

This Settlement Agreement (“Agreement”) is entered into between the United States, acting through the United States Department of Justice (“Department of Justice”), WMC Mortgage, LLC, and General Electric Company (“GE”). The United States, GE, and WMC Mortgage, LLC are collectively referred to as “the Parties.”

RECITALS

A. WMC Mortgage, LLC has its headquarters and principal place of business in Woodland Hills, California. WMC Mortgage Corp., a predecessor to WMC Mortgage, LLC, was a mortgage originator. WMC Mortgage, LLC and its predecessors and subsidiaries, including WMC Mortgage Corp., are collectively referred to as “WMC.” WMC is a wholly owned, indirect subsidiary of GE.

B. GE is a publicly traded company headquartered in Boston, Massachusetts.

C. General Electric Capital Corporation (“GECC”), then the financial services subsidiary of GE, acquired WMC in 2004. GECC merged with and into GE on December 2, 2015, in a merger in which GE was the surviving entity.

D. Synchrony Financial is a publicly traded consumer financial services company headquartered in Stamford, Connecticut. Synchrony Financial formerly operated as a subsidiary of GE and GECC.

E. WMC, GE, GECC, and Synchrony Financial, their current and former direct and indirect members, parents, subsidiaries, and affiliated entities, including but not limited to each of their respective current and former predecessors, successors, and assigns, shall hereinafter collectively be referred to as the “Released Entities.”

F. Between January 1, 2005 and December 31, 2007 (the “Relevant Period”), WMC and certain other GECC subsidiaries or affiliated entities in the United States originated more

than 250,000 subprime residential mortgage loans that served as collateral for residential mortgage-backed securities (“RMBS”). During the Relevant Period, WMC operated on an originate-to-sell business model, and sold the vast majority of the loans it originated for inclusion in RMBS by third parties. WMC was also the sponsor for three RMBS trusts. WMC and GECC’s subsidiaries or affiliated entities in the United States substantially discontinued all new residential mortgage loan origination by the second quarter of 2007.

G. A list of RMBS sponsored by WMC or containing WMC mortgage loans is attached as Annex 1. WMC and its affiliated entities made, or caused to be made, numerous representations about the loans in the RMBS listed on Annex 1 and the accuracy of information WMC and its affiliated entities provided about those WMC loans.

H. The United States contends that it has certain civil claims against WMC, GE, GECC, and certain of each of their respective current or former subsidiaries or affiliated entities as specified in Paragraph 2 below, including those under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), 12 U.S.C. § 1833a. The United States contends that these civil claims are predicated on violations of 18 U.S.C. § 1341 (mail fraud), 18 U.S.C. § 1343 (wire fraud), 18 U.S.C. § 1014 (false statements to financial institutions), and 18 U.S.C. § 1344 (financial institutions fraud). These civil claims are based on the alleged “Covered Conduct.”

I. “Covered Conduct,” as used in this Agreement, is defined as the conduct alleged by the United States in Annex 2, and the following: prior to January 1, 2009, the underwriting, origination, pooling, marketing, or sale of residential mortgage loans included in the RMBS identified in Annex 1 and other loans sold for inclusion in RMBS by WMC, GE, and their respective current or former subsidiaries or affiliated entities, and the creation, pooling,

structuring, arranging, formation, packaging, marketing, underwriting, sale, sponsoring, or issuance of the RMBS identified in Annex 1 by WMC, GE, and their respective current or former subsidiaries or affiliated entities. Covered Conduct includes representations, disclosures, or non-disclosures, as well as actions or inactions with respect to the cure, substitution, or repurchase (or failure to do or seek any of the same) of residential mortgage loans based on such representations, disclosures, or non-disclosures, by WMC, GE, and their respective current or former subsidiaries or affiliated entities made about or in connection with the activities set forth above, where the representation or non-disclosure involves information about or obtained during the process of originating, acquiring, securitizing, underwriting, or servicing residential mortgage loans included in the RMBS identified in Annex 1 and other loans sold for inclusion in RMBS.

J. Covered Conduct does not include: (i) representations or non-disclosures made in connection with collateralized debt obligations, other derivative securities, or the secondary trading by the Released Entities of RMBS, except to the extent that the representations or non-disclosures are related to residential mortgage loan sale agreements relating to the loans included in the RMBS identified in Annex 1 or the offering materials for the underlying RMBS listed in Annex 1; and (ii) the servicing of residential mortgage loans, except representations or non-disclosures to investors in the RMBS listed in Annex 1 about servicing or about information obtained in the course of servicing such loans prior to securitization.

