

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA WESTERN DIVISION**

ALLAN and GLADYS SCHAFFER, JOHN and  
ELAINE DURAND, and ALBERT J. and MARY  
BETH SAULNIER, on behalf of themselves and all  
others similarly situated,

Plaintiffs,

v.

LITTON LOAN SERVICING, LP, and  
DOES 1-100, Inclusive,  
Defendants.

Case No. CV 05-7673 MMM (CTx)

**NOTICE OF PENDENCY OF CLASS ACTION,  
PROPOSED SETTLEMENT AND HEARING**

***PLEASE READ THIS NOTICE CAREFULLY.  
THIS IS NOT A NOTICE OF A LAWSUIT AGAINST YOU.  
YOU MAY BENEFIT FROM READING THIS NOTICE AND YOUR RIGHTS MAY BE  
AFFECTED BY THE LAWSUIT PENDING IN THIS COURT.***

THIS NOTICE WAS SENT TO YOU BECAUSE YOU MAY MEET ALL OF THE FOLLOWING  
CONDITIONS:

- (i) YOU PRESENTLY OWN, OR AT ANY TIME ON OR AFTER OCTOBER 26, 2002, OWNED PROPERTY (INCLUDING MOBILE HOMES) IN THE UNITED STATES,**
- (ii) YOU ENTERED INTO A MORTGAGE LOAN TRANSACTION WHICH WAS THEN TRANSFERRED OR SOLD TO LITTON LOAN SERVICING LP (“LITTON”), OR FOR WHICH THE SERVICING RIGHTS WERE ACQUIRED BY LITTON OR ITS PREDECESSORS, DIRECTLY OR INDIRECTLY, AT ANY TIME BETWEEN OCTOBER 26, 2002, AND THE PRESENT, AND**
- (iii) YOU MADE TIMELY PAYMENTS TO THE TRANSFEROR SERVICER (THE SERVICER OF YOUR LOAN DIRECTLY BEFORE LITTON) AND WERE CHARGED LATE FEES RELATING TO THAT PAYMENT WITHIN THE FIRST SIXTY (60) DAYS OF THE LOAN TRANSFER TO LITTON.**

**I. WHY DID YOU GET THIS NOTICE?**

This Notice is given pursuant to an Order of this Court. This Notice informs you that there is a Settlement pending in a lawsuit that may affect you. The lawsuit is entitled *Allan and Gladys Schaffer, John and Elaine Durand, and Albert J. and Mary Beth Saulnier, on behalf of themselves and all individuals similarly situated v. Litton Loan Servicing, LP, and DOES 1 through 100, Inclusive*, Civil Action No. 05-7673, filed in the United States District Court for Central District of California.

**II. WHAT IS THIS LAWSUIT ABOUT?**

The *Schaffer* case now pending in this Court was brought on behalf of a nationwide class of borrowers with mortgages for which servicing rights were transferred to Litton. The lawsuit contends, among other things, that Litton improperly assessed late fees on borrowers who made timely and full payments to their prior servicer within sixty days after the effective date that the loan was transferred to Litton for servicing, in violation of the Real Estate Settlement Procedures Act (“RESPA”) 12 U.S.C. § 2605(d).

Litton denies that it engaged in any such actions and denies any wrongdoing or liability on its part in connection with plaintiffs' individual and class claims. The Court has not ruled on the merits of the plaintiffs' individual or class claims or defenses and the Court has made no determination of wrongdoing or liability against Litton or in favor of the plaintiffs or the Class.

The proposed Settlement between the parties is a compromise of disputed claims. The parties have negotiated the Settlement in order to avoid the further costs, expenses, and uncertainties of litigation. The proposed Settlement does not mean, and will not be construed to mean, that Litton is liable with respect to any claim asserted in the complaint filed in this action.

### **III. WHO IS IN THE CLASS?**

The Class is defined by the Court as all individuals who:

- A. own or at any time on or after October 26, 2002, owned property in the United States;
- B. entered into a mortgage loan transaction which was then transferred or sold to Litton or for which the servicing rights were acquired by Litton or its predecessors, directly or indirectly, at any time between October 26, 2002, and the present; and
- C. made timely payments to the transferor servicer and were charged late fees relating to that payment within the first sixty (60) days of the loan transfer to Litton.

