

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,

vs.

LITTON LOAN SERVICING, LP,
and DOES 1 through 100, Inclusive,

Defendants.

Case No.: CV 05-7673 MMM
(CTx)

**CLASS ACTION SETTLEMENT
AGREEMENT AND RELEASE**

This Class Action Settlement Agreement and Release is entered into among the following parties, by and through their respective counsel of record, subject to approval of the Court:

(i) Class Representatives Allan and Gladys Schaffer and John and Elaine Durand (collectively, the “Named Plaintiffs” or “Plaintiffs” or “Class Representatives”), on behalf of themselves, individually, and on behalf of each member of the Class,¹ and

(ii) Litton Loan Servicing, LP (“Litton” or “Defendant”).

The Named Plaintiffs and Litton are collectively referred to herein as the “Parties,” or individually as a “Party.”

IT IS HEREBY STIPULATED AND AGREED, by and among the Parties, that in consideration of the mutual promises, acknowledgements, agreements, and conditions herein, all matters alleged in the Complaint filed in the proceeding entitled, *Allan and Gladys Schaffer, John and Elaine Durand, and Albert J. and Mary Beth Saulnier, on behalf of themselves and all others similarly situated v. Litton Loan Servicing, LP, and DOES 1 through 100, Inclusive*, Case No. CV 05-7673 (C.D. Cal.) are settled on the terms and conditions set forth in this Settlement

¹ As reported to the Court in the Notice of Status Reports dated April 13, 2009 (Docket No. 429) and April 16, 2009 (Docket No. 430), on the evening of April 13, 2009, the Named Plaintiffs Albert and Mary Beth Saulnier reported to Class Counsel that they would not be a party signatory to the Class Action Settlement Agreement and Release. As previously reported to the Court, Litton will be submitting papers to enforce the settlement of the Saulniers’ individual claims.

Agreement, subject to the approval of the Court (the "Settlement").

I. RECITALS

A. On or about October 26, 2005, Plaintiffs filed a Class Action Complaint (hereinafter the "Complaint" or "Action"), in the United States District Court for the Central District of California ("the Court") against Litton alleging, among other things, certain violations of the Real Estate Settlement Procedures Act ("RESPA"), 12 U.S.C. § 2605(d).

B. Plaintiffs also individually complain that in the course of servicing their mortgage loans, Litton allegedly violated California's Unfair Business Practices Act, Business and Professions Code, §§ 17200, *et seq.* ("UBPA"); Plaintiffs have also asserted common law claims for breach of contract, and unjust enrichment.

C. Litton denies the individual and class allegations of the Complaint, and denies that Plaintiffs or the Class have been harmed by any act or omission of Litton.

D. Plaintiffs filed motions to certify a nationwide class of all borrowers who were assessed a late fee by Litton within the first sixty (60) days after their loan was transferred to Litton in violation of § 2605(d) of RESPA, and a California class of all individuals who own property in California with loans serviced by

Litton, and who complained to Litton regarding the imposition of a late fee or the “forced-placement” of hazard insurance on their property.

E. On or about August 9, 2007, the Court entered an order denying certification of a California class.

F. On or about August 3, 2007, the Court entered an order (the “August 3, 2007 Order”) denying certification of a nationwide class under Fed. R. Civ. P. 23(b)(2) and certifying a nationwide class under Fed. R. Civ. P. 23(b)(3). The Court defined the nationwide class as follows:

All persons (i) who presently own, or during the Class Period owned, property (including mobile homes) in the United States, (ii) who entered into a mortgage loan transaction which was then transferred or sold to Litton or for which the servicing rights were acquired by Litton Loan Servicing, LP or its predecessors, directly or indirectly, at any time between October 26, 2002, and the present, and (iii) who made timely payment 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.

Excluded from the Class are any judicial officers assigned to this matter; Defendant; and the officers, directors, and legal representatives of Litton or any entity in which Litton has a controlling interest. The Court appointed the firms of

Lieff, Cabraser, Heimann & Bernstein, LLP, Cotchett, Pitre & McCarthy, and Jenkins, Mulligan & Gabriel, LLP, as Class Counsel (“Class Counsel”) and appointed Named Plaintiffs as Class Representatives.

G. Litton sought appellate review of the August 3, 2007 Order and on November 16, 2007, the United States Court of Appeal for the Ninth Circuit denied Litton’s petition for discretionary review.

H. On or about August 31, 2007, Litton filed a Motion for Partial Summary Judgment, which Plaintiffs opposed. The Court denied the Motion on July 31, 2008.

I. On or about October 13, 2008, Litton filed a Motion to Decertify Plaintiffs’ Nationwide RESPA Class. The Court granted in part and denied in part the Motion to Decertify by Order entered January 20, 2009. In sum, the Court decertified the nationwide RESPA class with respect to Plaintiffs’ class-wide claims for actual damages, but affirmed certification of the nationwide RESPA class as to statutory damages only. Pursuant to 12 U.S.C. § 2605(f)(2)(B),² the

² 12 U.S.C. § 2605(f)(2)(B) provides that “In the case of class action, [damages are limited to], an amount equal to the sum of – (A) any actual damages to each of the borrowers in the class as a result of the failure; and (B) any additional damages, as the court may allow, in the case of a pattern or practice of noncompliance with the requirements of this section, in an amount not greater than \$1,000 for each member of the class, except that the total amount of damages under this subparagraph in any class action may not exceed the lesser of – (i) \$500,000; or (ii) 1 percent of the net worth of the servicer.”

class claims for statutory damages under RESPA may not exceed Five Hundred Thousand Dollars and No Cents (\$500,000.00).

J. This Action raises complex and disputed legal and factual issues which would be costly to resolve at trial.

K. The Parties have undertaken significant investigation and discovery into the merits of the claims and defenses asserted, together with the propriety of class certification.

L. As discovery in this matter indicates, the Parties acknowledge that Litton can ascertain, from its records, those individuals who were assessed a late fee within the first sixty (60) days after the loan was transferred to Litton; however, Litton cannot easily ascertain whether any individuals who were assessed late fees within the first sixty (60) days after the loan was transferred to Litton are actually members of the Class as defined by the August 3, 2007 Order.

M. Class Counsel and counsel for Litton have engaged in arms-length settlement negotiations to resolve this Action for many months.

N. On February 17, 2009, the Parties reached an agreement in principle to settle the case.

O. The Parties hereto desire to avoid the expense, delay and risks of continued litigation, including additional discovery, investigation and trial, and

desire to compromise this Action, subject to the Court's approval, upon the terms and conditions set forth herein.

P. Class Counsel proposes to settle this Action pursuant to the provisions of this Settlement Agreement, set forth in detail below, considering, among other things:

1. The benefits to the Class under the terms of this Settlement Agreement;
2. The attendant expense, risks, difficulties, delays, and uncertainties of trial and post-trial proceedings; and
3. The risk the Class could obtain little or no relief if the proceedings did not resolve.

Q. Both Class Counsel and the Named Plaintiffs agree that the Settlement Agreement provides fair, reasonable, and adequate relief to the Settlement Class Members, and that Settlement on the agreed-upon terms set forth below is in the best interests of the Class.

R. Named Plaintiffs, on behalf of themselves and the Settlement Class Members, agree to be bound by the terms of the Settlement Agreement and to support, as necessary, the Settlement Agreement. The Parties agree to have judgment entered pursuant to the Settlement Agreement and that the Settlement Agreement shall not be used by either Party or any court of law to estop any Party

from asserting any claims or defenses in the event that the Settlement Agreement is not finally approved as defined below.