K. This Agreement is neither an admission of any facts or liability or wrongdoing by the Released Entities nor a concession by the United States that its claims are not well-founded. WMC and GE dispute the contentions of the United States in Annex 2.

L. 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 this

Agreement, the Parties reach a full and final settlement pursuant to the terms and conditions below.

TERMS AND CONDITIONS

1. GE shall pay to the United States the total sum of one billion five hundred million dollars (\$1,500,000,000) (the “Settlement Amount”), by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice, no later than five (5) business days after the Effective Date (as defined in Paragraph 23) of this Agreement. The entirety of the Settlement Amount is a civil monetary penalty recovered pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act (“FIRREA”), 12 U.S.C. § 1833a.

2. **Releases by the United States.** Subject to the exceptions in Paragraph 3 (“Excluded Claims”) and Paragraph 11 below, and conditioned upon full payment of the Settlement Amount, the United States fully and finally releases the Released Entities from any civil claims the United States has against the Released Entities for the Covered Conduct arising under FIRREA, 12 U.S.C. § 1833a; the False Claims Act, 31 U.S.C. §§ 3729, *et seq.*; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801, *et seq.*; the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961, *et seq.*; the Injunctions Against Fraud Act, 18 U.S.C. § 1345; common law theories of negligence, gross negligence, payment by mistake, unjust enrichment, money had and received, breach of fiduciary duty, breach of contract, misrepresentation, deceit, fraud, aiding and abetting, and conspiring to commit any of the foregoing; or that the Civil Division of the Department of Justice has actual and present authority to assert and compromise pursuant to 28 C.F.R. § 0.45(d).

3. **Excluded Claims.** Notwithstanding the releases in Paragraph 2 of this Agreement, or any other term(s) of this Agreement, the following claims are specifically reserved and not released by this Agreement:

- a. Any conduct other than the Covered Conduct;
- b. Any criminal liability;
- c. Any liability of any individual;
- d. Any liability arising under Title 26 of the United States Code (the Internal Revenue Code);
- e. Any liability to or claims of the National Credit Union Administration, any Federal Home Loan Bank, or the Federal Deposit Insurance Corporation (including in its capacity as a corporation, receiver, or conservator) (the "FDIC");
- f. Any liability to or claims of the United States of America, the Department of Housing and Urban Development/Federal Housing Administration, the Department of Veterans Affairs, the Department of Agriculture, or any other agency of the United States, or Fannie Mae or Freddie Mac, that arises out of the insurance or guarantee of whole loans insured, guaranteed, or purchased by the Department of Housing and Urban Development/Federal Housing Administration, the Department of Veterans Affairs, the Department of Agriculture, or any other agency of the United States, or Fannie Mae or Freddie Mac;
- g. Any administrative liability, including the suspension and debarment rights of any federal agency; and
- h. Any liability based upon obligations created by this Agreement.

4. **Releases by the Released Entities.** The Released Entities fully and finally release the United States and its officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that they have asserted, could have asserted, or may assert in the future against the United States and its officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation to date thereof.

5. **Reservation.** This Agreement does not release or waive any claims, rights, obligations, or defenses of: (i) any party in the matter captioned *TMI Trust Co., solely in its capacity as Separate Trustee of the Securitized Asset Backed Receivables LLC Trust 2006-WM2, Case No. 3:12-cv-01538 (CSH) (D. Conn.)*, or any certificate-holder in the trust at issue in such captioned matter; or (ii) the parties to the settlement agreements between [XXXXX] and WMC dated March 18, 2014 and [XXXXX] and WMC dated March 21, 2014.

6. **Waiver of Potential FDIC Indemnification Claims by GE and WMC.** GE and WMC hereby irrevocably waive any right that they otherwise might have to seek (and in any event agree that they shall not seek) any form of indemnification, reimbursement or contribution from the FDIC in any capacity, including the FDIC in its Corporate Capacity or the FDIC in its Receiver Capacity for any payment under this Agreement.

7. **Waiver of Potential Defenses by GE and WMC.** GE and WMC, and any current or former affiliated entity and any of their respective successors and assigns waive and shall not assert any defenses GE or WMC may have to any criminal prosecution or administrative action relating to 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 Agreement bars a remedy sought in such criminal prosecution or administrative action.

