UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MORTGAGE RESOLUTION SERVICES, LLC, 1ST FIDELITY LOAN SERVICING, LLC, and S & A CAPITAL PARTNERS, INC., Plaintiffs,	
-against-	No. 15 CV 293-LTS-JCF
JPMORGAN CHASE BANK, N.A., CHASE HOME FINANCE LLC, and JPMORGAN CHASE & CO., Defendants.	

PLAINTIFFS' AMENDED RICO CASE STATEMENT

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BACKGROUND

Pursuant to this Court's Order dated February 13, 2017, Plaintiffs may move for leave to amend the Complaint by March 6, 2017. Plaintiffs Mortgage Resolution Servicing, LLC ("MRS"), 1st Fidelity Loan Servicing, LLC ("1st Fidelity"), and S&A Capital Partners, Inc. ("S&A") (collectively, "Plaintiffs" or the "Schneider Entities") hereby submit this Amended RICO Case Statement. An Amended RICO Case Statement is necessary for at least two reasons. First, the original RICO Case Statement was filed prior to filing of the Third Amended Complaint filed on August 24, 2015 ("TAC"), and thus the RICO Statement needs to be updated to correspond with the allegations of the TAC and the new proposed Fourth Amended Complaint ("FAC"). Second, subsequent to the filing of the TAC, additional relevant information has come to light as a result of documents produced in discovery. The Amended RICO Case Statement incorporates relevant information by describing the alleged misconduct in more detail and additional participants or aiders and abettors in the unlawful RICO conduct.

Plaintiffs reserve the right to supplement this Amended RICO Case Statement as discovery progresses and further information is learned. Defendants have attempted to protect from disclosure a large volume of documents under the guise of various privileges, which Plaintiffs have contested in Plaintiffs' Motion to Compel filed February 27, 2017 (Docket No. 146). Moreover, discovery is ongoing, including third party discovery and depositions and more information may come to light.

RICO ALLEGATIONS

a. State whether the alleged unlawful conduct is in violation of 18 U.S.C. §§ 1962(a) (b), (c) and/or (d).

Plaintiffs allege violations of 18 U.S.C. §§ 1962(c) and (d) by conducting or participating in the conduct of an enterprise's affairs through a pattern of racketeering activity involving mail and wire fraud, unfair collection of a debt, and obstruction of justice.

b. List each defendant and describe the alleged misconduct and basis of liability of each defendant.

Three defendants are named in this action: JPMorgan Chase & Co. ("JPMC"), JPMorgan Chase Bank N.A. ("Chase Bank"), and Chase Home Finance, LLC ("Chase Home Finance") (collectively, "Chase" or "Defendants").[1] Defendant JPMC is a financial holding company parent to Chase Bank. In 2008, Chase Bank acquired EMC Mortgage Corporation and Washington Mutual Bank and their troubled loan servicing portfolios. Jamie Dimon is the CEO and former Chairman of JPMC.

All of Defendants were knowledgeable of, and directly involved in, the wrongdoing which damaged Plaintiffs. Defendants' various mortgage lending departments involved in the misconduct function in an interrelated manner. Defendants' mortgage lending departments include Loss Mitigation and National Recovery Operations, Recovery, Portfolio and Vendor Management, RCV1 Administration, Legal, Lien Management, Bankruptcy, Corporate Compliance, Risk Management, Credit Operations, Document Data, MIS, Financial Analysis, and Regulatory Strategy.

The list of the following individuals constitutes a partial list of knowledgeable present or

[1] Chase Home Finance served as one of Defendants' contacts with Plaintiffs. Chase Home Finance merged into Chase Bank effective May 1, 2011.

former Chase employees whose actions facilitated the racketeering activity that Defendants have perpetrated. Plaintiffs anticipate that further names will emerge during discovery:

- Patrick M. Boyle-VP Loss Mitigation and National Recovery; DOJ Default Recovery 2nd Lien Credit Initiative Team Member. Finalize portfolio selections to be use for mailing and confirm lien release process.
- Sam Brown-VP Default Strategy Management and Default Risk Management.
- Michael Bryar-DOJ Enforcement Committee, 2nd Lien Extinguishment Lead-DOJ mailing of 33,456 post charge-off customers, loans previously sold to investors.
- Deandra Chapman-VP at Chase; robo-signed lien releases.
- Mark W. Davis-SVP, Collections & Recovery; Director of Homesales; former SVP Loss Mitigation and National Recovery.
- Jamie Dimon-CEO and former Chairman of JPMC-Lender Settlements' terms, enforcement and lien releases.
- Dawn Eason-Lien Release Operations for DOJ Settlement.
- Victor Fox-former VP Real Estate Recovery, JPMC.
- Eddie Guerrero- Real Estate Recovery Supervisor.
- Steve Hemperly-Head of Mortgage Originations, JPMC; SVP, Default Operations Management; facilitated DOJ Lien Release Project.
- Nikki Holsopple-VP, JPMC; Member, Chase IRG; primary contact with Monitor's OMSO.
- Greg Johnson-DOJ Reporting.

- Todd Kalbac - Executive Director - Collections Strategy JPMC,.
- Omar Kassem-AVP Portfolio Management. Main contact point from 2010-2013. Knowledge of Loan Lists, 2nd Lien Extinguishment Program, AFP, Repurchase Agreements, DOJ Default Recovery, 2nd Lien Credit Initiative Team.
- Amy Knight-VP at Chase; robo-signed lien releases.
- David Kuether-Recovery; DOJ Settlement.
- Peter Kustar-Director MIS & Analytics, JPMC.
- Stephen Mackey-SVP & Risk Executive Mortgage Banking/DOJ Risk.
- Kathy Madison-DOJ Consumer Relief Program Manager.
- Rebecca Mairone-Executive Office, Mortgage Banking; voting member DOJ/AG Enforcement Committee.
- Mari Maloney-Chief Compliance Officer, Mortgage Banking; voting member DOJ/AG Enforcement Committee.
- Stacy McPhillips-DOJ Default Recovery 2nd Lien Credit Initiatve Team Member, Marketing Review.
- Gary Miller-VP Default & Home Lending Recovery, JPMC.
- Jim Miller-Managing Director, JPMC.
- Stephani Mudick-Head of Supervisory Regulatory Strategy/DOJ Oversight, voting member of Enforcement Governance Committee.
- Peter Muriungi-Head of Servicing Mortgage Banking, JPMC.

- Lynn Newby-AVP Operations Manager, JPMC; Knowledge of DOJ Compliance/Litigation.
- Trung Nguyen-DOJ Reporting.
- Mandy Norton-Chief Risk Officer, Mortgage Banking; voting member DOJ/AG Enforcement Committee.
- Jason M. Miranda Oquendo-AVP Business Processes/Project Manager DOJ 2nd Lien Extinguishment Program; Project Manager MLPA 2008-2009; Project Manager 2nd Lien Extinguishment Program; Project Manager Strategy RMBS credits, 2013-2015.
- Joy Palazzo-Former Assistant General Counsel/DOJ Legal.
- Panikos Palletos-Decision Sciences-Statistical Models and Populations-RCV1.
- Amit Patel-DOJ Reporting.
- Chad Paxton-AVP Default Servicing & Recovery, JPMC.
- Jason Richmond-Information Analyst, JPMC.
- Rachel Roach-Default Knowledge Management, Procedures.
- Nancy Rubino-Recovery/Marketing; DOJ Default Recovery 2nd Lien Credit Initiative Team Member; Support DOJ Queue update for Opt Out RCV1; DOJ Settlement task owner: RCV1 Queue builds-RCV1 DOJ Credit Lien Release, DOJ short sales.
- Rick Saavedra-2nd Lien Extinguishment Team Member.
- Vivek Saraswat-former VP Risk, JPMC.
- Rick Satterfield-DOJ Default Recovery, 2nd Lien Credit Initiative Team Member RCV1.
- Matt Simon, Esq.-in-house counsel.

- Kevin R. Smith-Managing Director & Chief Control Officer, Operational Risk JPMC; knowledge of DOJ Controls and DOJ Risk.
- Launi Solomon-Recovery Support Supervisor.
- Bryan Thompson-2nd Lien Extinguishment Team coordinating with Patrick Boyle.
- Tekla White-Project Manager, Supervisory Regulatory Strategy; VP at JPMC.
- Ingrid Whitty-VP at Chase; robo-signed lien releases.
- Nancy Wooten-VP Customer Assistance Operations, JPMC.