S. Litton does not admit to any wrongdoing or liability on its part and denies any liability to the Named Plaintiffs and the Settlement Class Members, with respect to the claims alleged in the Complaint. The Settlement Agreement between the Parties is a compromise of disputed claims and does not mean, and shall not be construed to mean, that Litton is liable with respect to any claims asserted in the Complaint. Litton is willing to enter into this Settlement Agreement to avoid the further expense and inconvenience of litigation, and Litton has concluded that it is in its best interest to resolve and settle all claims that have been made against Litton by the Named Plaintiffs and the Settlement Class Members.

II. DEFINITIONS

Whenever the following capitalized terms (in addition to any definitions set forth elsewhere in the Settlement Agreement) are used in the Settlement Agreement, and in the attached exhibits, they shall have the following meaning:

A. "Agreement" or "Settlement Agreement" means this Class Action Settlement Agreement and Release, including all exhibits hereto. The terms shall also include any amendments to the Class Action Settlement Agreement and Release, including any exhibits to any amended Class Action Settlement

Agreement and Release, so long as those amendments are agreed to in writing by the Parties and otherwise comport with the formalities required herein.

B. “Claimant” means a Settlement Class Member (as defined below) who submits a Valid Claim Form (as defined below).

C. “Class” means all persons (i) who presently own, or during the Class Period owned property (including mobile homes) in the United States, (ii) who entered into a mortgage transaction which was then transferred or sold to Litton or for which the servicing rights were acquired by Litton Loan Servicing, LP or its predecessors, directly or indirectly, at any time between October 26, 2002, and the present, and (iii) who made timely payments to the transferor servicer and were charged a late fee related to that payment within the first sixty (60) days of the loan transfer to Litton.

D. “Class Action” or “Action” means the lawsuit styled, *Allan and Gladys Schaffer, John and Elaine Durand, Albert J. and Mary Beth Saulnier, on behalf of themselves and all others similarly situated v. Litton Loan Servicing LP and Does 1-100, inclusive*, C.A. No. 05-7673 MMM (CTx), filed and pending in the United States District Court for the Central District of California.

E. “Class Counsel” means the law firms of Lief Cabraser Heimann & Bernstein, LLP; Cotchett Pitre & McCarthy; Jenkins, Mulligan & Gabriel, LLP.

F. “Class Notice” means the Notice of Pendency of a Class Action and Proposed Settlement of the Action; the content of the Class Notice shall be as it appears in Exhibit 2 hereto. The Class Notice is distinct and apart from the Notice Postcard (as defined below) and is not the initial notice that Notice Recipients (as defined below) will receive regarding this Settlement. Rather, the Class Notice shall be provided on the Claims Administrator’s website and shall be provided to a Notice Recipient by the Claims Administrator upon request.

G. “Claim Form” means a written document provided to Class Members (as defined below) for the purpose of claiming benefits under the Settlement Agreement, which written document is part of the Class Notice (as defined above) attached as Exhibit 2 hereto; the content of the Claim Form shall be as it appears on the last textual page of Exhibit 2 hereto entitled “Proof of Claim.”

H. “Claims Administrator” means Gilardi & Co., LLC, acting as the entity overseeing the administration of the Settlement Fund, attending to the notification of Class Members, collecting and processing the Claim Forms, distributing funds as set forth by the Settlement Agreement and the orders of the Court, and attending to all other tasks and requirements as needed to effectuate its obligations under this Settlement Agreement.

I. “Court” means the United States District Court for the Central District of California.

J. “Final Approval Order” shall mean the entry by the Court of an order approving the Settlement Agreement and entering a Final Judgment, substantially in the form attached hereto as Exhibits 4 and 5.

K. “Final Order” shall mean the later of: (a) the date upon which the expiration of the time for filing an appeal from the Final Approval Order with no appeal having been filed; or (b) if Final Approval Order is appealed, the date following the affirmance of Final Approval Order by the court to which the appeal has been taken – upon which such affirmance is no longer subject to further appeal; or (c) the date the Court enters an order approving the award of costs and expenses to Class Counsel.

L. “Notice Postcard” means the postcard providing initial notice of the pendency of a class action and proposed Settlement which shall be sent by the Claims Administrator to the Notice Recipients (as defined below). The content of the Notice Postcard shall be as it appears in Exhibit 1 hereto and shall instruct the Notice Recipient to view the Claims Administrator’s website or call the toll-free number to obtain a copy of the Class Notice and Claim Form.

M. “Notice Recipients” mean those individuals identified by Litton as individuals who were assessed a late fee by Litton within the first sixty (60) days after the loan was transferred to Litton and who are sent a Notice Postcard pursuant to Section IV.A below.

N. "Parties" shall mean Plaintiffs, the Settlement Class and Litton.

O. "Plaintiffs" or "Named Plaintiffs" or "Class Representatives" shall mean Allan and Gladys Schaffer and John and Elaine Durand.

P. "Preliminary Approval Order" shall mean the entry by the Court of an order preliminarily approving of the Settlement Agreement and authorizing the Notice Postcard and Class Notice, substantially in the form attached hereto as Exhibit 3.

Q. "Release" shall mean the provision of the release, the terms of which are set forth in Section III.E below.

R. "Settlement" means the resolution of the matters within the scope of the Release set forth herein, as embodied in the Agreement, or any changes to the Agreement consented to by Litton in writing in the manner prescribed in Section X.L below.

S. "Settlement Class Members" mean Notice Recipients who do not timely and validly exclude themselves from the Settlement as provided for in the Settlement Agreement.

T. "Settlement Fund" shall mean the payment by Litton of Five Hundred Thirty-Two Thousand and Five Hundred Dollars and No Cents (\$532,500.00) for full and complete settlement of the Class Action as set forth in Section III.A below. These funds shall be in full and complete satisfaction of the claims of the Class as

well as Named Plaintiffs' individual claims and under no circumstances shall Litton be required to pay any additional money for full and complete settlement of the Class Action, including, without limitation, payments to the Named Plaintiffs, Settlement Class Members, and Class Counsel or the costs of the Claims Administrator (as defined below).

U. "Valid Claim Form" means a Claim Form: (a) fully and correctly completed and executed by the Settlement Class Member in the manner specified in Section IV.B below; and (b) postmarked and mailed to the return address specified therein and in the Class Notice by the deadline listed therein, which date shall be one hundred and twenty (120) days after the date of the Class Notice and not be less than sixty (60) days before the date of the Final Approval Hearing. Claim Forms that contain materially incorrect information shall not be deemed Valid Claim Forms.

V. As used in the Settlement Agreement, any references to a person or a Notice Recipient or a Settlement Class Member shall include and be construed (unless the context of this Agreement requires otherwise) to include any person or entity that has an interest, whether legal, equitable, or otherwise in that person's testamentary estate, bankruptcy estate, trust, marital trust, or similar estate or trust.

W. As used in the Settlement Agreement, the plural of any defined term includes the singular thereof and vice versa, except where the context requires otherwise.

X. Other terms are defined in the text of the Settlement Agreement, and shall have the meaning accorded those terms in such text.

III. SETTLEMENT TERMS

A. Creation Of A Settlement Fund And Absolute Limitation Of Litton's Payment Obligation.

1. Within thirty (30) days after the Preliminary Approval Order, Litton shall establish a "Settlement Fund" by depositing Five Hundred Thirty-Two Thousand and Five Hundred dollars and No Cents (\$532,500.00) with the Claims Administrator in accordance with the terms and conditions set forth herein. Such funds shall be deposited in an interest-bearing account and shall be used to make all necessary payments under the Settlement Agreement, including but not limited to, all costs associated with the sending of Class Notice and Claim Forms to the Notice Recipients, the costs of drafting and sending all payments to Claimants, payment of Class Counsel Fees and Costs as set forth below, and all other costs incurred by the Claims Administrator arising from the administration of the Settlement (collectively, the "costs of the Claims Administrator").