8. **Unallowable Costs Defined.** All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of GE, GECC, or WMC, and their present or former officers, directors, employees, shareholders, and agents in connection with:

- a. The matters covered by this Agreement;
- b. The United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- c. GE, GECC, and/or WMC's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- d. The negotiation and performance of this Agreement; and
- e. The payments made to the United States pursuant to this Agreement are unallowable costs for government contracting purposes (hereinafter referred to as "Unallowable Costs").

9. **Future Treatment of Unallowable Costs.** Unallowable Costs will be separately determined and accounted for by GE or WMC, and GE and WMC shall not charge such Unallowable Costs directly or indirectly to any contract with the United States. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine GE, GECC, or WMC's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

10. In exchange for valuable consideration provided in this Agreement, GE and WMC acknowledge that, in evaluating whether to execute this Agreement, the Parties intend that the mutual promises, covenants, and obligation set forth herein constitute contemporaneous exchange of new value given to GE and WMC, within the meaning of 11 U.S.C. § 547(c)(1), and the Parties conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value that is not intended to hinder, delay, or defraud any entity to which WMC was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

11. If GE or WMC commences, or a third party commences, any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors (a) seeking to have any order for relief of the debts of WMC, or seeking to adjudicate WMC bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for WMC or for all or any substantial part of WMC's assets ("WMC Bankruptcy Proceeding"), GE and WMC agree to the following:

- a. The obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and GE and WMC shall not argue or otherwise take the position in any case, proceeding, or action that (i) the obligations under this Agreement may be so avoided; or (ii) the mutual promises, covenants, and obligations set forth herein do not represent a reasonably equivalent exchange of new value given to GE and WMC.

- b. GE and WMC shall object and defend against any party's action, motion, or proceeding, or case to claw back, recover, or avoid the obligations under this Agreement, or any payment to the United States pursuant to Paragraph 1.
- c. If the obligations under this Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code:
 - i. The United States, at its sole option, may rescind the releases in this Agreement and bring any civil and/or administrative claim, action, or proceeding against any Released Entity for claims that would otherwise be covered by the releases provided in Paragraph 2 of this Agreement.
 - ii. GE and WMC agree that any rescission of releases under subparagraph (i), or any claims, actions, or proceedings brought by the United States pursuant to subparagraph (i) are not subject to an "automatic stay" pursuant to 11 U.S.C. § 362(a) because it would be an exercise of the United States' police and regulatory power, and GE and WMC shall not argue or otherwise contend that the United States' rescission of releases, claims, actions, or, proceedings are subject to an automatic stay or any stay under section 105 of the Bankruptcy Code. To the extent necessary, GE and WMC consent to relief from the automatic stay for cause under 11 U.S.C. §362(d)(1).
 - iii. GE and WMC agree not to seek or support a confirmation order in the WMC Bankruptcy Proceeding that releases, or purports to release, any claim of the United States included in the releases provided in Paragraph 2

of this Agreement against any Released Entity, and further agree to object and defend against, any action, motion, or proceeding of any party seeking such release of such claims in the WMC Bankruptcy Proceeding. GE and WMC agree not to argue or otherwise contend in any action, case, or proceeding brought by the United States that the United States' claims released in Paragraph 2 of this Agreement were released in the WMC Bankruptcy Proceeding.

- iv. GE and WMC waive and shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories to any civil or administrative claims, actions, or proceedings arising from the Covered Conduct that are brought by the United States pursuant to subparagraph (i) within 120 calendar days of rescission, except to the extent that such defenses were available on January 14, 2016. However, nothing in this Paragraph shall (A) have the effect of reviving any claims that are or were otherwise barred by any statute of limitations, laches, or any other time-related defense prior to January 14, 2016, or (B) be taken as an admission by any Party as to the applicability, running, expiration, or non-expiration of any statute of limitations, laches, or any other time-related defense prior to January 14, 2016.
- v. GE and WMC acknowledge (A) that the United States has an undisputed, noncontingent, and liquidated allowed claim in the WMC Bankruptcy Proceeding in the amount of \$1.5 billion, and the United States is fully

reserving all of its setoff and recoupment rights, claims, and defenses as to WMC, and (B) that the United States may pursue its claim in the WMC Bankruptcy.

vi. GE and WMC shall not attempt to subordinate the United States' claim or the Settlement Amount in the WMC Bankruptcy.

d. GE and WMC acknowledge that the agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

12. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the District of Columbia.

13. This Agreement is intended for the benefit of the Parties only and does not create any third-party rights. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraphs 2 and 4.