The Defendants' misconduct and liability stem from their scheme to evade their legal obligations and liabilities with respect to the proper servicing of federally related mortgages and requirements under certain state and federal laws, acts, agreements, and settlements, including but not limited to certain consent orders, settlements, and agreements that Defendants entered into with various breaches of the federal and state governments. Defendants routinely and illicitly handled (and failed to service) defaulted mortgage loans that Chase deemed not to be profitable enough to foreclose.

Since 2000, Defendants maintained loans on its various primary mortgage servicing Systems of Records ("SOR"), which are legitimate systems of records that are required to meet servicing standards and regulatory mandates. However, during the same time that Defendants maintained those legitimate SOR, they also created RCV1, an off-the-books system of records, to hold federally related mortgages which the Defendants used to conduct illicit practices outside the realm of regulation or auditing. Since 2000, Defendants' scheme involves flagging defaulted loans and Defendants' problem loans on the legitimate SOR. Defendants, by installing a subsequent process, then identify and transfer the loan records from its legitimate SOR to RCV1. Since transferring, moving or covertly copying records from a legitimate SOR would leave an auditing trail, Defendants disguised the process of so copying records as a reporting process within the legitimate SOR. The data on the loan report can then be loaded to the illicit repository on an ongoing basis, undetected by federal regulators.

Defendants' scheme involves inactivating federally related mortgage loans from their various federally regulated SOR, such as from the Mortgage Servicing Platform ("MSP") and Vendor Lending System ("VLS"). MSP is a SOR that "maintains up to date information… and is used by approximately 75% of the mortgage servicing industry"[2] for first lien mortgages. VLS is used to service home equity lines of credit in accordance with federal regulations. These systems of records allow Chase to ensure servicing guidelines are met by allowing maintenance and data reporting mechanisms within regulatory requirements. Chase established departments within the company such as its Recovery Unit, which is a part of its Operations Unit, and it is charged with the collection processes for various lines of Defendant-owned debts. Defendants hired Operations supervisors ostensibly to monitor production, compile information, and document execution, tracking human resource requirements and enforcing deadlines. Defendants utilize these various departments to drive the scheme alleged herein.

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[2] *In the Matter of Residential Mortgage Pleading and Document Irregularities*, Affidavit of Michael R. Zarro Constituting JPMorgan Chase Bank, N.A.'s and Chase Home Finance LLC's prima Facie Showing, *available at* http://www.judiciary.state.nj.us/superior/f_59553_10_jp_morgan/jp_morgan_2_of_21.pdf;
Exhibits to the Affidavit of Michael R. Zarro, Volume One *available at* https://www.judiciary.state.nj.us/superior/f_59553_10_jp_morgan/jp_morgan_1_of_21.pdf

RCV1's design and functionality do not meet any servicing standards or requirements under applicable federal, state, and local laws pertaining to mortgage servicing or consumer protection. Instead, the practices implemented by Defendants on the RCV1 population are focused on debt collection and completely disregard most federally related mortgage servicing standards and requirements.

Defendants seek to maximize revenue through a scheme of flagging and inactivating federally related mortgages on its legitimate SOR, and then illicitly transferring and housing these charged-off problematic residential mortgage loans in the vacuum of RCV1, thus improperly converting these problematic residential mortgage loans into purely debt collection cases that are akin to bad credit card debt, and recklessly disregarding virtually all servicing obligations in the process. In order to maximize revenue and pass off costs out of the back door, Defendants used unscrupulous collection methods on homeowners utilizing third-party collection agencies and deceptive sales tactics on unsuspecting investors. At the same time, Defendants,applied for governmental credits out of the front door and feigned compliance with regulatory standards, utilizing title companies to create and file documents into the public record.

In short, the RCV1 is where mortgage loans and the borrowers are intentionally mishandled in such a manner that compliance with any regulatory requirements is impossible. In derogation of the Real Estate Settlement Procedures Act (RESPA), which requires mortgage servicers to correct account errors and disclose account information when a borrower sends a written request for information, the information for loans in RCV1 remains uncorrected. Instead, the loans are sent as an inventory list from one collection agency to another, progressively resulting in further degradation of the loan information. In dereliction of various regulations related to loan servicing, loans once in RCV1 are not verified individually and the identity of the true owner of the note per the Truth in Lending Act (TILA) is often concealed. Additionally, regulatory controls regarding grace periods, crediting funds properly, and charging correct amounts are not followed.

More specifically, a borrower's qualified written request under Section 6 of RESPA concerning the servicing of his/her loan or request for correction under 12 U.S.C. §2605(e), and 12 CFR §1024.35 could not obtain resolution because RCV1 is a repository for housing debt rather than housing federally related loans. RCV1 contains no functionalities for accounting nor escrow management in contravention of § 10 of RESPA, Regulation X, 12 CFR §1024.34. Borrowers whose loans are housed in RCV1 fail to receive any notices of transfer of loan servicing pursuant to Regulation X, 12 CFR §1024.33(b). Defendants' inactivation of these loans in the regulated systems of records is intended to make the technical argument that the loans are no longer "federally related mortgage loans". However, in contravention to the requirements of 12 CFR §1024.39, Defendants also failed to inform Borrowers whose loans were flagged, inactivated, and contained in RCV1, about the availability of loss mitigation options, which is in contravention of 12 CFR §1024.40. Further, Defendants also failed to make available to each Borrower personnel assigned to him/her to apprise the Borrower of the actions the Borrower must take with respect to its mortgage, status of any loss mitigation application, circumstances under which property would be referred to foreclosure, or applicable loss mitigation deadlines in careless disregard of any of the loss mitigation procedures under Regulation X, 12 CFR §1024.41.

Furthermore, once a loan is placed in RCV1, there is no oversight or servicing of the loan.

The Recovery Department within Chase itself has explicitly stated that Defendants do not provide any loan modification programs to loans contained in RCV1. Chase habitually "writes off" these problematic mortgage loans, avoiding costs inherent in servicing such as pre-foreclosure loss mitigation processes, foreclosure proceedings, and related property costs associated with acquisition of title. These illegitimate practices allow Defendants to use RCV1 as a back door to continue generating revenue on the debt.

Unbeknownst to Plaintiffs and regulatory agencies, Chase has systematically used RCV1 to park flagged loans inactivated in the MSP, VLS, and other customary SOR to (1) eschew Regulatory requirements while publicly assuring compliance, (2) earn credits and insurance on the charge-offs, (3) continue collection, and (4) sell-off these problematic loans to unsuspecting investors to maximize profit and side-step liability, all with the end goal of maximizing profit.

The Federal Housing Administration (FHA) found that between 2002 through February 2014, Chase concealed from FHA that the loans in RCV1 did not meet underwriting requirements for federally related mortgages. Chase stopped self-reporting on such FHA-insured loans to the U.S. Department of Housing and Urban Development (HUD). Chase then made insurance claims on those defaulted loans. That sole misconduct has been settled.[3] However, since Defendants regularly take steps to flag problematic loans in default to be inactivated in regulated SOR such as MSP and VLS, and thereafter park those same loans in the RCV1 repository for further revenue

[3] Kimberly Randall, Joint Civil Fraud Division, GAW *Final Civil Action Memorandum No: 2014-CF-1807*
See also, U.S. v JPMorgan, Dist. Court, SD New York 13 Civ. 0220, Stipulation and Order of Settlement and Dismissal Feb 4, 2014 *available at* https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20%20v%2C%20%20JPMorgan%2013%20Civ%20%200220%20--%20Executed%20Stipulation%20of%20Settlement%20and%20Judgment.pdf

generation without regulated action, the defaulted FHA loans were or are likely still in RCV1.

Specifics of Defendants' RICO Scheme and Conduct

Since at least 2000, Defendants evaded their legal obligations and liabilities with respect to the proper servicing of federally related mortgages, causing Plaintiffs damage. Defendants' misconduct originated from their scheme to violate:

- The Real Estate Settlement Procedures Act (RESPA);
- The Truth in Lending Act (TILA);
- The Fair-Trade Commission Act (FTC);
- The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank);
- The Equal Credit Opportunity Act; and
- The Fair Housing Act.

Defendants' unsafe and unsound practices related to mortgage servicing have been the focus of several consent orders issued by its "Prudential Regulators," including:

- the Comptroller of the Currency (OCC);
- the Board of Governors of the Federal Reserve Board (FRB);
- the Federal Deposit Insurance Corporation (FDIC);
- the Securities and Exchange Commission (SEC); and
- the Consumer Financial Protection Bureau (CFPB).