2. Litton's payment of Five Hundred Thirty-Two Thousand and Five Hundred Dollars and No Cents (\$532,500.00) into the Settlement Fund shall

be in full and complete satisfaction of the claims of the Class as well as Named Plaintiffs' individual claims. These funds shall be in full and complete satisfaction of the claims of the Class as well as Named Plaintiffs' individual claims, and under no circumstances shall Litton be required to pay any additional money for full and complete settlement of the Class Action, including, without limitation, payments to the Named Plaintiffs, Settlement Class Members, and Class Counsel or the costs of the Claims Administrator.

3. The Settlement Fund will begin as a reversionary fund and will become non-reversionary as of the date of the Final Order. If the Final Order is not obtained or if the Settlement Agreement is terminated in accordance with its terms or for any other reason, all amounts remaining in the Settlement Fund after payment of any charges and expenses that the Settlement Agreement expressly authorizes or requires to be incurred and expended prior to the reversion date, including any amounts expended to assist in obtaining a Final Order, shall be returned to Litton. As of the Final Order, the Settlement Fund becomes non-reversionary; Litton shall have no right to the funds deposited into the Settlement Fund and Litton shall have no further claim to such funds for any purpose.

4. The Claims Administrator shall distribute all payments as required under Sections III.C, III.D, and III.F below.

B. Settlement Administration.

1. The Claims Administrators will be Gilardi & Co., LLC, subject to approval of the Court.

2. The Claims Administrator shall be responsible for sending the Notice Postcards, making available the Class Notice and Claim Forms by posting the Class Notice and Claim Form on a website and by mailing the Class Notice and Claim Form to Notice Recipients upon request, collecting and reviewing information on submitted Claims Forms, transmitting payments as provided herein, and attending to other administrative obligations required to fulfill the requirements of this Settlement.

3. Upon request, the Claims Administrator shall also provide status reports to Litton and its counsel or Class Counsel (at reasonable intervals) regarding the administration of its obligations under the Settlement Agreement.

4. Upon reasonable request by Litton and its counsel or Class Counsel, the Claims Administrator shall provide copies of the Claim Forms or information regarding a particular Claim Form, in the event of an inquiry by Litton or any individual Claimant.

5. Within thirty (30) days after the time for submitting a Valid Claim Form expires, the Settlement Administrator shall provide Class Counsel and Counsel for Litton with a list identifying all Claimants.

C. Economic Benefit to Named Plaintiffs and Claimants.

Subject to the terms of the Settlement Agreement, and in accordance with the deadlines set forth herein, the Claims Administrator shall make the following payments from the Settlement Fund:

1. **Payment to Class Representatives.** Subject to approval by the Court, the Claims Administrator, on behalf of Litton, shall pay Allan and Gladys Schaffer, jointly, the sum of Five Thousand Dollars and No Cents (\$5,000.00) in settlement of their individual and class claims, and in recognition of their efforts and contribution to the case. Subject to approval by the Court, the Claims Administrator, on behalf of Litton, shall pay John and Elaine Durand, jointly, the sum of Five Thousand Dollars and No Cents (\$5,000.00) in settlement of their individual and class claims, and in recognition of their efforts and contribution to the case. Collectively, these payments are referred to as the "Class Representative Payments." Other than the Class Representative Payments, the Named Plaintiffs are not entitled to any other benefit or payment hereunder. Checks in the amount of the Class Representative Payments shall be issued and mailed within fifteen (15) days after the Final Order.

2. **Payment to Claimants.** Subject to approval by the Court, the Claims Administrator, on behalf of Litton, shall pay those Settlement Class Members on a claims made basis, who attest that they were wrongfully charged a

late fee by Litton within the first sixty (60) days after the effective date that their loan transferred to Litton for servicing and had made a full and timely payment to their prior servicer hereinafter ("Claimants"). Each Claimant, whose claim is not found to be invalid by the Claims Administrator, shall be entitled to a *pro rata* distribution from the Settlement Fund of up to, but not to exceed, Sixty Dollars (\$60.00) in reimbursement per loan for the late fees they incurred, after deduction from the Settlement Fund of: (1) the costs of the Claims Administrator (which include among other things the costs of mailing the Notice Postcard and the Class Notice and Claim Forms, the costs of drafting and distributing all payments required by the Settlement, and all of the costs arising from the Administration of the Settlement); (2) Class Counsel Fees and Costs of up to Two Hundred Thousand Dollars and No Cents (\$200,000.00); and (3) Ten Thousand Dollars and No Cents (\$10,000.00) for Class Representative Payments. Checks shall be issued and mailed to each Claimant as set forth in Section III.D below.

3. **Distribution of Remainder of Settlement Fund/Cy Pres.** In the event that any portion of the Settlement Fund has not been distributed as provided for in this Agreement after a period of one hundred and eighty (180) days has elapsed from: (1) the date on which settlement checks are mailed by the Claims Administrator, or (2) the date upon which Class Counsel Fees and Costs (as

defined below) are distributed, whichever is later, then such remaining amounts shall be paid to Habitat for Humanity International, a not-for-profit organization.

D. Payment Process.

1. The Claims Administrator shall make payment, on behalf of Litton, to a Claimant by issuing a check payable to the order of the Claimant or jointly to multiple Claimants (“co-Claimants”) if more than one Claimant completes the Claim Form for the loan (the “Settlement Check”); only one claim will be paid, and only one Settlement Check will be issued, per loan. Neither Litton nor the Claims Administrator shall have liability to any person arising from any claim regarding the division of any payment made pursuant to the Settlement Agreement among co-borrowers to a loan or co-Claimants. Further neither Litton nor the Claims Administrator shall be responsible to any person for any disputes over the proper recipient of any payment made pursuant to this Settlement Agreement, but in each case, the Claimant or co-Claimants shall be responsible for the distribution of any portion of the payment made pursuant to the Settlement Agreement to a co-borrower, if any, or among co-Claimants. The envelope containing the Settlement Check shall be addressed to the current address for the Claimant as indicated on the Claim Form, or to the current address for the first-listed Claimant on the Claim Form in the case that there are co-Claimants, and shall be sent by the first class United States mail, postage prepaid.

2. Settlement Checks shall be issued and mailed to Claimants within ninety (90) days after the Final Order. Settlement Checks shall be voided ninety (90) days after issuance (the "Void Date"). In the event that a Settlement Check is not negotiated by the Void Date, the Claimant shall forfeit the Claimant's right to payment and will not be entitled to have a Settlement Check reissued or to any further distribution from or to any further recourse against Litton or the Claims Administrator, nor will the Settlement Check be deemed to be abandoned property subject to escheatment, but the Settlement Agreement and Release shall in all other respects be fully enforceable against the Claimant. To the extent that a check is not cashed in ninety-day (90) time period, the funds from such checks shall become part of the funds to be allocated to the Cy Pres recipient and distributed in accordance with Section III.C.3 of this Agreement.

3. **Payment to Deceased Class Members.** In the event that a Settlement Class Member is deceased, the representative of the deceased Settlement Class Member's estate (or such other person having authority to act under state law with respect to assets of the deceased Settlement Class Member) may submit a Claim Form. If such a Claim Form is otherwise a timely and Valid Claim Form, Litton and the Claim Administrator shall treat the Claim Form as valid, and payment to the indicated person shall be deemed payment to the deceased Settlement Class Member regardless of the actual authority of the

representative and shall terminate any obligations to the deceased Settlement Class Member's estate or successors. Neither Litton nor the Claim Administrator shall have the obligation to verify the legal authority of the putative representative under state law.