**Receipt of this Notice, however, does not mean that you are a member of the Class.** Rather, notice is being provided to all individuals who were assessed a late fee by Litton within the first sixty (60) days after the effective date the loan was transferred to Litton ("Notice Recipients"). To be a member of the Class, you must have been assessed the late fee by Litton and you must have made a timely and full payment to your prior servicer within the first sixty (60) days after the effective date your loan was transferred to Litton. People who meet all of these criteria and do not exclude themselves from the settlement as discussed in Section X.B. below will be deemed the "Class." All Notice Recipients who do not exclude themselves from the Settlement will be deemed the "Settlement Class Members."

### **IV. WHAT ARE THE POTENTIAL BENEFITS?**

The proposed Settlement described in this Notice is conditioned upon Court approval. If the Court approves the Settlement, in exchange for Litton's payment to a Settlement Fund, this action will be dismissed with prejudice and Notice Recipients who do not timely and validly exclude themselves from the Settlement will be bound by the terms of the Settlement Agreement and Release, described below. The process for filing a request for exclusion from the Settlement is set forth below in Section X.B. of this Notice.

Subject to the terms of the Settlement Agreement, and the Court's approval of the same, the parties have agreed to a Settlement as set forth below. The payments identified below will be in final settlement of the Released Claims as defined below.

#### **A. Establishment of Settlement Fund.**

Subject to the terms of the Settlement Agreement, and the Court's approval of the same, Litton has agreed to deposit Five Hundred Thirty-Two Thousand Five Hundred Dollars and No Cents (\$532,500.00) with Gilardi & Co., LLC ("Claims Administrator") for the establishment of a Settlement Fund and in full and complete satisfaction of the claims of the Class as well as the Named Plaintiffs' individual claims. This amount will fulfill Litton's financial responsibility under this Settlement Agreement and it will have no further obligation to pay any additional money in Settlement of this action. All payments to the Claimants, the Named Plaintiffs, Class Counsel and the Claims Administrator will be paid out of the Settlement Fund.

B. Payment to Class Members.

Subject to the terms of the Settlement Agreement, and the Court's approval of the same, each Notice Recipient who submits a timely and valid claim form using the "Proof of Claim" (a "Claimant") will receive a *pro rata* distribution of the Settlement Fund, of up to, but not to exceed, sixty dollars (\$60.00), after deductions from the Settlement Fund of: (1) the costs of the Claims Administrator; (2) Class Counsels' Fees and Costs as defined below; and (3) Ten Thousand Dollars and No Cents (\$10,000.00) for payment to the Named Plaintiffs as set forth below. The actual amount that each Claimant receives may depend upon the number of valid Claimants. This settlement benefit will be distributed out of the Settlement Fund through checks issued by the Claims Administrator.

Only one claim will be paid and only one Settlement check will be issued for each loan. Checks issued to Claimants will be void ninety (90) days after issuance. Any Claimants who fail to negotiate the check within ninety (90) days after issuance will forfeit the Claimant's right to payment and will not be entitled to have the check reissued or to any further distribution from or to any further recourse against Litton, nor will the checks be subject to escheatment, but the Settlement Agreement and Release will be in all other respects fully enforceable against the Claimant. The process that you must follow to submit a claim is set forth below in Section VIII of this Notice. **NOTHING IN THE SETTLEMENT RELIEVES ANY BORROWER FROM HIS OR HER OBLIGATION TO PAY ANY AMOUNTS OWED BY THE BORROWER TO LITTON.**

C. Payment to Named Plaintiffs.

Subject to the terms of the Settlement Agreement and the Court's approval of the same, the Named Plaintiffs Allan and Gladys Schaffer will receive Five Thousand Dollars and No Cents (\$5,000.00), and John and Elaine Durand will receive Five Thousand Dollars and No Cents (\$5,000.00), in settlement of their individual and class claims and in recognition of their services as class representatives.

D. Class Counsel Fees and Costs.

Subject to the Court's approval, counsel for the Named Plaintiffs and the Class ("Class Counsel") will receive attorneys' fees and expenses and costs in an amount to be determined by the Court, but not to exceed Two Hundred Thousand Dollars and No Cents (\$200,000.00) ("Class Counsel Fees and Costs"). The amount of Class Counsel Fees and Costs approved by the Court, not exceeding \$200,000.00, will be paid out of the Settlement Fund by the Claims Administrator. To date, Class Counsel have not received any payment for services in conducting the action. Class Counsel will not request any amounts in addition to the amount of Class Counsel Fees and Costs approved by the Court from Litton, the Named Plaintiffs, or the Class.

E. Cy Pres.

Any residual amounts of the Settlement Fund remaining after all required distributions are made will be paid to Habitat for Humanity International, a not-for-profit organization.