14. The Parties acknowledge that this Agreement is made without any trial or adjudication or judicial finding of any issue of fact or law, and is not a final order of any court or governmental authority.

15. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

16. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

17. For the purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

18. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

19. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

20. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

21. This Agreement is binding on WMC's and GE's successors, transferees, heirs, and assigns.

22. All Parties consent to the disclosure of this Agreement, and information about this Agreement, to the public.

23. This Agreement is effective on the date of signature of the last signatory to the Agreement ("Effective Date" of this Agreement). PDFs and facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

For WMC Mortgage, LLC:

Dated: 9 April 2019



Mark V. Asdourian
CEO & General Counsel
WMC Mortgage, LLC

For General Electric Company:

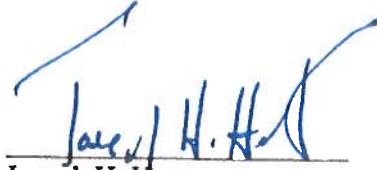
Dated: 9 April 2019



Christopher D. Moore
General Counsel, GE Capital US Holdings, Inc.
Authorized Signatory for General Electric Company

For the United States:

Dated: Apr. 11, 2019



Joseph H. Hunt
Assistant Attorney General
Civil Division

ANNEX 1*

ABFC 2005-HE2	CMLT 2007-SHL1	JPMAC 2005-WMC1
ABFC 2005-WMC1	CMLTI 2005-HE1	JPMAC 2006-HE3
ABFC 2006-HE1	CMLTI 2005-HE3	JPMAC 2006-WMC1
ABFC 2007-WMC1	CMLTI 2006-WMC1	JPMAC 2006-WMC2
ABSHE 2004-HE7	CSMC 2006-CF3	JPMAC 2006-WMC3
ABSHE 2005-HE1	GE-WMC 2005-1	JPMAC 2006-WMC4
ABSHE 2005-HE3	GE-WMC 2005-2	JPMAC 2007-HE1
ABSHE 2005-HE5	GE-WMC 2006-1	MASTR 2004-WMC1
ACE 2004-HE3	GE-WMC NIM 2005-1	MASTR 2004-WMC3
ACE 2005-HE4	GE-WMC NIM 2005-2	MASTR 2005-HE1
ACE 2005-HE5	GE-WMC NIM 2006-1	MASTR 2005-WMC1
ACE 2005-HE7	GSAMP 2005-SD2	MASTR 2006-02
ACE 2006-HE1	GSAMP 2005-WMC1	MASTR 2006-HE3
ACE 2006-HE2	GSAMP 2005-WMC2	MASTR 2006-WMC1
ACE 2006-SD1	GSAMP 2005-WMC3	MASTR 2006-WMC2
ACE 2007-HE2	GSAMP 2006-SD2	MASTR 2006-WMC3
ACE 2007-SL1	GSAMP 2006-SEA1	MASTR 2006-WMC4
ACE 2007-WM1	GSRPM 2006-1	MASTR 2007-WMC1
ACE 2007-WM2	GSRPM 2006-2	MLMI 2004-WMC1
BSABS 2005-1	GSRPM 2007-1	MLMI 2004-WMC3
BSABS 2005-2	HASCO 2006-HE1	MLMI 2004-WMC4
BSABS 2005-4	HASCO 2006-HE2	MLMI 2005-WMC1
BSABS 2006-1	HASCO 2006-WMC1	MLMI 2005-WMC2
BSABS 2006-2	HASCO 2007-HE1	MLMI 2006-HE1
BSABS 2006-3	HASCO 2007-HE2	MLMI 2006-WMC1
BSABS 2006-4	HEAT 2006-6	MLMI 2006-WMC2
BSABS 2007-1	HEMT 2006-1	MSAC 2004-WMC1
BSABS 2007-2	HEMT 2006-2	MSAC 2004-WMC2
CBASS 2004-CB8	HEMT 2006-3	MSAC 2004-WMC3
CBASS 2005-CB1	HEMT 2006-4	MSAC 2005-HE3
CBASS 2006-CB8	HEMT 2006-5	MSAC 2005-HE4
CMLT 2006-HE3	HEMT 2007-2	MSAC 2005-HE5

* Should a securitization prior to January 1, 2009 inadvertently not be listed notwithstanding that WMC or other GECC subsidiaries or affiliated entities in the United States served as the sponsor, depositor, loan originator, or loan seller for the securitization or that mortgage loans that were originated by WMC or other GECC subsidiaries or affiliated entities in the United States served as collateral for the securitization, that securitization will be treated as if it was listed.

