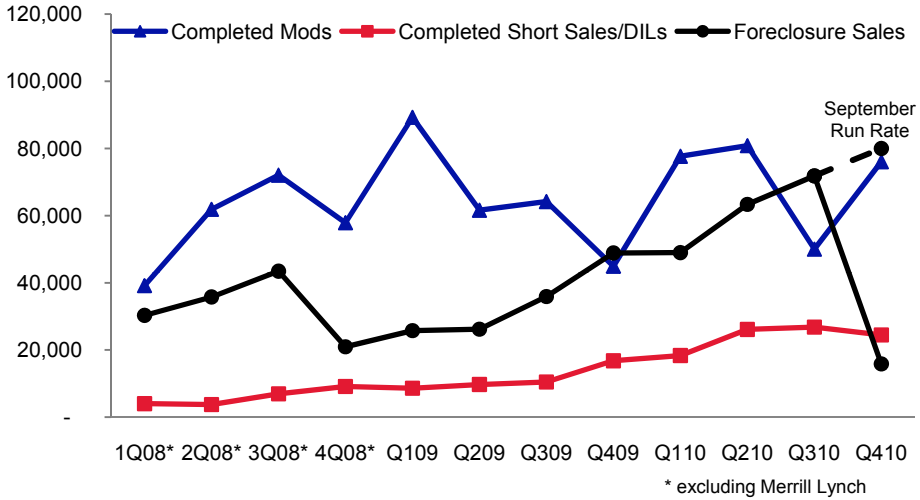
Sally Hawk
Quality Control & Improvement
916 Years Banking Experience
9 Years with Bank of America)

George Ellison
Retail MBS & Monoline Strategy
(26 Years Banking Experience
15 Years with Bank of America)

Mike Schloessmann
Representations & Warranties
(18 Years Banking Experience
18 Years with Bank of America)

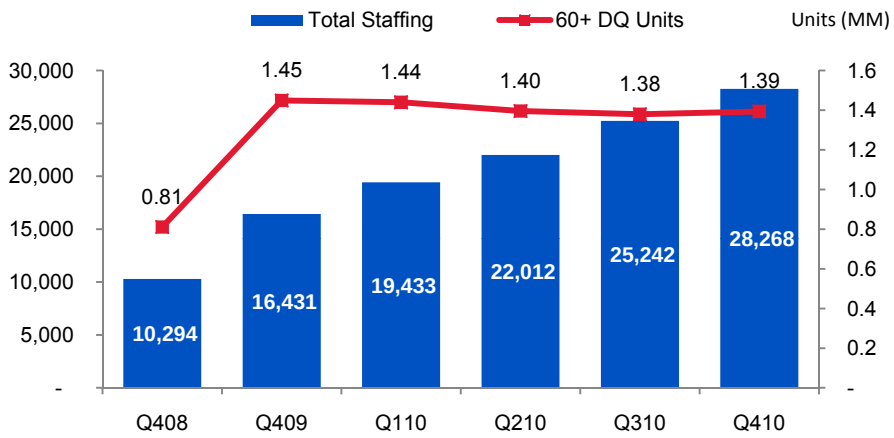
Where We Are Today

Default Servicing Activity



- Completed 285,000 modifications in 2010 and 775,000 cumulative modifications to date as of December 2010
- More than doubled short sales/deeds-in-lieu resolutions
- Drop in foreclosure sales late 2010 due to foreclosure process hold in October
- Resumed foreclosure sales in most non-judicial states in December 2010

Default Servicing and Loss Mitigation Staffing



- Key drivers of headcount growth
  - Q408: National Homeownership Retention Program (NHRP) launched; 1st foreclosure moratorium
  - Q209: Home Affordable Modification Program launched (HAMP); 2nd foreclosure moratorium
  - Q110: Second Lien Modification Program (2MP) and NHRP principal reduction launched
  - Q210: Home Affordable Foreclosure Alternatives (HAFA) short sale program launched

Customer Outcomes – New 60+ Delinquent

In a sample of 100 new 60+ delinquent customers, only 14 are expected to meet all requirements to enter a permanent HAMP loan modification

Starting Population:
New 60+ delinquent customers

100

Financial Information

Provide at least stated financials and are referred to HAMP underwriting process

72

Underwriting

Pass underwriting and are extended trial modifications

20

Trial Payments

Complete trial payments to reach permanent modification

14

Unsuccessful

No contact or do not provide initial financials

28

- By foreclosure sale, each customer receives an average of 110 outbound calls and 8 letters

Do not pass the underwriting process

52

- 46% have a debt-to-income ratio < 31%
- 17% don't submit income or hardship documents
- 23% have too little income

Do not make all necessary trial payments

6

Foreclosure Alternatives

Foreclosure is averted on 37 out of the 86 unsuccessful modifications

37

- 14 become current on their own
- 13 complete a proprietary modification
- 10 expected to complete short sale/deed in lieu