E. Release.

1. **Release of Class Claims by Named Plaintiffs and Settlement Class Members.** Effective as of the date of the Final Order, Named Plaintiffs and the Settlement Class Members hereby release their claims (the "Released Claims") as follows:

a. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Named Plaintiffs and Settlement Class Members, whether or not they have submitted or will submit a Valid Claim Form and have or will become Claimants, their respective co-borrowers, spouses, or former spouses, who may have or have had an interest in the loan that is the subject of this Settlement Agreement, and the present, former and future respective heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest, assigns, employees, and insurers of Named Plaintiffs and the Settlement Class Members (collectively, the "Releasing Parties"), hereby remise, release, and forever discharge Litton, its present, former, and future direct and indirect parent companies, affiliates, subsidiaries, divisions, agents,

successors, predecessors-in-interest, assignors/assignees, and any entity for whom Litton services a loan that is the subject of this Settlement Agreement or from which Litton's servicing obligation arises including, but not limited to, securitization trusts, trustees of securitization trusts, master or other servicers, mortgagees, principals, noteholders, beneficial noteholders, or any assignees thereof (collectively the "Released Parties") from any and all duties, obligations, claims, counterclaims, judgment, demands, lawsuits, actions, causes of action, or liabilities, whether arising under local, state, or federal law, whether by statute, contract, common law, or equity, including without limitation, claims for violation of any state or federal law governing the Releasing Parties' loans, claims for breach of contract, conversion, unjust enrichment, consumer fraud, or claims for statutory, multiple, punitive, exemplary, or actual damages, restitution, accountings, attorneys' fees or costs, or other relief of any form in law or equity, including, without limitation, any claims for equitable, injunctive, or declaratory relief, whether known or unknown, suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, or liquidated or unliquidated that arise from or concern the assessment of late fees 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. Named Plaintiffs and the Settlement Class Members acknowledge that because some Settlement Class

Members may have ongoing loans or other relationships with Litton, Litton does not release any claims that it may have against the Named Plaintiffs or Settlement Class Members.

b. The foregoing Release shall also apply to those claims that would be barred by the doctrines of res judicata and collateral estoppel had the issue of the assessment of late fees within the first sixty (60) days after the loan was transferred to Litton been litigated by each Settlement Class Member to a final judgment on the merits, and to any and all past, present, and future claims, administrative or otherwise, actions, causes of action, rights or liabilities, known or unknown, based on, arising out of or concerning the assessment of late fees 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.

c. Without limiting the foregoing, the Released Claims specifically extend to and include claims arising from or concerning the assessment of late fees within the first sixty (60) days after transfer that Named Plaintiffs, the Settlement Class Members, and the Releasing Parties do not know, or suspect to exist in their favor at the time that the Settlement Agreement is executed, or at the time that the Settlement Agreement and the Releases contained therein become effective (i.e., the Final Order), which, if known, might have affected their decision to enter into the Settlement Agreement. Named Plaintiffs, the Settlement Class

Members, and the Releasing Parties intentionally and knowingly waive any and all provisions, rights, and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity that governs or limits a person's release of unknown claims referred to above.

Named Plaintiffs, the Settlement Class Members, and the Releasing Parties understand and acknowledge that they may discover facts in addition to or different from those that are currently known or believe to be true with respect to the subject matter of the Released Claims but that it is their intention to fully, finally, and forever settle and release all of the Released Claims without regard to the subsequent discovery or current existence of any such additional or different facts, and in furtherance of such intention, the release of these Released Claims shall remain in effect notwithstanding the discovery or existence of any such additional or different facts. The provisions of this paragraph include, without limitation, an express, knowing, and voluntary waiver, to the fullest extent permitted by law, by Named Plaintiffs and all Settlement Class Members and Releasing Parties of any and all provision, rights, or benefits conferred under Section 1542 of the California Civil Code, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Named Plaintiffs, the Settlement Class Members, and the Releasing Parties

understand and acknowledge the significance of this waiver of Section 1542 of the California Civil Code. In addition, Named Plaintiffs and all Settlement Class Members and Releasing Parties also expressly, knowingly, and voluntarily waive any and all provisions, rights, and benefits conferred by any law of the United States, any state or territory of the United States, and any law or principle of common law or equity, which is similar, comparable, or equivalent to Section 1542 of the California Civil Code.

d. Notwithstanding any language herein, this release shall not preclude any of the Settlement Class Members whose loans are being serviced by Litton as of the Final Approval Order from raising any claim or defense in connection with any actual or threatened judicial or non-judicial foreclosure that does not arise from or concern the assessment of late fees 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.

2. **Release of Named Plaintiffs' Individual Claims.**

a. With respect to the Named Plaintiffs' individual claims, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Named Plaintiffs, their respective co-borrowers, spouses, or former spouses, who may have or have had an interest in the loan that is the subject of this Settlement Agreement, and the present, former and future respective heirs,

executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest, assigns, employees, and insurers of Named Plaintiffs, hereby remise, release, and forever discharge the Released Parties from any and all duties, obligations, claims, counterclaims, judgment, demands, lawsuits, actions, causes of action, or liabilities, whether arising under local, state, or federal law, whether by statute, contract, common law, or equity, including without limitation, claims for violation of any state or federal law governing the Named Plaintiffs' loans, claims for breach of contract, conversion, unjust enrichment, consumer fraud, or claims for statutory, multiple, punitive, exemplary, or actual damages, restitution, accountings, attorneys' fees or costs, or other relief of any form in law or equity, including, without limitation, any claims for equitable, injunctive, or declaratory relief, whether known or unknown, suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, or liquidated or unliquidated that arise from or concern the allegations made by Named Plaintiffs in the Complaint. Named Plaintiffs acknowledge that because they may have ongoing loans or other relationships with Litton, Litton does not release any claims that it may have against the Named Plaintiffs.

b. The foregoing Release shall also apply to those claims that would be barred by the doctrines of res judicata and collateral estoppel had the Named Plaintiffs' individual claims been litigated to a final judgment on the

merits, and to any and all past, present, and future claims, administrative or otherwise, actions, causes of action, rights or liabilities, known or unknown, based on, arising from or concerning the factual allegations and legal claims made or that could have been made in the Complaint or that otherwise arise from or concern the servicing by Litton of the Named Plaintiffs' loans.

c. Without limiting the foregoing, Named Plaintiffs' release of their individual claims specifically extend to and include claims arising from or concerning the allegations made in the Complaint that the Named Plaintiffs and the Releasing Parties do not know, or suspect to exist in their favor at the time that the Settlement Agreement is executed, or at the time that the Settlement Agreement and the Releases contained therein become effective (i.e., the Final Order), which, if known, might have affected their decision to enter into the Settlement Agreement. Named Plaintiffs and the Releasing Parties intentionally and knowingly waive any and all provisions, rights, and benefits conferred by any law of the United States, any state or territory of the United States or any law or principle of common law or equity that governs or limits a person's release of unknown claims referred to above. Named Plaintiffs and the Releasing Parties understand and acknowledge that they may discover facts in addition to or different from those that are currently known or believe to be true with respect to the subject matter of the Released Claims or their individual claims, but that it is

their intention to fully, finally, and forever settle and release all of the Released Claims and individual claims without regard to the subsequent discovery or current existence of any such additional or different facts, and in furtherance of such intention, the release of these Released Claims and individual claims shall remain in effect notwithstanding the discovery or existence of any such additional or different facts. The provisions of this paragraph include, without limitation, an express, knowing, and voluntary waiver, to the fullest extent permitted by law, by the Named Plaintiffs and the Releasing Parties of any and all provision, rights, or benefits conferred under Section 1542 of the California Civil Code, which provides that:

A general release ~~does~~ not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Named Plaintiffs and the Releasing Parties understand and acknowledge the significance of this waiver of Section 1542 of the California Civil Code. In addition, Named Plaintiffs and Releasing Parties also expressly, knowingly, and voluntarily waive any and all provisions, rights, and benefits conferred by any law of the United States, any state or territory of the United States, and any law or principle of common law or equity, which is similar, comparable, or equivalent to Section 1542 of the California Civil Code.