MSAC 2005-HE6	MSAC 2007-HE4	SARM 2007-11
MSAC 2005-HE7	MSAC 2007-HE5	SARM 2007-5
MSAC 2005-WMC1	MSAC 2007-HE6	SARM 2007-6
MSAC 2005-WMC2	MSAC 2007-HE7	SARM 2007-7
MSAC 2005-WMC3	MSHEL 2005-4	SASCO 2005-GEL2
MSAC 2005-WMC4	MSIX 2006-1	SASCO 2005-GEL4
MSAC 2005-WMC5	MSST 2007-1	SASCO 2005-WMC1
MSAC 2005-WMC6	NAAC 2007-S2	SASCO 2006-GEL2
MSAC 2006-HE1	NHELI 2007-3	SASCO 2007-GEL1
MSAC 2006-HE2	RAAC 2006-SP4	SVHE 2004-WMC1
MSAC 2006-HE3	RAMP 2007-RP2	SVHE 2005-1
MSAC 2006-HE4	SABR 2005-HE1	SVHE 2005-4
MSAC 2006-HE5	SABR 2006-WM1	SVHE 2005-B
MSAC 2006-HE6	SABR 2006-WM2	SVHE 2006-A
MSAC 2006-HE7	SABR 2006-WM3	SVHE 2007-2
MSAC 2006-HE8	SABR 2006-WM4	SVHE 2007-WMC1
MSAC 2006-WMC1	SABR 2007-BR2	WMABS 2007-HE2
MSAC 2006-WMC2	SABR 2007-BR3	WMLT 2005-WMC1
MSAC 2007-HE2	SABR 2007-HE1	

ANNEX 2¹

A. During the Relevant Period, WMC primarily served as a subprime residential mortgage loan originator. It also served as the sponsor of three RMBS during this time period. In both capacities, WMC and its affiliates made representations, disclosures, or non-disclosures to RMBS investors, or to third-parties that were passed through to RMBS investors, about or in connection with the RMBS listed in Annex 1, where the representation or non-disclosure involved information about or obtained during the process of originating, selling, underwriting or securitizing residential mortgage loans included in the RMBS identified in Annex 1.

B. More specifically, the United States contends that WMC, GE, and GECC engaged in the following conduct during the Relevant Period:

(1) WMC made representations about the quality and attributes of its mortgage loans, as well as about its quality and fraud controls, to investment bank purchasers and RMBS investors, including federally insured financial institutions. WMC made these representations, or caused these representations to be made, in prospectus supplements and contracts incident to RMBS deals, at industry conferences, in roadshow meetings, during investor site visits to WMC's facilities, and in other contexts. Certain of WMC's representations were reviewed by, approved by, or made with the knowledge of personnel from GE or GECC.

(2) During the Relevant Period, WMC attempted to increase its profits and meet profit goals by increasing originations. Certain management-level employees at WMC encouraged loan analysts, the staff members at WMC who were responsible for underwriting mortgage loans, to approve loans in order to meet volume targets and other business concerns,

¹ As stated in the Agreement, this Annex consists of the contentions of the United States, which WMC and GE dispute.

even where the loan applications did not meet the criteria outlined in WMC's published underwriting guidelines. Loan analysts also could and did receive additional compensation based on the number of mortgage loans they approved. In addition, in certain instances, sales personnel who were not trained underwriters could and did approve loans.

(3) Throughout the Relevant Period, third party investment banks declined to buy certain mortgage loans that WMC attempted to sell upon identifying defects in the loan file or suspected fraud. Mortgage loans rejected by a potential purchaser prior to sale were called "kick-outs." When it "kicked out" a loan, the potential purchaser typically notified WMC of its reasons for rejecting the file, including the specific defects identified. WMC's general practice was to re-offer certain kicked loans to a second potential purchaser for inclusion in RMBS without disclosing that fact that the mortgage had been kicked or the reasons why the first potential purchaser concluded the mortgage had defects. In some instances, WMC re-offered previously kicked loans that had defects without first curing or disclosing the defects.