Legacy Asset Servicing Priorities

Priority	Key Initiatives
Improve Default Servicing Operations	• Implement single point of contact and enhance case management model • Address regulatory servicing guidelines and standards • Expand outreach events and in-market Customer Assistance Centers
Execute Home Retention Programs and Resolution Strategies	• Execute on existing home retention programs • Deploy alternatives to be more aggressive in: – Short-sales and deed-in-lieu programs – Liquidation of real estate owned (REO) properties • When retention options are exhausted, deliver an efficient and respectful foreclosure process • Pursue servicing sales and asset portfolio sales
Manage Legacy Costs	• Continue to build out additional capacity to manage representation and warranty claims on a loan by loan basis

Representations and Warranties Update

Government Sponsored Enterprises (GSEs)

- Settlement with Freddie Mac extinguished outstanding and potential repurchase and make-whole claims for legacy Countrywide
- Settlement with Fannie Mae resolved the existing pipeline of repurchase and make-whole claims outstanding as of September 20, 2010
- Based on the models derived from historical GSE experience, we believe we are 70 to 75% through the receipt of GSE repurchase claims and have reserved appropriately

Private Label, Whole Loan Investors and Monolines

- Experience with non-GSE remains limited
- Estimate of upper range of possible loss could be up to $7B to $10B over existing accruals - this does not represent a probable loss
- Counterparties and their claims still have significant legal and procedural hurdles to overcome

Key Takeaways

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Appendix

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Representations and Warranties

Liability for Representations and Warranties

($MM)	2010
Beginning Balance	$ 3,507
Provision	6,786
Charge-offs	(4,803)
Other Activity	(52)
Ending Balance	$ 5,438

Outstanding Claims by Counterparty

($MM)	4Q09	1Q10	2Q10	3Q10	4Q10
GSE	$ 3,284	$ 4,094	$ 5,624	$ 6,819	$ 2,821
Monoline	2,944	3,169	4,114	4,304	4,799
Other	1,372	1,575	1,428	1,826	3,067[1]
Total	$ 7,600	$ 8,838	$ 11,166	$ 12,949	$ 10,687

New Claims Trend by Vintage[2]

($MM)	2010	Mix
Pre 2005	$ 869	*5%*
2005	2,618	*14%*
2006	5,690	*31%*
2007	7,573	*42%*
2008	1,154	*6%*
Post 2008	244	*1%*
New Claims	$ 18,148	
% GSE	*73%*	
Rescinded Claims	8,279	
Approved Repurchases	6,998	
Outstanding Claims	10,687	
% GSE	*26%*	

Commentary

- 2010 representations and warranties provision of $6.8B
- Liability for Representation and Warranty claims increased $1.9B during 2010 and now has $5.4B
- Received $18.1B new claims in 2010; 73% from GSEs
- $15.3B of claims were resolved during the year
  - $8.3B rescinded and $7.0B were approved for repurchase
  - $4.8B of charge offs includes $1.3B paid in connection with the Legacy Countrywide Freddie Mac settlement
- As of 12/31/10, we have $10.7B claims outstanding
  - $2.8B GSE claims remain outstanding
  - $7.7B non-GSE repurchase claims remain outstanding on the 2004-2008 vintages
    - $4.1B have been reviewed and declined for repurchase
    - $1.7B in demands from private label securitization investors who do not have the contractual right to demand repurchase of loans directly[1]

Notes: (1) includes $1.7B in claims contained in communications from private label securitizations investors that do not have the right to demand repurchase of loans directly or the right to access loan files. The inclusion of these claims in the amounts noted does not mean that we believe these claims have satisfied the contractual thresholds to direct the securitization trustee to take action or are otherwise procedurally or are substantively valid; (2) Includes Merrill Lynch and First Franklin

Private Label Representations and Warranties

We believe the agreements for private label securitizations generally contain less rigorous representations and warranties and place higher burdens on investors seeking loan repurchases than the comparable agreements with the GSEs. For example, borrower fraud representations and warranties were generally not given in private label securitizations.

The following represent some of the typical private label securitization transaction terms:

- Representation of material compliance with underwriting guidelines (which often explicitly permit exceptions)
- Virtually no transactions contain a representation that there has been no fraud or material misrepresentation by a borrower or third party
- Many representations include materiality qualifiers
- Breach of representation must materially and adversely affect certificate holders' interest in the loan
- No representation that the mortgage is of investment quality
- Offering documents included extensive disclosures, including detailed risk factors, description of underwriting practices and guidelines, and loan attributes
- Only parties to a pooling and servicing agreement (e.g., the Trustee) can bring repurchase claims; certificate holders cannot bring claims directly and do not have access to loan files—at least 25 percent of each tranche of certificate holders is generally required in order to direct Trustee to review loan files for potential claims. Certificate holders must bear costs of Trustee's loan file review
- Repurchase liability is generally limited to seller

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2011 Investor Conference

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