F. Attorneys' Fees And Costs.

1. Class Counsel shall file and serve a motion requesting the Court's approval of reasonable compensation from Class Counsels' services and costs and expenses relating to Class Claims as well as the Named Plaintiffs' individual claims (collectively referred to as "Class Counsel Fees and Costs") at least ten (10) days in advance of the Final Approval Hearing (as defined below). Class Counsel agree that they will not request, or seek to enforce, an award of Class Counsel Fees and Costs – for themselves and for any other attorney who may have rendered services to the Named Plaintiffs (including without limitation, for their individual and Class Claims) or the Class in connection with the Class Action and the individual claims of the Named Plaintiffs – in excess of Two Hundred Thousand Dollars and No Cents (\$200,000.00) in total amount. Litton agrees that it will consent to any motion for Class Counsel Fees and Costs which does not exceed Two Hundred Thousand Dollars and No Cents (\$200,000.00). Class Counsel shall accept the amount of Class Counsel Fees and Costs approved by the Court in an amount not to exceed Two Hundred Thousand Dollars and No Cents (\$200,000.00), as final and shall not attempt to collect any additional Class Counsel Fees and Costs from Litton, the Named Plaintiffs, or any Settlement Class Member.

2. The amount of Class Counsel Fees and Costs approved by the Court (or, if applicable, approved by the final appellate reviewing court), not exceeding Two Hundred Thousand Dollars and No Cents (\$200,000.00) in total amount, will be paid out of the Settlement Fund.

3. Class Counsel expressly waives any right to appeal any order by the Court authorizing Class Counsel Fees and Costs and will accept any and all amount ordered by the Court as full satisfaction of their attorneys' fees and costs.

4. The Claims Administrator shall pay the Class Counsel Fees and Costs within thirty (30) days after the Final Order.

5. The payment of Class Counsel Fees and Costs will be made by wire transfer to an account as directed in instructions ("Payment Instructions") to be provided in writing by Class Counsel to the Claims Administrator. Class Counsel will provide the Payment Instructions to the Claims Administrator within fourteen (14) days after the date of entry of the Final Approval Order (as defined below). The Payment Instructions must be signed (collectively or in counterparts) by all Class Counsel appearing as signatories to the Settlement Agreement.

6. The Parties' proposed Final Approval Order shall include provisions for payment of Class Counsel Fees and Costs in addition to the Class Representatives Payments, and payments to the Claimants.

IV. CLASS NOTICE, CLAIMS PROCESS AND RIGHT TO EXCLUSION AND OBJECTION

A. Class Notice.

1. The Parties recognize and acknowledge that Litton can identify all individuals who were assessed a late fee by Litton within the first sixty (60) days after the effective date that the borrower's loan was transferred to Litton, but without evidence or proof of timely payment to a prior servicer, it would be difficult, time-consuming and expensive to identify whether any individual late fee assessed by Litton actually violates Section 2605(d) of RESPA. Accordingly, for the purposes of this Settlement, the Parties agree that notice shall be provided to all individuals who were assessed a late fee by Litton within the first sixty days after the effective date that their mortgage loan was transferred to Litton for servicing (the "Notice Recipients"), regardless of whether the individual made a full and timely payment to the prior servicer.

2. As soon as reasonably practicable after receipt of the Preliminary Approval Order (as defined below) as entered by the Court and within forty-five (45) days thereof, the Claims Administrator shall mail the Notice Postcard which has been approved by the Court and in the form substantively identical to the form attached hereto as Exhibit 1, to each Notice Recipient at the last known address for the primary borrower on the subject loan. The Notice Postcard shall be sent by bulk or standard United States Mail.

3. In preparation for the mailing of the Notice Postcard, Litton shall provide to the Claims Administrator a list of all Notice Recipients and their last known addresses from which the mailing list shall be created. Thereafter, the Class Administrator will update the primary borrowers' addresses (to the extent the loans are not still active at those addresses) using the United States Postal Service's National Change of Address database ("NCOA Database").

4. In the event that a Notice Postcard is returned as undeliverable with no forwarding address, the Claims Administrator shall access the NCOA Database, update the address for each such Notice Recipient, and mail a second Notice to such Notice Recipients at their updated addresses. If the NCOA Database indicates that the last known address of any such Notice Recipient is invalid or otherwise undeliverable, Litton and the Claims Administrator shall have no further obligation to take steps to locate the address of the Notice Recipient or to mail such Notice Recipient a Notice Postcard. In the event that a Notice Postcard is returned as undeliverable with a forwarding address, the Claims Administrator shall re-mail the Notice Postcard to the indicated forwarding address within ten (10) business days from the date of receipt of the forwarding address. The Claims Administrator shall have no obligation to re-mail any Notice Postcard returned as undeliverable after thirty (30) days from the date on which it originally was mailed.

5. The Notice Postcard shall direct the Notice Recipients to the website set up by the Claims Administrator and a toll-free number serviced by the Claims Administrator. The Claims Administrator's website shall publish the Class Notice and Claim Form which has been approved by the Court and in the form substantively identical to the form attached hereto as Exhibit 2, as a single document. In the event that a Notice Recipient contacts the toll-free number, the Claims Administrator will send the Notice Recipient a Class Notice and Claim Form by United States Mail to the last known address of the Notice Recipient or any updated address provided by the Notice Recipient. If a Class Notice and Claim Form is returned as undeliverable with a forwarding address, the Claims Administrator shall re-mail the Class Notice and Claim Form to the indicated forwarding address within ten (10) business days from the date of receipt of the forwarding address. The Claims Administrator shall have no obligation to re-mail any Class Notice and Claim Form returned as undeliverable after thirty (30) days from the date on which it originally was mailed.

6. All costs associated with the Notice Postcard and Class Notice and Claim Forms shall be paid from the Settlement Fund.

7. The Claim Administrator is performing the administrative tasks described in this section solely for the convenience of the Parties and the Notice Recipients, and by performing such tasks, the Claim Administrator shall not be

deemed to be giving legal advice in any respect nor shall he be held responsible for the failure of any Notice Recipients to receive the Notice Postcard or the Class Notice and Claim Forms.

B. Claims Process.

1. To be eligible to obtain the payment set forth in Sections III.C.2 and III.D, a Notice Recipient must not have excluded himself or herself from the Class (that is, be a Settlement Class Member) and must timely submit (i.e. within one hundred and twenty (120) days from the date of the mailing of the Claim Form) a fully executed Valid Claim Form using the Claim Form for which Court approval is sought and is attached hereto as Exhibit 2.

2. The Claim Form shall contain the following information: (a) current name of the Settlement Class Member; (b) name(s) of the borrower(s) on the loan (if different from the Settlement Class Member's current name); (c) current address of the Settlement Class Member; (d) address set forth on the loan (if different from the Settlement Class Member's current address); (e) if reasonably available to the Settlement Class Member, the loan account number, or the last four numbers of the social security number of the Settlement Class Member; (f) the month and year of timely payment(s) made to the prior servicer; and (g) a sworn statement by the Settlement Class Member attesting to the fact that their loan was transferred for servicing to Litton, that within the first sixty (60) days after the

effective date of loan transfer, he/she made a timely and full payment to the prior servicer, and that despite their timely and full payment to the prior servicer, they were assessed a late fee by Litton.