(4) At the same time, there were significant deficiencies with respect to WMC's quality control, which was viewed by certain management and sales personnel as an impediment to volume. In 2005, a WMC employee responsible for overseeing quality control described his department as a "toothless tiger" with inadequate resources and no authority to prevent the approval or sale of loans his department had determined were fraudulent or otherwise defective. By late third quarter 2006, managers responsible for quality control and risk management at WMC and GECC had expressed concerns to WMC leaders and GECC personnel that WMC's quality and fraud controls were so lax and these deficiencies so well-known that WMC received more mortgage applications containing fraud or other defects than its

competitors. As a member of GE's Corporate Audit Staff ("CAS") involved in audits of WMC observed in April 2007, WMC "jacked up volume without controls."

(5) A GE CAS audit of WMC's operations in 2005 revealed that, in practice, underwriters had the ability to accept and underwrite loans outside of WMC guidelines without appropriate documentation or signoff, and that sales personnel, among others, could approve loans that WMC's own quality control auditors had determined were potentially fraudulent or otherwise defective. The CAS audit team also concluded that WMC's quality control functions "were not appropriately resourced." In addition, the CAS audit team examined a sample of fifty "kick-outs" and concluded that 30% of the sample had "significant underwriting issues" but were resold to another third party investment bank without documentation or repair. Summaries of the results of the CAS audit were provided to WMC senior executives and managers at GECC.

(6) By late 2005 and early 2006, investment banks were kicking out more of WMC's loans than ever, and investors in RMBS backed by WMC loans raised concerns about the quality of loans originated by WMC because WMC borrowers were failing to repay their loans at unexpectedly high rates. As a WMC executive acknowledged in an email to executives at WMC and GECC, WMC was experiencing the effects of "loan origination quality deterioration."

(7) WMC also began receiving increased numbers of requests from investment banks to buy back (or "repurchase") loans. Investment banks made repurchase requests to WMC based upon the investment banks' contention that the loans were fraudulent or otherwise defective, or because the borrower failed to make a mortgage payment in the first few months. In March 2006, WMC reviewed a representative sample of the 1,276 loans it had repurchased in 2005, and concluded that 78% of the loan files reviewed contained at least one

piece of false information that was material to WMC's decision to approve the loan, such as a misrepresentation about the borrower's income or employment. The results of this review were shared with WMC's senior executive team and discussed on multiple occasions with personnel from GECC.

(8) As stated in an August 2006 document discussed by WMC executives and risk managers concerning the increase in repurchases: "For the past few years, we've been pushing volume, volume, volume. [...] WMC was able to absorb the costs associated with repurchased loans and still make a nice profit. Those days are now behind us." The repurchase demands that were made to WMC in June 2006 alone exceeded WMC's profits for all of 2005. This increase in repurchases sparked a variety of concerns about WMC's mortgage loans, including about fraud, WMC's underwriting guidelines, and product performance. During this time, there was a growing concern that certain loans that WMC originated and sold for securitization did not have the qualities and attributes that WMC had represented the loans had. In September 2006, WMC's senior executives determined that, unless WMC improved its underwriting and fraud controls, repurchases would continue to increase. WMC executives advised GECC of this determination.

(9) In fall 2006, GECC took control over the strategic direction of WMC. Even in the face of increasing repurchase demands, kick-outs, and concerns about WMC's underwriting quality, WMC continued selling its loans and making representations about their quality and attributes. In December 2006, a GECC global mortgage specialist observed that WMC's "credit quality was not meeting [investor] expectation[s]," and that it would "take at least 6 months to see the impact" of efforts to address quality issues. He noted that if WMC held its mortgage loans on its balance sheet temporarily rather than continue to sell them, it would

allow GECC and WMC to better understand performance and underwriting quality issues, but cause WMC to operate at a loss during this period. WMC did not stop selling loans at this time. Instead, GECC became closely involved in WMC's whole loan sales and provided WMC with input and direction on how to sell off WMC's remaining loans.

(10) Beginning in 2007, GECC also assumed control over WMC's ability to grant requests to repurchase mortgage loans.

(11) Contrary to representations that WMC made, or caused to be made, to investment bank purchasers and RMBS investors, including representations reviewed and approved by GE and GECC personnel, a majority of the mortgage loans WMC originated and sold for inclusion in RMBS during the Relevant Period were fraudulent or otherwise defective.

(12) During the Relevant Period, WMC originated and sold more than \$65 billion dollars in mortgage loans, the vast majority of which were included in RMBS. These loans have suffered losses of approximately one-third of their original principal balance. Investors, including federally insured financial institutions, have suffered billions of dollars in losses as a result of WMC's origination and sale of mortgage loans for inclusion in RMBS.