Under the Real Estate Settlement Procedures Act, 12 U.S.C. Sec 2610, et seq. ("RESPA" or "Regulation X"), "federally related mortgage loans" are subject to federal and state scrutiny. These loans are defined as loans secured by a first or subordinate lien on a residential property. Thus, any loans whose liens have been released would no longer be defined as a "federally related mortgage loan", nor be subject to federal or state scrutiny. This was a vehicle used to advance the Defendants' scheme to avoid servicing standards and requirements for federally related mortgage loans by releasing the liens for loans in RCV1.

After years of federal scrutiny and concomitant lawsuits condemning the unfair mortgage practices of various national banks including Defendants, the United States Department of Justice ("DOJ") and state governments entered into certain consent orders, settlements and agreements with Defendants, including but not limited to the National Mortgage Settlement Agreement ("NMSA") in 2012 and the Residential Mortgage Backed Security Settlement ("RMBS") in 2013 (the "Lender Settlements").

As part of their continued misconduct to evade scrutiny of their illegal mortgage practices beginning in at least 2000, Defendants sought to hide their defective mortgage loans from state and federal agencies by charging them off and transferring them to a hidden set of records (RCV1) and then offloading them on Plaintiffs and other unwitting investors beginning in 2005 and continuing through at least 2009.

After the Schneider Entities acquired mortgage loans from Defendants, during the period 2011 through 2016, Defendants deliberately released thousands of liens related to RCV1 loans, including RCV1 loans sold to others, to avoid detection of their non-compliance with the Lender Settlements and to make the releases available for Lender Settlements' Consumer Credit. These lien releases caused harm to the Plaintiffs and to numerous other note sale investors.

Scheme to Sell Illegally Non-Serviced Loans to Plaintiffs and Others

Though Defendants had regularly rid themselves of loans from RCV1 since 2000, Defendants' need to shed the loans in the RCV1 became more pronounced after JPMC acquired

EMC Mortgage Corporation and Bear Stearns Companies LLC (collectively, "EMC") and WAMU- Henderson in 2008. In September 2008, the Federal Trade Commission (FTC) filed a complaint against EMC asserting improper residential lending and loan servicing practices. To settle the charges, EMC ultimately agreed to pay $28 million, abide by servicing and foreclosure standards, and establish and maintain a comprehensive data integrity program. Though the FTC's complaint stated that the alleged activities predated JPMC's acquisition of EMC, JPMC realized that it had been, and was still, engaging in similar large scale mishandling of its own mortgage loans and was therefore exposed to significant potential liability. [4]

Similarly, in September 2008, Chase Bank entered into an agreement with the FDIC as receiver for WAMU-Henderson. Chase Bank made a number of representations in its agreement with the Federal Deposit Insurance Corporation (FDIC), including that Chase Bank and its subsidiaries were in compliance with all applicable federal, state and local laws. However, at the time of execution and delivery of the agreement, Chase owned thousands of loans with respect to which, through its improper servicing and other misconduct relating to the RCV1, it was in violation of many federal and state laws. These circumstances created a further motive for Chase Bank to participate in the scheme to transfer thousands of noncompliant loans to Plaintiffs and others.[5]

2008 and 2009 Legislation Compounds Chase's Problems; HAMP and MHA

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[4] https://www.ftc.gov/news-events/press-releases/2008/09/bear-stearns-and-emc-mortgage-pay-28-million-settle-ftc-charges

[5] https://www.fdic.gov/about/freedom/Washington_Mutual_P_and_A.pdf

Moreover, Chase has sought to, and still seeks to, benefit from incentive payments that were made available through the Making Home Affordable (MHA) Program and Home Affordable Modification Program (HAMP). However, MHA and HAMP contain strict guidelines, which Chase could not and does not satisfy, in light of its servicing failures hidden in RCV1. The passage of additional legislation and adoption of regulations by the federal government between September 2008 and March 2009 further spurred the need for Defendants to quickly "dump" their problem loans, which, in addition to creating liability, would also have prevented Defendants from qualifying for incentive payments through the federal loan modification programs.

Defendants' First Step To Effectuate Its RICO SCHEME: The MLPA

Thus, Defendants formulated a plan to hide its unserviced loans by transferring them to Plaintiffs. To effectuate this plan, JPMC coordinated the pattern of misconduct in its capacity as the holding company of which Chase Bank and Chase Home Finance are a part. The first part of Defendants' plan involved the execution of the Mortgage Loan Purchase Agreement ("MLPA"), through which Defendants sought to dump a large pool of Defendants' most problematic loans on Plaintiff MRS. Using interstate mail and wires, JPMorgan and Chase Bank, through Chase Home Finance, proceeded to make numerous fraudulent misrepresentations to induce MRS to sign the MLPA. This included the fraudulent representation that all of the loans were in compliance with all applicable federal, state and local laws—a misrepresentation that was knowingly false, as the non-compliance of those loans was particularly what incentivized Chase to enter into the MLPA in the first instance. Defendants also fraudulently represented that the loans being sold were first lien mortgages and defined the loans as such, when, in fact, the loan pool included, *inter alia*, deficiency judgments.

Plaintiff MRS purchased loans from Chase pursuant to the MLPA that were actually Chase's most problematic loans and mostly housed in the RCV1 repository. In March 2009, bare notes and deeds, without the promised required loan files documenting servicing and borrower information, were simply shipped to Plaintiffs as the "loan files". Plaintiffs also received loans for which no notes, deeds or loan files were provided at all. Nevertheless, Defendants kept promising that the complete loan files were forthcoming, with no intent of ever providing them. Without the necessary documentation, it was difficult or impossible for Plaintiffs to service and collect on the loans. And despite herculean efforts, most often Plaintiffs could not locate the necessary information to service and collect on the loans.

Defendants' plan to entice MRS, an existing and approved, but unsuspecting note sale buyer, to purchase these toxic loans is in plain view in various recently produced email exchanges discussing Defendants' fraudulent scheme to dump non-serviced loans with inadequate documentation on Plaintiffs from October 2008 through February 2009.

In an email exchange of November 5, 2008 between Eddie Guerrero, Real Estate Recovery Supervisor at Chase, and Plaintiffs in connection with the offer to sell a portfolio of loans, Guerrerro provided a list of the first liens purportedly included in the sale. Guerrero promised that he could help out on the borrower names and addresses where the accounts were missing the information and Plaintiffs could take a look and go from there. This list of over 6,000 loans sought to entice Plaintiffs to purchase the loans. What Guerrero and Chase knew but concealed from Plaintiffs at that time was that Plaintiffs were not being offered first mortgage loans, but rather deficiency judgments or second liens not kept in the usual and customary regulated SOR. In contravention of past usual and customary business practices between Defendants and Plaintiffs, Plaintiffs were not permitted to choose individual loans from amongst the lists provided, but rather received bulk loans which were a “dump” of liabilities that Chase had already decided to “walk” away from.

At first, Defendants claimed that Plaintiffs were bidding with other investors for the purportedly desirable mortgage loans. However, Plaintiffs later learned that there were no other bidders, and that in fact, Plaintiffs were a single investor targeted by Defendants as part of their scheme to off load problematic loans and avoid detection by federal regulators of the non-compliant, non-serviced loans.

Defendants used the NMSA to Defraud Plaintiffs

Defendants’ scheme reached another level of wrongful profit maximization after the execution of the MLPA. Following the sale of loans to the Schneider Entities, Defendants took various actions with respect to those loans that they had no right to take and that caused significant injury to the Schneider Entities. For example, Defendants: (1) released liens and sent loan forgiveness letters to Borrowers whose loans were previously sold to the Schneider Entities; (2) approved short sales on properties subject to loans that were previously sold to the Schneider Entities; (3) wrongfully directed enforcement agencies, who were seeking to investigate complaints by homeowners regarding Defendants’ violations of servicing and other obligations, to the Schneider Entities as the responsible party; (4) sent written correspondence to borrowers of loans sold to the Schneider Entities, in which Defendants falsely represented that Defendants owned the loan at issue and/or Defendants' collection agency was the authorized servicer for the loans at issue; (5) contacted borrowers and falsely conveyed that Defendants had reacquired their loans, and that the borrowers should make payments to Defendants; and (6) failed to maintain and provide proper records for loans sold to the Schneider Entities, thereby impeding the Schneider Entities' ability to respond to borrower inquiries about such loans.