3. The Claim Form shall also contain the following statement in bold typeface: **NOTE: 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.**

4. The Court-approved Claim Forms shall be provided concurrently with the Class Notice either on the website or through mail (upon request by the Notice Recipient) and shall have a return date of one hundred and twenty (120) days from the date of the Notice Postcard.

5. If there are multiple borrowers on a loan, a Claim Form signed by one borrower will be deemed to be submitted on behalf of all borrowers on the loan with their consent.

6. Each Settlement Class Members who submits a timely and valid Claim Form is referred to as a Claimant(s).

7. Any Settlement Class Member who submits an invalid Claim Form (whether invalid in content or through challenge) shall forfeit any rights to payment, but the Settlement Agreement and Release shall in all other respects be fully enforceable against Settlement Class Members.

C. Exclusions From The Settlement.

1. The Preliminary Approval Order and Class Notice shall include a provision under which Notice Recipients may exclude themselves from the Settlement. The process for exclusion shall be as follows:

a. All Notice Recipients who properly file a timely written request for exclusion shall be excluded as Settlement Class Members and shall have no rights under the Settlement Agreement (“Request for Exclusion”). A Request for Exclusion shall be deemed timely if it is postmarked no later than forty-five (45) days after the date of the Notice Postcard is sent.

b. A Request for Exclusion must: (i) be in writing; (ii) state the Notice Recipient’s current address, former address if different from the address

to which the Class Notice was addressed, and social security number; (iii) 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;" and (iv) be mailed to the Claims Administrator at the address provided in the Notice Postcard and postmarked within forty-five (45) days from the date on which the Notice Postcard was sent regardless of the address to which the Notice Postcard originally was mailed and regardless of whether the Notice Recipient requests a Class Notice and Claim Form.

2. 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 the Notice Postcard, or that is not sent within the time specified shall be invalid, and the person(s) servicing such a Request shall be bound as a Settlement Class Member, provided that the Settlement Agreement is finally approved. For purposes of determining the date of mailing, the date of the postmark will be controlling, and if no such date can be discerned, the date the Request for Exclusion is received by Claims Administrator will control.

3. As soon as practicable, but in any event no later than sixty (60) days after the date on which the Notice Postcards are sent, the Claims Administrator shall provide to Litton and Class Counsel, copies of all Request for Exclusions. Copies of the Requests for Exclusion will be provided by the Claims

Administrator to Class Counsel and Counsel for Litton as soon as practicable before the Final Approval Hearing. If the Settlement is approved by the Court at the Final Approval Hearing, any and all Notice Recipients who have not submitted a timely, written request for exclusion (i.e. Settlement Class Members) to the Claims Administrator, will be bound by the release set forth herein.

4. At least ten (10) days in advance of the Final Approval Hearing, the Claims Administrator shall serve an affidavit identifying all persons who have made a timely and valid Request for Exclusion.

5. The Preliminary Approval Order shall further provide that no person shall purport to exercise any exclusion rights of any other person, or purport to exclude other Notice Recipients as a group, aggregate, or class involving more than one Notice Recipient, or as an agent or representative. Any such purported exclusion shall be void, and the Notice Recipients(s) that are the subject of the purported exclusion shall be treated as Settlement Class Members for all purposes.

D. Objections To The Settlement.

1. The Preliminary Approval Order and Class Notice shall include a provision that Notice Recipients who wish to object to the proposed Settlement may do so in accordance with the following procedures:

a. Any Settlement Class Member who has not filed a timely written request for exclusion and who seeks to object to or oppose the fairness,

reasonableness or adequacy of this Settlement Agreement, or to any award of fees or costs, must serve upon Class Counsel and Counsel for Litton, and must file with the Court, no later than forty-five (45) days after the date on which the Notice Postcards are sent, a written objection to the settlement (“Written Objection”).

b. The Written Objection must contain: (i) proof of membership in the Class, which shall be sufficiently shown by providing documentary evidence that he or she was assessed a late fee by Litton within the first sixty (60) days after the effective date of loan transfer to Litton, and that he or she had made a full and timely payment to their prior servicer; (ii) a statement of his/her objection including the specific grounds for the objection and any other reasons why such Settlement Class Member desires to be heard; (iii) any legal support the Settlement Class Member wishes to bring to the Court’s attention; and (iv) any evidence, documents or writing that such Settlement Class Member wishes to introduce in support of the Written Objection.

c. Settlement Class Members may so object either on their own or through an attorney hired at their own expense.

2. Class Counsel and Counsel for Litton may, in their discretion, file and serve a written response to Written Objections(s), if any, filed and served by any Settlement Class Member. Such response will act as a reply brief on the Motion for Final Approval of the Settlement. Any such written response shall be

filed with the Court, and served upon the Settlement Class Member or the Settlement Class Member's attorney, if any, in the most expeditious manner practicable, seven (7) days before the Final Approval Hearing.

3. A Settlement Class Member may appear at the Final Approval Hearing in person or through counsel, at his or her expense, to present relevant evidence properly included in the Settlement Class Member's Written Objection or proper and relevant argument, but the Written Objection of any Settlement Class Member who desires to appear in person or through counsel at the Final Approval must also include notice of the Settlement Class Member's intention to so appear.

4. The Final Approval Hearing will be the only opportunity for any Settlement Class Member who objects to the proposed Settlement, to this Settlement Agreement, to the release of the Released Claims, or to the entry of an order awarding costs to Class Counsel Litigation Fees and Costs, to appear and be heard.

V. NOTICE UNDER THE CLASS ACTION FAIRNESS ACT

A. The Class Action Fairness Act of 2005 ("CAFA") requires Litton to inform certain federal and state officials about the proposed settlement. *See* 28 U.S.C. § 1715.³

³ Specifics regarding the officials to be notified and the information that must be provided can be found in 28 U.S.C. § 1715.

B. Under the provisions of CAFA, Litton will serve notice upon the appropriate officials within ten (10) days after the Parties file the proposed Settlement with the Court. See 28 U.S.C. § 1715(b).

C. CAFA also prohibits the Court from issuing an order giving final approval of the proposed settlement until at least ninety (90) days from the date on which Litton provides notice to the appropriate official has elapsed. See 28 U.S.C. § 1715(d).

D. The Parties agree that Litton is permitted to provide CAFA notice as required by law and that Litton's production of such information shall be done to effectuate the Settlement and shall not be considered a breach of the Settlement Agreement or any other agreement of the Parties.