F. Release.

Under the Settlement Agreement, all Notice Recipients who do not timely and validly exclude themselves from the Settlement (the "Settlement Class Members"), will be bound by any final judgment entered by the Court and also bound by the Release provisions of the Settlement Agreement. The Settlement Agreement provides that all claims of the Settlement Class Members that arise from or concern the assessment of late fees by Litton that were charged to, assessed to, or imposed on borrowers within the first sixty (60) days after the effective date the loan was transferred to Litton, are released against Litton and the Released Parties as detailed in the Settlement Agreement.

**V. WHO REPRESENTS THE CLASS?**

The following attorneys represent the Named Plaintiffs and the Class (“Class Counsel”):

Kelly M. Dermody  
Heather H. Wong  
**Lieff, Cabraser, Heimann & Bernstein, LLP**  
275 Battery Street, 29th Floor  
San Francisco, CA 94111

Elizabeth Alexander  
**Lieff, Cabraser, Heimann & Bernstein, LLP**  
150 Fourth Avenue, N., Suite 1650  
Nashville, TN 37219

Niall P. McCarthy  
**Cotchett, Pitre & McCarthy**  
840 Malcolm Road, Suite 200  
Burlingame, CA 94010;

and

Daniel J. Mulligan  
**Jenkins Mulligan & Gabriel, LLP**  
10085 Carroll Canyon Rd, Suite 210  
San Diego, CA 92131

Class Counsel represents your interest in this lawsuit. You will not be charged for their services. You may, however, hire your own attorney at your own cost to advise you in this matter.

**VI. WHO REPRESENTS LITTON?**

The following attorneys represent Litton:

R. Bruce Allensworth  
Irene C. Freidel  
Brian M. Forbes  
Stacey L. Gorman  
**K&L Gates LLP**  
State Street Financial Center  
One Lincoln Street  
Boston, Massachusetts 02111;

and

Michael J. Quinn  
K&L Gates LLP  
10100 Santa Monica Boulevard  
Seventeenth Floor  
Los Angeles, CA 90067

## **VII. OPINIONS OF CLASS COUNSEL**

After arms' length negotiations, the parties have entered into a Settlement Agreement, subject to approval by the Court, providing substantial benefit to the Class. After thorough and independent investigation and evaluation of the facts and law relating to the controversy between the parties, Class Counsel has concluded that the monetary benefits afforded by the Settlement of the class claims combined with the uncertainties, expense, and duration of litigation support the conclusion that the Settlement is fair, reasonable, and in the best interest of the Named Plaintiffs and the Class.

## **VIII. CLAIMS PROCESS**

A claim form, entitled "Proof of Claim," is included at the end of this notice for your use in submitting a claim. To be eligible to receive the financial benefit available to the Class described in Section IV.B. above, you (or your joint or co-borrower if applicable) must not have excluded yourself from the Settlement, must sign and accurately complete the claim form, and must timely return it to Gilardi & Co., LLC, P.O. Box 808054, Petaluma, California 94975-8054 with a postmark no later than September 7, 2010 at the address provided on the Claim Form. **THE CLAIM FORM MUST BE SIGNED UNDER PAINS AND PENALTIES OF PERJURY. LITTON RESERVES THE RIGHT TO INSPECT RECORDS AS TO WHETHER THE PERSON EXECUTING THE CLAIM FORM WAS, IN FACT, ASSESSED A LATE FEE BY LITTON WITHIN SIXTY (60) DAYS AFTER THE EFFECTIVE DATE THE LOAN WAS TRANSFERRED TO LITTON WHEN A TIMELY AND FULL PAYMENT WAS MADE TO THE PRIOR SERVICER. KEEP ALL RECORDS INDICATING TIMELY AND FULL PAYMENT TO THE PRIOR SERVICER DURING THE PERIOD OF SIXTY (60) DAYS AFTER THE EFFECTIVE DATE OF LOAN TRANSFER. IF LITTON CONCLUDES THAT THE PERSON EXECUTING THIS CLAIM FORM IS NOT AN ACTUAL MEMBER OF THE CLASS, LITTON RESERVES ITS RIGHT TO ADVISE THE COURT OF WHAT IT BELIEVES TO BE AN INVALID OR FALSE CLAIM FILING.** If the information you provide on your Claim Form is insufficient or if the Claim Form is not properly completed and signed, or if your Claim Form is not timely returned to Gilardi & Co., LLC at the address provided, your claim will be rejected. Settlement Class Members who submit untimely or otherwise invalid claims will forfeit any rights to payment, but the Settlement Agreement and Release will in all other respects be fully enforceable against the Settlement Class Members.