As early as 2008, Defendants' knew the public was becoming more aware of its the scope of its improper actions. Ultimately, in 2012, public pressure prompted the federal government and many states to bring a complaint against JPMC and Chase Bank, as well as other banks responsible for fraudulent and unfair mortgage practices that cost consumers, the federal government, and the states tens of billions of dollars. The complaint alleged that JPM and Chase Bank, as well as other financial institutions, engaged in improper practices related to mortgage origination, mortgage servicing, and foreclosures, including, but not limited to, irresponsible and inadequate oversight of the banks' quality control standards. Unfortunately, the complaint failed to note, and the government appeared unaware of, Defendants' deeper institutional directives designed to hide their improprieties (such as the establishment of the RCV1 and its true purpose).

The filing of this complaint led to the NMSA being entered into between the United States and Defendants in 2012.[6] The operative document of this agreement was the Consent Judgment (one of the "Lender Settlements"). The Consent Judgment contains, among other things, Consumer Relief provisions that required JPMC and Chase Bank to provide over $4 billion in relief to their borrowers, including through loan forgiveness and refinancing. Under the Consent Judgment,

[6] The JPMC NMSA Consent Judgment is available at *:www.nationalmortgagesettlement.com*

Chase would receive "credits" towards its Consumer Relief obligations by forgiving or modifying loans it owned in accordance with the procedures and requirements contained in Exhibits D and D-1 of the Consent Judgment. In addition, under the Consent Judgment, Defendants were required to adhere to servicing standards for their mortgage loans through mandatory compliance with the Treasury Directives under the MHA Handbook.

The NMSA created a position of "independent" Monitor to ensure Defendants fulfilled their consumer relief obligations. The parties to the Settlement agreed that Joseph A. Smith, Jr. would serve as Monitor along with various Professional law firms, accountants and other entities selected by him. The Monitor selected BDO Consulting, a division of BDO USA, LLP ("BDO"); Grant Thornton LLP;,the law firms Poyner Spruill LLP and Smith Moore Leatherwood, LLP; the accounting firm Cherry, Bekaert & Holland; the forensic accounting firm Parkside Associates, LLC; and the communications firm Capstrat. The Monitor also created the Office of Mortgage Settlement Oversight, Inc. ("OMSO"), as administrative support to handle tasks such as accepting payment of money and the maintenance of books and records.

In mid-2012, in anticipation of the signing of the NMSA, Defendants began a wholesale release of thousands of liens which had been housed in RCV1, with reckless disregard of Plaintiffs' and other investors' ownership of the liens and the intent of the Lender Settlements, which was to assist low income borrowers to remain in their homes by offering to modify the terms of their mortgages and to prevent community blight .This effort, which has continued at least through the cut-off date for seeking credit under the RMBS Settlement of December 31, 2016, was a deliberate scheme to evade scrutiny, penalties and other obligations under the Lender Settlements, and seek improper credits. Defendants compounded their wrongdoing by continuing to wrongfully collect on the released liens.

Continuation of the Scheme: Defendants also Used the RMBS to Defraud Plaintiffs

On November 19, 2013, the federal government, a number of other governments and agencies of government and JPMC entered into five agreements with JPMC to settle federal and state civil claims arising out of the packaging, marketing, sale and issuance of residential mortgage backed securities by Chase, The Bear Stearns Companies, Inc. and WAMU prior to January 1, 2009. As part of the RMBS settlement, JPMC acknowledged it made serious misrepresentations to the public about numerous RMBS transactions.[7]

Under the RMBS settlement, Chase was required, among other things, to pay $9 billion to the government entities and provide $4 billion in consumer relief to remediate harms resulting from the unlawful conduct. Once again, the RMBS Settlement created a position in which an "independent" Monitor to ensure Defendants satisfied their consumer relief obligations. The parties to the Settlement agreed that Joseph A. Smith, Jr. would once again serve as Monitor. To assist in his work, the Monitor continued his retention of BDO, Poyner Spruill and Smith Moore Leatherwood as Professionals. In the Monitor's Initial Report, the Monitor claimed that none of these Professionals had meaningful conflicts that would interfere with the integrity of the work.

Under the Lender Settlements, Defendants were obligated to take steps to deter community blight caused by massive numbers of foreclosures on defaulted mortgages that Defendants held. To evade these obligations, Defendants implemented the "Alternative Foreclosure Program,"

[7] JPMC RMBS Settlement *available at* https://www.justice.gov/iso/opa/resources/69520131119191246941958.pdf

through which Defendants essentially released liens without disclosure to borrowers or municipalities in order to walk away from Defendants' obligations to deter community blight. These releases, which were done with the knowledge of executives as high up at Chase as Jamie Dimon were done slowly so as to avoid municipality detection. The released liens included liens on properties that served as collateral for loans Defendants had already sold to the Schneider Entities. The lien releases remain ongoing, and damaged the Schneider Entities, despite the Schneider Entities' repeated written notices to Chase that those releases are improper and to cease and desist these deceptive actions.

The lien releases include releases with respect to loans in the RCV1 whose servicing violations have been concealed from the Monitor. Some of the loans in the RCV1 have been transferred to MRS, without MRS's knowledge, to further the Defendants' goal of concealment of their violations. These transfers were used by Defendants, upon information and belief, to facilitate the issuance of lien releases designed to improperly take advantage of credits for RMBS Consumer Relief (while also exacerbating their evasion of community blight deterrence obligations). As noted above, some scores of the lien releases were on properties associated with loans sold to the Schneider Entities.

When Plaintiffs became aware of the scope of Defendants' misconduct, Plaintiffs took steps to assert their rights. One such action was Plaintiff's principal, Laurence Schneider, filing a federal False Claims Act complaint (the "FCA Complaint") as relator against Defendants. The FCA Complaint was partially unsealed on or about November 1, 2013, and likely became known to Defendants on or about that date, if not before.

To further evade their responsibilities under the Lender Settlements, Defendants put to use a pre-existing process that they referred to internally as the "Pre-DOJ Lien Release Project." This process had been developed to release liens on loans in the RCVI and aid the Defendants in circumventing their obligations under the various Lender Settlements. The Pre-DOJ Lien Release Project was implemented in the fall of 2012, after the execution and implementation of the Consent Judgment, yet was falsely designated as the "Pre-DOJ Lien Release Project." A number of actions under the Pre-DOJ Lien Release Project intentionally or recklessly damaged Plaintiffs.

These activities interfered with the Schneider Entities' rights to monies and properties to which Plaintiffs were entitled and materially interfered with relationships with its borrowers. They further wrongfully entangle the Schneider Entities in JPMC's efforts to claim unfair RMBS Consumer Relief credits. In addition, these actions expose the Schneider Entities to liability to borrowers whose liens Defendants may have released. However, because of Defendants' use of MRS as a repository to "dump" loans from the RCV1 queue of which the Monitor became fully aware, MRS is unable to presently determine the scope of liability it may be incurring to borrowers and municipalities.

Despite Defendants' efforts at secrecy, certain municipalities learned of the unfair lien releases and filed complaints against Defendants. These complaints came to the attention of the Monitor and his Professionals but were ignored. For example, by letter dated July 9, 2014, The City of Milwaukee, wrote Joseph A. Smith, Jr., Monitor, Office of Mortgage Oversight of their concern that:

> *"Thousands of homeowners are finding themselves legally liable for houses they didn't know they still owned after banks decided it wasn't worth their while to complete*

foreclosures on them [emphasis theirs]. With impunity, banks have been walking away from foreclosures much the way some homeowners walked away from their mortgages when the housing market first crashed."

"According to the February 26, 2014 Consent Judgment in *Consumer Financial Protection Bureau, et. al. v. Ocwen Financial Corporation and Ocwen Loan Servicing, LLC* (U.S. District Court, District of Columbia), 2013-CV-2025, Exhibit A, Section VIII-A, Measures to Deter Community Blight, Subsection 4b, requires Servicers who make 'a determination not to pursue foreclosure action on a property with respect to a first lien mortgage loan . . .' to '[n]otify local authorities, such as tax authorities, courts, or code enforcement departments, when Servicer decides to release the lien and not pursue foreclosure."

This was clearly not done. The Monitor has admitted to Plaintiffs that the Monitor's Office did nothing in terms of trying to relieve the concerns of cities like Milwaukee, Wisconsin.

b. List other wrongdoers, other than the named defendants, and describe the alleged misconduct of each wrongdoer.

The following is a partial list of wrongdoers, other than the named Defendants, whose acts intentionally facilitated the racketeering activity that Defendants perpetrated:

- Joseph A. Smith, Jr., Monitor under the NMS and RMBS Settlements;
- Professionals hired by the Monitor, including his own law firm, Poyner Spruill, LLP, Smith Moore Leatherwood LLP, BDO USA, Grant Thornton LLP, and others (the "Professionals");
- Other Servicers participating in the NMS and/or RMBS Settlements;
- Nationwide Title Clearing (NTC); and
- Third Party Collection Agencies.