VI. PRELIMINARY APPROVAL PROCEDURE

A. Within ten (10) days after the Execution Date, but in any event no later than April 13, 2009, the Parties shall file a joint motion with the Court for a preliminary order approving the Settlement Agreement (the "Preliminary Approval Order"). A copy of the form of the Preliminary Approval Order agreed to by the Parties is attached hereto as Exhibit 3 and incorporated by reference. The Preliminary Approval Order shall provide, among other things, that:

1. The Settlement proposed in the Settlement Agreement has been negotiated at arms' length and is preliminarily approved and determined to be fair, reasonable, adequate, proper, and in the best interest of the Class;

2. The Court approves the Notice Postcard, Class Notice and Claim Form attached hereto as Exhibits 1 and 2 and finds that the proposed manner of distributing the combined Class Notice and Claim Form to the Notice Recipients complies fully with the requirements of Fed. R. Civ. P. 23 and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the Settlement of this Class Action;

3. The Court directs the Claims Administrator to mail the Class Notice and Claim Form as set forth in Section IV.A, above and that the timing of mailing of Class Notice will run from notice of entry of the Preliminary Approval Order;

4. The Court sets a final hearing for approval of the Settlement proposed in the Settlement Agreement ("Final Approval Hearing") to permit the Court to determine whether the proposed Settlement is fair, reasonable, and adequate, and whether it should be approved by the Court. The Final Approval Hearing shall be set not earlier than one hundred and fifty (150) days after the date

for mailing the Class Notice and Claim Form to Notice Recipients (or one hundred ninety-five (195) days from the date of the Preliminary Approval Order);

5. The Court approves the procedures for exclusion of a Notice Recipient from the proposed Settlement and Settlement Agreement as set forth in Section IV.C, above;

6. That the Court approves the procedures for a Settlement Class Member to object to the proposed Settlement and the Settlement Agreement as set forth in Section IV.D, above; and

7. In aid of the Court's jurisdiction to implement and enforce the proposed Settlement, Named Plaintiffs and all Settlement Class Members shall be preliminarily enjoined and barred from commencing or prosecuting any claim or action inconsistent with the Released Claims, whether directly, representatively, derivatively, or in any other capacity, whether by a complaint, counterclaim, defense, or otherwise, in any local, state, or federal court, or in any agency or other authority or forum wherever located. Nothing in this paragraph, however, shall be construed to prevent a Settlement Class Member from presenting objections to this Court regarding the Settlement Agreement in accordance with Section IV.D, above.

VII. FINAL JUDGMENT PROCEDURE

A. The Final Approval Hearing will be held on such date as the Court, in its discretion, may order, in approximately late October 2009.

B. No later than ten (10) days prior to the Final Approval Hearing, the Claims Administrator will file with the Court and serve upon Class Counsel and counsel for Litton, a declaration stating that any required Notice has been completed in accordance with the terms of the Preliminary Approval Order.

C. At least twenty-one (21) days in advance of the Final Approval Hearing, the Parties shall file a joint motion requesting that the Court grant final approval of the Settlement Agreement and enter final judgment in the Class Action (the "Final Approval Order"). Class Counsel shall file a memorandum in support of such a motion, and, at its option, Litton may also file a memorandum.

D. At the Final Approval Hearing, the Court will consider and determine whether the provisions of this Settlement Agreement should be approved, whether the Settlement should be finally approved as fair, reasonable, and adequate, whether any objections to the Settlement should be overruled, and whether a judgment and order finally approving the Settlement and dismissing the certified class action litigation as between the Parties should be entered.

E. If the Settlement contemplated by this Settlement Agreement is approved by the Court, the Court will be requested to enter a Final Approval Order

and Final Judgment in the form negotiated by the Parties in good faith. Copies of the proposed Final Approval Order and Final Judgment agreed to by the Parties and to be submitted to the Court are attached hereto as Exhibits 4 and 5 and are incorporated herein by reference.

F. The Final Approval Order shall provide, among other things, that:

1. the Settlement Agreement is approved as presented and without modification (except insofar as the Parties have agreed to such modification), and the Settlement Agreement is fair, reasonable, adequate, and in the best interest of the Settlement Class Members;

2. the Class Notice fully complies with the requirements of Rule 23 of the Federal Rules of Civil Procedure and due process, constitutes the best notice practicable under the circumstances, and is due and sufficient notice to all persons entitled to notice of the Settlement of the Class Action;

3. the Court has found that each Notice Recipient not having effectively excluded themselves from the Settlement (as set forth in Section IV.C) i.e., each Settlement Class Member, shall be bound by the Settlement Agreement, including the Releases therein;

4. the Class Action be dismissed on the merits and with prejudice as to the individual and class claims of the Named Plaintiffs and claims of the Settlement Class Members, without fees or costs except as provided in the

Settlement Agreement, and that a judgment so dismissing the Class Action be entered immediately;

5. Named Plaintiffs and all Settlement Class Members are permanently enjoined and barred from commencing or prosecuting any action asserting any of the Released Claims, either directly, representatively, derivatively, or in any other capacity, whether by a complaint, counterclaim, defense, or otherwise, in any local, state, or federal court, or in any agency or other authority or forum wherever located. Any person or entity who knowingly violates such injunctions shall pay the costs and attorneys' fees incurred by Litton or other Released Parties as a result of the violations;

6. the Court shall retain continuing jurisdiction over the Class Action, the Parties, and all Notice Recipients and Settlement Class Member to determine all matters relating in any way to the Final Approval Order, the Preliminary Approval Order, or the Settlement Agreement, including, without limitation, to their administration, implementation, interpretation, or enforcement; and;

7. Class Counsel is entitled to Class Counsel Litigation Fees and Costs up to, but no more than, Two Hundred Thousand Dollars and no Cents (\$200,000.00) as described in the Settlement Agreement.

VIII. LITTON'S RIGHT TO WITHDRAW

A. Litton has the option to withdraw from the Settlement Agreement, and thereby render this Settlement null and void if:

1. Named Plaintiffs or Class Counsel breach any material provision of the Settlement Agreement or Preliminary Approval Order;
2. more than five hundred (500) of the Notice Recipients timely exclude themselves from the Settlement Class;
3. the attorney general or other authorized officer of the United States or any State, or any representative of any local, state, or federal agency or branch of government, intervenes in the Class Action, or any similar class action, or advises the Court in writing of opposition to the terms of the Settlement Agreement; or
4. upon such other grounds as may be agreed to by the Parties in writing or permitted by the Court.

IX. EFFECT OF WITHDRAWAL OR NON-APPROVAL

A. In the event that (a) Litton withdraws from the Settlement Agreement, or (b) the Settlement Agreement, Preliminary Approval Order, and Final Approval Order are not approved in all material respects, and as set forth in this Agreement, by the Court, or (c) the Settlement Agreement, Preliminary Approval Order, or Final Approval Order are modified as to the content of the Settlement, reversed or

vacated by the Court or any other court, or (d) the Court conditions preliminary or final approval of the Settlement Agreement on any change not previously agreed to or consented to by the Parties, then the Settlement Agreement shall become null and void; the Class Action may continue (with litigation to recommence as provided for herein); and any and all orders entered pursuant to the Settlement Agreement shall be deemed vacated, including, without limitation, any order certifying or approving certification of a class for settlement purposes; and the Parties may not make any references to or use of the Settlement Agreement, orders, or any other documents related thereto.

B. Notwithstanding the foregoing, the Parties may promptly agree in writing to modify the Settlement Agreement and proceed with the Settlement, or may promptly agree in writing to jointly appeal such a ruling as described above in Section X.L in which case if the Settlement Agreement and Final Approval Order are upheld on appeal in all material respects, then the Settlement Agreement and Final Judgment and Order shall be given full force and effect according to their terms.

C. Notwithstanding the foregoing, an approval of Class Counsel Fees and Costs in an amount less than Class Counsel seeks approval for shall not be deemed a disapproval, refusal or modification of this Settlement Agreement or any part thereof, and a modification or reversal on appeal of any order approving Class

Counsel Fees and Costs by any court shall likewise not be deemed a disapproval, refusal, or modification of this Settlement Agreement or any part thereof, and the Settlement Agreement, including, without limitation, the Releases, shall not be null and void but shall continue in full force and effect. The fact that the Court may make a non-substantive change to the Preliminary Approval Order, the Class Notice, or the Final Approval Order does not invalidate the Settlement Agreement or excuse any party from performance thereunder.

X. MISCELLANEOUS PROVISION

A. **Stay of Proceedings.** Subject to Court approval, all proceedings in this Action shall be stayed pending and following preliminary approval of the Settlement, except as necessary to implement the Settlement or this Settlement Agreement, or to comply with the terms of Settlement.