## **IX. FAIRNESS HEARING**

A hearing will be held on the fairness of this proposed Settlement ("Fairness Hearing"). At the Fairness Hearing, the Court will be available to hear any objections and arguments concerning the fairness of the proposed Settlement, including any comments by those Settlement Class Members who comply with the provisions of the Settlement Agreement as noted in Section X.C., below. The Fairness Hearing will take place on October 18, 2010 at 10:00 a.m. in Courtroom 780 of The Edward R. Roybal Federal Building before Honorable Margaret Morrow. The hearing may be continued without further notice. **YOU DO NOT HAVE TO ATTEND THIS HEARING UNLESS YOU OBJECT TO THE SETTLEMENT AND WISH TO APPEAR IN PERSON. IT IS NOT NECESSARY, HOWEVER, TO APPEAR IN PERSON IN ORDER TO MAKE AN OBJECTION.**

If the Court approves this Settlement, distribution to the Claimants from the Settlement Fund will be completed within approximately one hundred and twenty (120) days after the entry of an Order approving the Settlement and dismissing all claims with prejudice, unless an appeal is taken. If an appeal is taken, there will be a delay in any payment and there is the possibility that the Settlement could be disapproved. If the Settlement is not approved, the case will proceed as if no Settlement had been attempted, and there will be no payments provided at all. There can be no assurance that if the Settlement is not approved and the case continues to proceed, the Class would recover more than what is provided in the Settlement, or indeed, recover anything at all.

## **X. WHAT ARE YOUR OPTIONS?**

A. Remain a Member of the Class. If you do not object to the Settlement you do not have to do anything to remain a Settlement Class Member. **HOWEVER, YOU MUST ACCURATELY COMPLETE AND SUBMIT THE CLAIM FORM ATTACHED TO THE END OF THIS NOTICE BY THE DATE SET FORTH ON THE NOTICE POSTCARD, TO BE ELIGIBLE TO RECEIVE ANY PAYMENT. ADDITIONALLY, THE CLAIM FORM MUST BE SIGNED UNDER PAINS AND PENALTIES OF PERJURY TO BE ELIGIBLE TO RECEIVE ANY PAYMENT.**

B. Right of Exclusion. You have the right to exclude yourself (“opt-out”) from the Settlement by sending a timely written request for exclusion to Gilardi & Co., LLC, P.O. Box 808054, Petaluma, California 94975-8054, Attn: Schaffer v. Litton Loan Servicing Settlement, on or before June 24, 2010. If you exclude yourself from the Settlement, you will have no right to make a Claim and you will have no right to the financial benefit described above.

A request for exclusion must: (a) be in writing; (b) state your current address, former address if different from the address to which the Class Notice was addressed, loan number OR the last four digits of your social security number; and (c) contain a signed statement that “I/we hereby request that I/we be excluded from the proposed settlement class in the *Schaffer v. Litton Loan Servicing, LP* litigation.” A Request for Exclusion that does not include all of the foregoing information, that is sent to an address other than the one designated in this Section above, or that is not sent within the time specified will be invalid, and the person(s) serving such a Request will be bound as a Settlement Class Member, provided that the Settlement Agreement is finally approved. Only you can request exclusion. No one can request exclusion for another person, except in cases of disability, guardianship or conservatorship. The Settlement Agreement provides the option for Litton to withdraw from the Settlement if the number of the Notice Recipients who exclude themselves from the Settlement exceeds a certain threshold number. If Litton elects to withdraw, none of the benefits provided for by the Settlement will be distributed and the litigation will continue as though there had been no Settlement.

C. Right to Object. You have the right to object to the Settlement so long as you are an actual Class Member. Notice Recipients who exclude themselves from the Settlement and Notice Recipients who are not actually members of the Class have no right to file or present any objection.

If you wish to submit an objection rather than simply exclude yourself from the action, you must file your objection in writing to the Clerk of the Court for the United States District Court for the Central District of California, U.S. Courthouse, 312 N. Spring Street, Los Angeles, California 90012 by no later than June 24, 2010. Your objection should reference the name of the case, *Schaffer et al. v. Litton Loan Servicing LP*, and the case number, 05-7673. Copies of your written objection must be mailed to Class Counsel and Litton’s Counsel by the same date to the addresses in Section V and VI, above.

A written objection must include: (a) proof of your membership in the Class, which will be sufficiently shown by providing documentary evidence that you were assessed a late fee by Litton within the first sixty (60) days after the effective date of the loan transfer of Litton, and that you made a full and timely payment to your prior servicer; (b) the specific grounds for the objection and any other reasons why you desire to be heard; and (c) any documents or writings that you desire the Court to consider. You may appear at the Fairness Hearing in person or through counsel, at your own expense. If you desire to appear in person or through counsel at the Fairness Hearing, your written objection must also include notice of your intention to so appear.