After entering into the Lender Settlements, Defendants, with the knowledge and approval of the Monitor and Professionals who were supposed to oversee compliance with the Settlements, avoided complying with the servicing and consumer relief requirements by, *inter alia*, releasing thousands of non-compliant, non-serviced loans in the RCV1 database, thereby evading the required scrutiny and testing metrics of the Settlements. In addition, these fraudulent releases of non-compliant loans did not qualify for the credits under the Settlement because they had not been properly serviced, Defendants did not own the loans, or the releases were an improper effort to evade liability for urban blight.

Under the Lender Settlements, the Monitor, with the support of his Professionals, had the responsibility to ensure that Defendants were in compliance with the Servicing Standards and had properly satisfied the consumer relief requirements. Nevertheless, the Monitor and his Professionals knowingly assisted Defendants in avoiding compliance with the letter and intent of the Settlements.

In anticipation of the NMSA, Defendants determined in 2012 that RCV1 must be excluded from internal review and DOJ testing because Defendants knew they had not been serviced properly. Defendants began releasing RCV1 liens to avoid compliance with the servicing and consumer relief requirements of the NMSA and to obtain credit thereunder.

In 2012, the Monitor learned of the existence of RCV1, which had been excluded from compliance servicing requirements under federal law and Settlement requirements. In December 2013 (and perhaps earlier), the Monitor had in fact found RCV1 loans had failed metrics testing and advised Defendants that the loans should be subject to NMSA testing. Yet, in direct violation of his duty to enforce the terms of the Settlement and with knowledge that RCV1 loans were not and could not be compliant with servicing standards under the NMSA, Defendants and the Monitor discussed how the RCV1 loan population could be excluded from the Monitor's official review. The Monitor advised Defendants by email dated January 31, 2014 that he agreed with Defendants' argument that the RCV1 loans could be excluded from the definition of federally related loans under RESPA or Regulation X, and thus excluded from testing under the NMSA, as long as Defendants first released the first and second liens on the subject properties.

This agreement to exclude RCV1 loans from metrics testing or further scrutiny aided and abetted Defendants' continued course of misconduct of releasing RCV1 liens on non-serviced, non-performing loans for which Defendants could seek credit and yet continue collection efforts. The Monitor's agreement undercut many purposes of the Settlement, such as ensuring pre-release loan modification efforts to enable borrowers to stay in their homes, forgiving debt for struggling borrowers and promoting anti-blight efforts.

There was further deliberate non-compliance and lack of independence in enforcing the Settlements on the part of the Monitor. Under the 2012 NMSA, the Monitor was assigned to evaluate all Servicers for a period of up to three and a half years to supervise compliance with the Settlement. In the Settlement Section E at E-3, and to maintain independence and avoid the appearance of a conflict of interest, the Monitor was not to be retained by any Party or its successors or assigns for a period of two years after the conclusion of the terms of the engagement. Nevertheless, the 2013 RMBS settlement appointed the very same Monitor who had allowed Defendants to evade their obligation under the NMS Settlement to evaluate whether the Servicers met the terms of the RMBS Settlement.

The specific facts relating to the Monitor's and Professionals' knowing involvement in the scheme include the following:

- The Monitor received at least $1 Million for monitoring compliance with the NMSA;
- The Monitor received $200,000 per year for monitoring compliance with the RMBS;
- The Monitor's law firm, Poyner Spruill, and Smith Moore Leatherwood were compensated to help the Monitor "interpret" the Settlement documents and "implement" the Settlements;

- The Monitor and the Professionals attended cross-servicer Lender Settlement sessions to establish uniform rules of performance and measurement for all servicers;
- The Monitor and Professionals reviewed Chase's systems of record, including RCV1, and met with Chase management and IT regarding the same;
- The Monitor relied on whatever follow up information Chase provided without independent verification of the integrity of the systems of record;
- The Monitor was aware that at least one of his Professionals, Grant Thornton, had determined that RCV1 loans were not to be included in populations for metrics testing so long as the liens on the loans were released prior to testing;
- The Monitor and his Professionals knew that management, not the Monitor, determined the population of loans to which metrics testing applied;
- The Monitor never reported to the Court that the RCV1 loan population had been excluded from metrics testing;
- The Monitor never analyzed the effect of Chase's lien releases on municipalities or community blight and never tested for compliance with the anti-blight requirements;
- The Monitor never notified government regulators that RCV1 loans were not being serviced;
- The Monitor, rather than doing an independent investigation, relied on Chase employees to verify that a valid lien had been released from RCV1 in order to qualify for credit under the Lender Settlements; and
- The Monitor never received a list of loans Chase took credit on to determine if the credits were proper under the Settlements.

This intentional dereliction of duty under the Settlements by the Monitor and Professionals aided and abetted Defendants' continued course of misconduct of releasing liens throughout the country on loans hidden in RCV1, successfully helping Defendants avoid metric testing yet potentially allowing them to seek credit under the Lender Settlements. The Monitor's and his Professionals' acquiescence to Chase's intentional acts also undercut the purposes of the Lender Settlements, such as providing troubled borrowers with loan modification efforts to enable borrowers to stay in their homes, debt forgiveness for struggling borrowers and community anti-blight efforts. The Monitor's acquiescence to Chase's intentional acts assisted Chase's scheme from at least September 2013 through December 2016 of utilizing the RCV1 system to hide problematic loans, manipulate compliance, and seek credits under the Lender Settlements to which

Defendants were not entitled by releasing and collecting on liens sold to Plaintiffs and no longer owned by Defendants.

These purported watchdogs of the Lender Settlements also attended joint meetings with the banks participating in the Lender Settlements (Chase, Citibank, GMAC, Bank of America and Wells Fargo). This compounded the potential for wrongdoing and violated their duty of independence by participating in "cross servicer discussions" to discuss "alignment" regarding what the banks, and not the Monitor, would consider compliance with the Settlements. This included whether each bank would release liens on all of their charged off second lien portfolio, whether they would forgive debt at the time of a lien release or continue collecting on the loan, and the procedures for lien releasing first mortgages on abandoned low value blighted properties. Allowing the banks to determine what was compliance under the Lender Settlements was in derogation of the duty of the Monitor and the Professionals to maintain their independence. The Monitor and his Professionals provided illusory insurance of compliance with the Lender Settlements: in reality, they were in the pockets of all of these banks since their compensation was solely provided by the parties they were supposed to be watching.

Other knowing participants in the conspiracy include third party title clearing agencies, such as Nationwide Title Clearing Company (NTC), Pierson Patterson, and LCS Financial Services, who were directed by Defendants to prepare and then file fraudulent lien releases and other documents affecting interests in property. Either these entities were hired to verify liens and successively failed to properly validate the liens before creating documents and lien releases containing false information, or these entities were directed by Chase to create the documents with the information provided by Defendants. In either case, these title clearing agencies which recorded fraudulent releases of liens and related documents in the public record, had an independent and separate duty from Defendants to file, under various state laws, all relevant documents only after a good faith proper validation of the liens. Instead, these entities deliberately violated their duty of care by knowingly or recklessly filing false lien releases and false documents on properties not owned by Defendants.

In many states, the act of creating these documents is considered the unauthorized practice of law. In Florida, where NTC is organized, there is a small exception for title companies who are only permitted to prepare documents and perform other necessary acts affecting the legal title of property where the property in question is to be insured, to fulfill a condition for issuance of a title policy or title insurance commitment by the Insurer, or if a separate charge was made for such services apart from the insurance premium of the Insurer.

In Georgia, the preparation of legal instruments where a legal right is secured is also the practice of law. In Illinois, only a mortgage lender itself may prepare mortgage documents for use in its own business. In Maryland, the practice of law includes preparing an instrument that affects title to real estate. In Ohio, neither a bank nor a lending institution may rely on a third-party document preparer that has no direct or primary interest in the transaction to prepare a mortgage instrument for its use, and that preparation constitutes the unauthorized practice of law.

Chase used Real Time Resolutions, GC Services, and Five Lakes Agency, among other collection agencies, to maximize its own back door revenues on loans that were problematic and had been inactivated/“charged off” and thereby were invisible to regulatory agencies. Defendants directed the collection of revenue on problematic federal mortgage loans, placing them in succession at third party collection agencies. The third-party collection agencies also had a duty to verify whether the debts were owned by Chase, offer pre-foreclosure loss mitigation, offer Borrowers foreclosure alternatives, and comply with any of HUD's quality control directives and knowingly or recklessly failed to do so. The third-party collectors knew that the debts they were collecting at Defendants' directions were mortgage loans. They also knew they did not have the mechanisms to provide any regulatory servicing. Nonetheless, the third-party collection agencies continued collection on behalf of Chase for RCV1 loans. The collection agencies continued to collect without oversight or verification and did in fact continue collecting on debt on behalf of Defendants, despite the mortgage loans being owned by the Schneider Entities. The collection gave Chase continued windfalls.

c. List the victims and state how each victim was injured.

The known victims are the three Schneider Entities: MRS, 1st Fidelity, and S&A, as well as other note sale investors who purchased loans from Chase and whose liens were improperly released, including B&B Funding, Ginsburg Family Trust, Mortgage First LLC, West Coast Capital and Secured Equity Financial. In addition, consumer borrowers and blighted communities were injured by not receiving the relief to which they were entitled under the Lender Settlements. The FDIC has been injured in that it paid claims to Chase on loans that were subsequently housed, collected upon, sold, and then released. The FHA was injured in that loans on which Chase made claims, loans for which the FHA settled with Chase were likely housed in RCV1 as debt for further collection. The AGs and federal government were injured in that the consumer relief and protection they sought along with the failure of the rectification of behavior which has not been remedied at all, but continues, through Chase's scheme.

Injuries Specific to Plaintiffs

Starting in 2005, Plaintiffs acquired defaulted residential mortgage loans from Defendants. The Plaintiffs would then work out payment plans with the borrowers of those loans. By working directly with homeowners, the Plaintiffs are able to increase the value of the loans above their purchase price and provide avenues for borrowers to stay in their homes and rebuild their credit.

MRS was injured by Defendants' fraud and misconduct relating to the pool of mortgage loans that MRS acquired through the MLPA. MRS was victimized by Defendants' scheme to unload thousands of residential mortgage loans for which they had abandoned servicing standards and other legal obligations. By fraudulently misrepresenting the nature and legal propriety of the loans, and then saddling MRS with the law-violating loans, Defendants have jeopardized MRS's relationships with the borrowers, undermined its business models, and eroded MRS's ability to collect on the loans it had purchased.

In addition, Plaintiffs have been injured by Defendants' subsequent and ongoing post-MLPA fraud and misconduct in relation to the loans Defendants sold to the Schneider Entities, including the following acts:

- Defendants have continued to approve short sales on properties subject to loans that Chase Home had previously sold to one or more of the Schneider Entities.
- Defendants have wrongfully directed enforcement agencies seeking to investigate complaints by homeowners regarding Defendants' violations of servicing and other obligations to the Schneider Entities as the responsible party. This has forced and continues to force the Schneider Entities to incur significant expenses in dealing with the

governmental entities and, more significantly, potentially exposes the Schneider Entities to damages for Defendants' violations of laws.

- Defendants and collection agencies working on Defendants' behalf have sent written correspondence to borrowers of loans sold to the Schneider Entities misrepresenting that Chase or the collection agency owned the loan at issue and/or was the authorized servicer for the loans at issue.

- Defendants have misrepresented to borrowers that Chase had reacquired their loans, and that the borrowers should make payments to Chase.

- Defendants falsely represented to certain borrowers that their loans had been transferred to one of the Schneider Entities when, in fact, the Schneider Entities never acquired the loans at issue. Such false statements have led to significant damages to and potential liability for the Schneider Entities, including prompting complaints to be filed with various state and federal agencies and impeding the ability of the Schneider Entities to generate new business.

- The deficient records maintained and provided by Defendants have impeded the Schneider Entities' ability to respond to borrower inquiries about loan balances, payment histories and other information relating to their loans.

- Between September 2012 and, upon information and belief, through 2016, Defendants mailed debt Forgiveness Letters to thousands of defaulted borrowers whose loans were in the RCV1 queue, including borrowers whose loans Chase had previously sold to one or more of the Schneider Entities. As a result, a number of borrowers informed the Schneider Entities that they would no longer be making payments on their mortgages.

- Defendants have engaged in a practice of wrongfully releasing and discharging liens on properties that served as collateral for loans sold to the Schneider Entities. The scores of lien releases are ongoing, and targeted at the Schneider Entities, despite the Schneider Entities' repeated written notices to Chase that those releases are improper.

In addition to the specific harm to the Plaintiffs described above, Defendants' post-sale misconduct also has caused grave injury to the Plaintiffs' business relationships and reputation. The Plaintiffs' business model relies on good will between borrowers and the Plaintiffs. Defendants' misconduct has entangled the Plaintiffs in Defendants' ongoing disputes with borrowers and governmental agencies, with whom the Plaintiffs previously enjoyed positive working relationships. Defendants' misconduct has harmed the Plaintiffs' reputation by effectively portraying the Plaintiffs as predatory businesses attempting to collect payments on loans that had been forgiven or released, when, to the contrary, the Plaintiffs only took action to which they were legally entitled as the rightful owners of the loans at issue. As a result of Defendants' fraud and misconduct, the Plaintiffs have suffered significant losses and remain mired in legal disputes.

d. Describe in detail the pattern of racketeering activity or collection of unlawful debts for each RICO claim. The description of the pattern of racketeering shall:

(1) List the predicate acts and the specific statutes which were violated;

The predicate acts for Plaintiffs' RICO claims include mail fraud in violation of 18 U.S.C. § 1341 and wire fraud in violation of 18 U.S.C. § 1343, and conversion, including the specific examples listed below. In addition, the acts to corrupt Defendants' compliance with the Lender Settlements represent violations of 18 U.S.C. § 1503.

(2) State the dates of the participants' involvement in the predicate acts, and the facts surrounding the predicate acts;

Defendants' continued violations of servicing standards since 2000 and the Lender Settlements through 2016 stem from Defendants' use of the RCV1 for defaulted mortgage loans that it deemed not to be profitable enough to foreclose. RCV1 is a "no man's land" where mortgage loans and associated borrowers are intentionally mishandled in such a manner that compliance with regulatory requirements becomes impossible. In an effort to evade liability for its violations relating to RCV1, Defendants sought to conceal their systematic misconduct by passing those loans on to others, including the Plaintiffs.

To this end, using interstate mail and wires, Defendants proceeded to make numerous fraudulent misrepresentations, including the misrepresentation that all of the loans Plaintiffs were acquiring were first lien mortgages and were in compliance with all applicable federal, state and local laws. This was a knowingly false representation, as the non-compliance of those loans was particularly what incentivized Chase to lure Plaintiff into entering into the MLPA in the first instance.

The predicate acts did not cease with the execution, delivery and breach of the MLPA. Defendants sought to avoid their obligations to deter community blight and comply with various servicing and reporting obligations under the Lender Settlements by simply filing satisfactions of mortgages on subject properties, without any notice to interested parties, even though many of the mortgages were held by the Plaintiffs. Defendants then walked away from their responsibilities under the Lender Settlements, saddling actual holders of the mortgages, including the Plaintiffs, with the consequences of those actions. Defendants utilized interstate mail and wires to effectuate these lien releases, and many of the lien releases were fraudulent because Defendants had already sold the loans to the Plaintiffs and had no right to release liens on the properties at issue. The purposeful undermining of obligations under the Lender Settlements was effectuated by a series of acts by Defendants, each of which "corruptly influences, obstructs, or impedes, or endeavors to influence, obstruct, or impede, the due administration of justice." 18 U.S.C. § 1503.

In addition, in an improper attempt to gain benefits to which Defendants were not entitled under the Lender Settlements, Defendants mailed Forgiveness Letters to thousands of defaulted borrowers, including those whose loans Defendants had previously sold to the Plaintiffs and continued to collect on loans sold to Plaintiffs and loans for which Defendants sought credit under the Lender Settlements.