## **XI. CORRECT ADDRESS**

If this notice was sent to you at an address that is not current, or if it was otherwise forwarded to you by the Postal Service, you should immediately send a letter to Gilardi & Co., LLC at the address in Sections VIII and X.B. above, stating the name of this case and your past and current address.

## **XII. AVAILABILITY OF FILED PLEADINGS**

This description of the case is general and does not cover all of the issues and proceedings thus far, and provides only a summary of the basic terms of the proposed Settlement. The precise terms and conditions of the proposed Settlement are contained in the Settlement Agreement on file with the Clerk of United States District Court for the Central District of California. All papers filed in this case, including the Settlement Agreement, are available for you to inspect and order copies at your expense at the office of the Court Clerk, U.S. Courthouse, 312 N. Spring Street, Los Angeles, California 90012, between the hours of 10 a.m. and 4 p.m., Monday through Friday except on Court holidays.

## **XIII. WHO CAN HELP WITH ADDITIONAL INFORMATION?**

Any questions you have concerning this notice or this action should be directed to Class Counsel at the addresses shown above. **Please include the case name, case number, your name, and return address on any letters that you send. DO NOT TELEPHONE, SEND INQUIRIES, OR ADDRESS ANY QUESTIONS ABOUT THE CASE TO LITTON LOAN SERVICING LP, THE CLERK OF THE COURT, OR TO THE JUDGE.**

Dated: March 26, 2010

BY ORDER OF THE COURT

**PROOF OF CLAIM**

With this Proof of Claim, you have received a “Notice of Pendency of Class Action and Proposed Settlement.” To be eligible for the financial benefit under the Settlement, and subject to final approval of the Settlement by the Court, you must fully complete this form, sign where indicated below, and return it to Gilardi & Co., LLC, P.O. Box 808054, Petaluma, CA 94975-8054, Attn: Schaffer v. Litton Loan Servicing Settlement. **THIS FORM MUST BE COMPLETED, SIGNED, AND RETURNED TO GILARDI & CO., LLC AT THE ADDRESS NOTED ABOVE WITH A POSTMARK OF NO LATER THAN SEPTEMBER 7, 2010.** If you are requesting to be excluded from the Class, **DO NOT** submit this form.

**This claim form is signed under oath and under the pains and penalties of perjury. Litton reserves the right to inspect records as to whether the person executing this claim form was, in fact, assessed a late fee by Litton within sixty (60) days after the effective date the loan was transferred to Litton when a timely and full payment was made to the prior servicer. Keep all records indicating timely and full payment to the prior servicer during the period of sixty (60) days after the effective date of the loan transfer. If Litton concludes that the person executing this claim form is not an actual member of the class, Litton reserves its right to advise the Court of what it believes to be an invalid or false claim filing.**

To file a claim, please fill out the information requested below completely. This claim form must be signed by the borrower(s) whose name(s) appears on the loan.

\_\_\_\_\_  
Current Name of Borrower(s)

\_\_\_\_\_  
Month and Year of Timely Payments Made to  
Prior Servicer within 60 days of loan transfer to Litton

\_\_\_\_\_  
Litton Loan Account Number  
(for the loan on which the late fee was charged)  
or the last four (4) digits of the Borrowers’ Social  
Security Number

\_\_\_\_\_  
Name(s) on the Litton Loan Account  
(if different from borrower’s current name)

\_\_\_\_\_  
Current Mailing Address

\_\_\_\_\_  
Address on Loan (if not current mailing address)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
City, State, Zip Code

**I/We swear under pains and penalties of perjury that my/our loan was transferred to Litton Loan Servicing, LP and that within sixty (60) days after the effective date of transfer to Litton Loan Servicing, LP, I/we made a timely and full payment to my/our prior servicer, and despite this timely and full payment to my/our prior servicer, a late fee was assessed on my/our account by Litton Loan Servicing, LP.**

\_\_\_\_\_  
(sign your name)

\_\_\_\_\_  
(type or print your name here)

\_\_\_\_\_  
(co-borrower or joint borrower, if any,  
to sign here)

\_\_\_\_\_  
(type or print your name here)

**COMPLETE, SIGN, AND RETURN THIS FORM TO GILARDI & CO., LLC AT THE ADDRESS NOTED ABOVE WITH A POSTMARK OF NO LATER THAN SEPTEMBER 7, 2010.**