(3) If the RICO claim is based on the predicate offenses of wire fraud, mail fraud, or fraud in the sale of securities, the "circumstances constituting fraud or mistake shall be stated with particularity." Fed. R. Civ. P. 9(b). Identify the nature, time, place and contents of misrepresentations, and the identity of persons to whom and by whom the alleged misrepresentations were made; it must be clear why the plaintiff claims the acts to constitute fraud or misrepresentations;

The predicate acts include Defendants' use of interstate mail and wires to make myriad fraudulent misrepresentations, including, but not limited to, the following:

- Defendants' representative Eddie Guerrero's misrepresentation to Plaintiffs in 2008 that the loans MRS would be acquiring were "closed end first lien residential mortgage loans" from which Defendants had decided to "walk away" based on a financial cost- benefit analysis (i.e., the value of the loans was below the costs associated with foreclosing on the loans), when in fact (a) Defendants were really seeking to transfer liabilities associated with these loans to an unsuspecting acquirer, and (b) Defendants actually intended to, and did, transfer deficiency claims, not first lien mortgages;
- Defendants' description of the November 2008 Data Tape, Defendants sent to and discussed with Plaintiffs in and around November 2008, as consisting of "first lien mortgages," when in fact the tape lacked sufficient information to accurately make that assertion and – based upon subsequent, painstaking inquiry by Plaintiffs – most of the loans on the tape turned out to be deficiency claims, not first lien mortgages;
- Defendants' delivery of the "Corrupted List" to Plaintiffs in February 2009, which Defendants depicted as an updated schedule of the loans MRS was acquiring, but in fact

was materially incomplete, and was designed to lure Plaintiffs into falsely believing that Defendants had transferred the first lien mortgages to which MRS was entitled under the MLPA;

- Defendants' claims in and around March of 2009 that the reason why the November 2008 and Corrupted List were deficient was related to logistical delays associated with converting information from Washington Mutual's system, when in fact the informational failures resulted from Defendants' abandonment of all servicing obligations with respect to those and other loans in the RCV1 queue;
- Defendants' presentations, including in the MLPA, that the mortgage loans being acquired by MRS were in compliance with all federal, state and local laws, when in fact Defendants had abandoned all of its servicing obligations with respect to those loans;
- Defendants' December 2009 e-mail to MRS, which purported to include an additional 850 loans in the portfolio that had been sold to MRS, when in fact Defendants were referencing loans that were not included on the November 2008 data tape for which Defendants were seeking to transfer liability to MRS;
- Defendants' September 2012 mailing of debt Forgiveness Letters to thousands of defaulted borrowers whose loans were in the RCV1 queue, which falsely represented to the recipients that Chase was cancelling the amount owed by the homeowner and that the homeowner "owe[s] nothing more on the loan and your debt will be canceled" – statements that were false at least with respect to those loans that had been transferred to the Plaintiffs, and for which Defendants were not authorized to forgive the debt;

- Defendants' communications through mail and/or wire to release liens on property associated with loans sold to the Plaintiffs (examples include: (a) Defendants' execution in October 2013, and recording in December 2013, of a release on Loan number 167446, which had been held by borrower Ray Robert Brazelle and was acquired by MRS, and (b) Defendants' execution and recording in November 2013, of a release on loan number 20040177974, held by Barbaros Ayaz and M. Ayaz, which had been sold to MRS);
- Defendants' use of wires to implement the lien releases from at least 2012 through 2016; and
- Defendants' ongoing misrepresentation in the WAMU agreement, dated September 25, 2008, transmitted or delivered by wire or mail, that Chase is not "in violation of any statute, regulation, order, decision, judgment or decree of, or any restriction imposed by, the United States of America, and State, municipality or other political subdivision or agency of any of the foregoing, or any court or other tribunal having jurisdiction over [Chase] … with respect to the conduct of the business of [Chase or the ownership of the properties of [Chase], which, either individually or in the aggregate with all other such violations, would materially and adversely affect the business, operations or condition of [Chase] or the ability of [Chase] to perform, satisfy or observe any obligation or condition under this Agreement."

(4) State whether there has been a criminal conviction for violation of the predicate acts;

Plaintiffs are not aware of any criminal conviction for violation of the predicate acts.

(5) State whether civil litigation has resulted in a judgment with regard to the predicate acts;

Plaintiffs are not aware of any civil litigation that has resulted in a judgment with regard to the predicate acts.

(6) Describe how the predicate acts form a "pattern of racketeering activity"; and

As more fully explained above, the predicate acts are part of a larger effort by Defendants to relieve themselves of their legal obligations and liabilities and to pave the way to being able to seek improper credit under the Lender Settlements, by defrauding the Schneider Entities, homeowners, municipalities and others who were to receive the benefits and relief of the Lender Settlements. The predicate acts along with use of RCV1 to hide non-compliant loans form a pattern of racketeering activity as Defendants regularly and repeatedly used interstate mails and wires, together with obstruction of justice relative to the enforcement of the Lender Settlements, to transmit fraudulent communications in furtherance of this scheme.

(7) State whether the alleged predicate acts relate to each other as part of a common plan. If so, describe in detail.

As described in further detail above, the predicate acts relate to Defendants' master plan to evade their legal obligations and liabilities with respect to mortgage servicing, off-load noncompliant loans on unsuspecting investors such as Plaintiffs, release liens in RCV1 to avoid detection, and to claim fraudulent credits and to collect on loans already released.

e. Describe in detail the alleged enterprise for each RICO claim. A description of the enterprise shall:

(1) State the names of the individuals, partnerships, corporations, associations, or other legal entities that constitute the enterprise;

The § 1962(c) enterprise is made up of each of the Defendants (JPMorgan, Chase Bank and Chase Home Finance), The Monitor, the Professionals hired by the Monitor to supervise compliance with the Lender Settlements, with the assistance of title clearing companies such as NTC and the above listed collection agencies hired by Defendants to release the liens and collect on loans already released and coordination with the other Bank Servicers who were participants in the Lender Settlements.

The § 1962(d) enterprise is made up of each of the Defendants (JPMorgan, Chase Bank and Chase Home Finance), the Monitor, the Professionals hired by the Monitor to supervise compliance with the Settlements, with the assistance of title clearing companies such as NTC and the above listed collection agencies hired by Defendants to release the liens and collect on loans already released and coordination with the other Bank Servicers who were participants in the Lender Settlements.

(2) Describe the structure, purpose, function and course of conduct of the enterprise;

The association-in-fact enterprise consists of Defendants, their debt collection agencies, title clearing companies such as NTC, the Monitor and the Monitor's professionals. The purpose and function and course of conduct is described above.

(3) State whether any defendants are employees, officers or directors of the alleged enterprise;

No Defendants are employees, officers or directors of the alleged enterprise.

(4) State whether any defendants are associated with the enterprise;

Each Defendant is associated with the enterprise.

(5) State whether you claim that the defendants are individuals or entities separate from the enterprise, or that the defendants are the enterprise itself, or members of the enterprise;

Each Defendant is a member of the enterprise, but the Defendants are not the entire enterprise themselves.

(6) If any defendants are alleged to be the enterprise itself, or members of the enterprise, explain whether such defendants are perpetrators, passive instruments, or victims of the alleged racketeering activity.

No defendant is the enterprise itself. However, each Defendant is a perpetrator of the alleged racketeering activity.

f. State and describe in detail whether you claim that the pattern of racketeering activity and the enterprise are separate or have merged into one entity.

The pattern of racketeering activity and the enterprise are separate. The racketeering activity has been conducted by employees of each of the three Defendants, Defendants' collection agencies, the Monitor, his Professionals, and the title clearing companies with coordination with the other Bank Servicers for the benefit of each of the Defendants.

Describe the relationship between the activities of the enterprise and the pattern of *racketeering activity. Discuss how the racketeering activity differs from the usual and daily activities of the enterprise, if at all.*

The enterprise was organized to enable Defendants to maximize revenue stream. In order to maximum revenue, Defendants designed a scheme in which they could abandon servicing of non-performing loans, claiming them as charged off, inactivating them in regulated systems of records, thus altering these systems, using the altered SOR to obtain rigged metrics to feign regulatory compliance; while using the same loans in a created repository to continue generating revenue, collecting on loans, off-loading loans to the Plaintiffs and others. In the enterprise's initial years, Defendants transferred to the Plaintiffs' non-performing residential mortgage loans that were no longer profitable for Defendants to hold. Defendants used the same scheme to release thousands of RCV1 liens to avoid compliance with the Lender Settlements and apply for compliance credits.

The purpose of the Enterprise is to avoid legal consequences arising from, *inter alia*, (a) the non-performance of required servicing activities for thousands of Defendants' loans in the RCV1 records system; (b) increasing legal consequences that have arisen since 2008 as a result of legislation and enforcement actions; and (c) actions to evade obligations under the Lender Settlements. Defendants' pattern of racketeering activity consisted of multiple acts of mail and wire fraud, collection of an unlawful debt, conversion and other wrongdoing over the course of several years.

g. Describe what benefits, if any, the enterprise receives from the alleged patterns of racketeering.

Defendants have benefited from their racketeering activity by avoiding the inconvenience and cost of complying with the terms of the Lender Settlements and avoiding the scrutiny, penalties and adverse impact to their reputation to which they should have been subject if the Lender Settlements had been properly complied with and enforced. Each member of the enterprise does not reap the additional revenues Chase garners but each member of the enterprise has a common interest in that they individually obtain more revenue or business accounts through the Defendants' scheme. As to the third-party collection agencies, these agencies knew that the debts they were collecting on were defaulted mortgage loans. The debt collectors did not and could not provide servicing as they possessed neither the proper licensing, software, nor data from the actual regulated SOR such as MSP and VLS. Entities such as NTC benefitted from the Enterprise in much the same way as the collection companies, by obtaining more work and thus more business for their fraudulent recordation of unvalidated lien releases.

h. Describe the effect of the activities of the enterprise on interstate or foreign commerce.

Defendants are banking and financial services companies that do business across state lines. JPMC is a multinational banking and financial services holding company that serves customers across the United States through the Defendant subsidiaries Chase Bank and Chase Home Finance. Chase Bank maintains more than 5,000 branches in 26 states, and Chase Home Finance offers mortgage-related services to customers in multiple states. Thousands of borrowers and loans across state lines are affected by the racketeering activities of Defendants. Plaintiffs MRS, 1st Fidelity and S&A are Florida-based companies that also operate across state lines, servicing loans held by borrowers in multiple states, most of which were purchased from Defendants. Borrowers are home purchasers located in multiple states whose loans were sold to Plaintiffs by Defendants. Through its operation, the enterprise has engaged in, and affected, interstate commerce by using interstate mail and wires to arrange for the sale and transfer of interstate loans, to solicit, make, and collect mortgage payments, negotiate payment terms, service loans and release mortgage liens. Defendants' interstate mail and wire fraud in conducting the affairs of the enterprise (together with Defendants' violations of 18 U.S.C. § 1503) gives rise to Plaintiffs' RICO claims under § 1962(c) and (d).

i. If the complaint alleges a violation of U.S.C. §1962(a):

a. State who received the income derived from the pattern of racketeering activity or through the collection of an unlawful debt; and

b. Describe the use or investment of such income.

The Complaint does not allege a violation of 18 U.S.C. § 1962(a).

However, Plaintiffs continue to investigate whether Defendants continued to collect on loans even after liens were released pursuant to the Lender Settlements.

j. If the complaint alleges a violation of 18 U.S.C. § 1962(b), describe in detail the acquisition or maintenance of any interest in or control of the alleged enterprise.

The Complaint does not allege a violation of 18 U.S.C. 1962(b).

k. If the complaint alleges a violation of 18 U.S.C. §1962(c):

(1) State who is employed by or associated with the enterprise; and

Each of the Defendants, the collection and title agencies that assisted in releasing the liens, the Monitor, his Professionals and other Servicers were associated with the enterprise. The employees of Defendants set forth in Section b above are some of the employees of Defendants who facilitated the racketeering activity that Defendants perpetrated.

Describe whether the same entity is both the liable "person" and the "enterprise" under § 1962(c).

The same entity is not both the liable "person" and the "enterprise" under § 1962(c). Though each of the Defendants is a member of the enterprise, the enterprise is separate and distinct from each Defendant and includes parties that are distinct from the Defendants.

(2) If the complaint alleges a violation of 18 U.S.C. § 1962(d), describe in detail the alleged conspiracy.

The Complaint does allege a violation of 18 U.S.C. § 1962(d), as detailed above.

(3) Describe the alleged injury to business or property.

The injury to business or property includes:

- Loss of benefit of the bargain under loans purchased by the Schneider Entities from Chase;
- Destruction of the Schneider Entities' successful business model, which converted non-performing loans into sustainable payment plans that provided streams of income to the Schneider Entities while enabling many borrowers to keep their homes;
- Loss of revenue resulting from Chase's retention of payments on loans sold to the Schneider Entities;
- Loss of revenue from borrowers who cease making payments, or dispute the Schneider Entities' right to collect payments or initiate foreclosure proceedings after the borrowers received Forgiveness Letters from, or had their liens released by Chase;
- Inability to collect on loans sold by Chase to the Schneider Entities where borrowers have received Forgiveness Letters or Chase has released the corresponding mortgage lien;
- Exposure to legal liability for Chase's failure to deter community blight, comply with consumer protection laws and otherwise fulfill their servicing obligations, the scope of which is not yet ascertainable.

n. Describe the direct causal relationship between the injury and the violation of the RICO statute.

The destruction of the Plaintiffs' businesses, the expenses and liability incurred by the Plaintiffs, and the loss of revenue from and impairment of the value of the loans that Defendants sold to the Plaintiffs are directly caused by Defendants' predicate acts to (1) perpetrate the frauds in connection with the MLPA, (2) fraudulently evade their liabilities occasioned by their mishandling of loans in the RCV1, and (3) fraudulently filing lien releases and claiming wrongful credit under the Lender Settlements, including mailing wrongful Forgiveness Letters and issuing lien releases. The specific causal relationships between Plaintiffs' injury and Defendants' acts include the following:

- Plaintiffs have lost the benefit of the bargain under loans purchased from Defendants as a result of Defendants' approval of short sales on properties subject to loans sold to the Plaintiffs.
- Plaintiffs have lost revenue from borrowers who cease making payments, or dispute the Plaintiffs' right to collect payments or initiate foreclosure proceedings, after the borrowers received Forgiveness Letters from or had liens on the subject properties improperly released by Defendants.
- Plaintiffs have lost revenue because Defendants sent correspondence to borrowers of loans sold to the Plaintiffs, misrepresenting that Defendants or the collection agency owned the loan at issue and/or was the authorized servicer for the loans at issue and that the borrowers should make payments to Defendants.
- Plaintiffs have lost revenue as a result of Defendants' wrongful retention of payments on loans that Defendants sold to the Plaintiffs.
- Defendants' acts of mail and wire fraud has harmed Plaintiffs' reputation and relationship with borrowers, resulting in the destruction of Plaintiffs' successful business model, which converted non-performing loans into sustainable payment plans that provided streams of income to the Plaintiffs while enabling many borrowers to keep their homes.

- Defendants' acts of mail and wire fraud have exposed Plaintiffs to legal liability for Defendants' failure to deter community blight, comply with consumer protection laws and otherwise fulfill their servicing obligations, the scope of which is not yet ascertainable.

o. List the damages sustained for which each defendant is liable.

Plaintiffs incorporate by reference the list of damages set forth in Section m. above.

Because Defendants are a unified corporate structure, all of the Defendants are liable for all of the damages that Plaintiffs have sustained. Further, because the employees carrying out Defendants' racketeering activities have been acting on behalf of Defendants those entities are liable for all acts of their employees giving rise to liability. Further, to the extent that Chase Home Finance's acts are separable from those of other Defendants, because of Chase Home Finance's merger into Chase Bank in 2011, Chase Bank is liable for all acts of Chase Home Finance giving rise to liability.

p. List all other federal causes of action, if any, and provide the relevant statute numbers.

Other federal causes of action include:

Laurence Schneider *ex Relator* v. JP Morgan Chase, Case. No. 1:14-cv-01047-RMC (D.C. District Court)

q. List all pendent state claims, if any.

Plaintiffs also assert the following state claims against Defendants:

- **Claim 1: Breach of Contract on Behalf of MRS**

- **Claim2: Breach of Contract on Behalf of S & A**
- **Claim 3: Breach of Contract on Behalf of 1st Fidelity**
- **Claim 4: Conversion on behalf of all Plaintiffs**
- **Claim 5: Tortious Interference With Prospective Economic Advantage on behalf of all Plaintiffs**
- **Claim 6: Fraud and Fraudulent Inducement on Behalf of all Plaintiffs**
- **Claim 7: Negligent Misrepresentation on behalf of MRS**
- **Claim 8: Promissory Estoppel on Behalf of all Plaintiffs**

r. Provide any additional information potentially helpful to the Court in adjudicating your RICO claim.

Plaintiffs respectfully refer the Court to footnote 2 in subsection b(vi)(E) above and incorporate it by reference.

Further, as stated above, Plaintiffs believe that a significant amount of additional relevant evidence supporting its claims may be obtained through continued discovery. Accordingly, Plaintiffs reserve the right to further update this Amended RICO Case Statement in order to provide the Court with additional information that will assist in the adjudication of Plaintiffs' RICO claim.

Dated: New York, New York.
March 6, 2017

Respectfully submitted,

s/ Brent S. Tantillo
Brent Tantillo

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