B. **No Admission of Wrongdoing.** The Parties hereto acknowledge that the execution of this Settlement Agreement and consummation of the transactions contemplated hereby do not and should not constitute any admission of liability by Litton under state or federal law, whether or not such claims have been pled in the instant action. This Settlement Agreement, whether or not consummated, and any proceedings or events that occur pursuant to it:

1. Shall not be offered or received against Litton or any Released Party for any purpose or used as evidence of, or to be construed as or deemed to be

evidence of, any admission or concession by Litton or any of the Released Parties of the truth or relevance of any fact alleged by Named Plaintiffs and/or the Class, the validity of any claim that has been or could have been asserted in the Action or in any other litigation, or of any liability, fault, or wrongdoing of any kind by or on behalf of Litton or any of the Released Parties.

2. Shall not be offered or received against Litton or any Released Party as evidence of, or construed as or deemed to be evidence of, any admission or concession of any liability, fault, or wrongdoing, or in any way referred to for any other reason as against any of the Parties to this Settlement Agreement, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement Agreement; provided, however, that if this Settlement Agreement is approved by the Court, Litton and the Released Parties may refer to it to effectuate the liability protection granted them hereunder; and

3. Is not, and shall not be construed against any Party as an admission or concession as to the value or prospects of the case that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial, or as a reflection of the value of claims in any other litigation.

C. **Media.** Named Plaintiffs and Class Counsel further agree that they shall not issue, or cause to be issued, any press release or make any similar public or media disclosure of the Settlement, the Settlement Agreement, or the negotiations which culminated in this Agreement, or of any facts or allegations compromising the Class Action.

D. **Dismissal.** In connection with Final Approval of the Settlement and the issuance of the Final Approval Order, a Final Judgment of Dismissal with Prejudice shall be entered by the Court.

E. **Continuing Jurisdiction.** The United States District Court for the Central District of California will have continuing jurisdiction over this Action for the purpose of implementing the Settlement and all related matters, including this Settlement Agreement, Final Approval of the Settlement, Entry of Judgment, and post-judgment issues, until all related matters are fully resolved. Any dispute regarding the Parties' obligations pursuant to this Settlement Agreement and/or interpretation of the terms of this Settlement Agreement will be presented to, and resolved by, Judge Margaret M. Morrow, or if she is unavailable, by another judge of the United States District Court.

F. **Reasonable Best Efforts.** The Parties agree to undertake their reasonable best efforts, including, without limitation, all efforts contemplated by the Settlement Agreement, to carry out the terms of this Agreement. In addition to

the documents and other matters specifically referenced in the Settlement Agreement, the Parties agree to execute and/or deliver, or cause to be executed and/or delivered, such other documents and/or other materials necessary to carry out the terms and conditions of this Agreement, as may be reasonably necessary to effect the obligations contemplated by the Agreement.

G. **Entire Agreement; Interpretation.** The Settlement Agreement (including the exhibits hereto) contains the entire agreement among the Parties hereto and supersedes any prior agreements, negotiations, or understandings among them. All terms (including the exhibits hereto) are contractual and not mere recitals and are material to this Agreement. This Settlement Agreement will not be construed more strictly against one party than another merely because it may have been prepared by counsel for one of the Parties, it being recognized that, because of the arms' length negotiations resulting in the Settlement Agreement, all Parties hereto have contributed substantially materially and equally to the preparation of the Settlement Agreement.

H. **Binding Effect.** The terms of the Settlement Agreement are and shall be binding upon each of the Parties hereto, their heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest, and assigns, and upon all other persons claiming any interest in the subject matter

hereto through any of the Parties hereto, including, without limitation, any Settlement Member.

I. **Headings.** The headings contained in the Settlement Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

J. **No Rescission on Grounds of Mistake.** The Parties acknowledge that they have made their own investigations of the matters covered by the Settlement Agreement to the extent they have deemed it necessary to do so. Therefore, the Parties agree that they will not seek to set aside any part of the Settlement Agreement on the grounds of mistake. Furthermore, the Parties understand, agree, and expressly assume the risk that any fact not recited, contained, or embodied in the Settlement Agreement may turn out hereinafter to be other than, different from, or contrary to the facts now known to them, or believed by them to be true, and further agree the Settlement Agreement shall be effective in all respects notwithstanding, and shall not be subject to termination, modification, or rescission by reason of, any such difference in facts.

K. **Integration of Exhibits.** The exhibits to the Settlement Agreement are an integral and material part of this Agreement and are hereby incorporated and made a part of the Agreement.

L. **Amendments/Modifications.** Subject to any power of the Court to order a modification, the Settlement Agreement may be amended or modified only by a written instrument signed by each of the Parties and their respective counsel of record. Amendment and modifications may be made without notice to the Class unless notice is required by law or by the Court.

M. **Competency; Independent Counsel.** Each party to this Settlement Agreement represents and warrants that he, she, or it is competent to enter into this Settlement Agreement and in doing so is acting upon his, her, or its independent judgment and upon the advice of his, her, or its own counsel and not in reliance upon any warranty or representation, express or implied, or any nature or kind by any other party, other than the warranties and representations expressly set forth in this Settlement Agreement itself.

N. **Counterparts.** This Settlement Agreement may be executed in counterparts and by facsimile, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

O. **Notices.** Except for the Notice Postcard and the Class Notice, which shall be governed exclusively by the provisions set forth therein and by Sections IV.A, inclusive, above, all notices required or permitted to be given by law or by the terms of the Settlement Agreement shall be in writing and shall be considered given upon personal receipt by the party to be served after mailing of such notice

by first class United States mail, postage prepaid, addressed to the Parties as follows:

If to Named Plaintiffs or the Class Members:

Kelly M. Dermody (SBN 171716)
Heather H. Wong (SBN 238546)
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339

Elizabeth A. Alexander
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
150 Fourth Avenue, North, Suite 1650
Nashville, TN 37219

Daniel J. Mulligan (State Bar No. 103129)
JENKINS MULLIGAN & GABRIEL, LLP
78-065 Main Street, Suite 202
La Quinta, CA 92253
San Francisco, CA 94104

and

Niall P. McCarthy (SBN 160175)
Laura Schlichtmann (SBN 169699)
COTCHETT, PITRE & McCARTHY
San Francisco Airport Office Center
840 Malcolm Road, Suite 200
Burlingame, CA 94010

if to 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, MA 02111

and

Michael J. Quinn (SBN 198349)
K&L GATES LLP
10100 Santa Monica Blvd,
Seventh Floor
Los Angeles, CA 90067

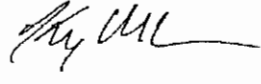
IN WITNESS WHEREOF, the Parties hereby sign the Settlement

Agreement:

For Named Plaintiffs and the Class:

As to Form:

By: _____
Allan Schaffer

By: 

Dated: _____, 2009

Kelly M. Dermody
Heather H. Wong
**Lieff, Cabraser, Heimann & Bernstein,
LLP**
275 Battery Street, 30th Floor
San Francisco, CA 94111

By: _____
Gladys Schaffer

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

Dated: _____, 2009

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

Daniel J. Mulligan
Jenkins Mulligan & Gabriel, LLP
78-065 Main Street, Suite 202
La Quinta, CA 92253

By: _____
John Durand

Dated: May __, 2009

Dated: _____, 2009

By: _____
Elaine Durand

Dated: _____, 2009

For Named Plaintiffs and the Class:

As to Form:

By: Allan Schaffer
Allan Schaffer

By: _____

Dated: May 1, 2009

Kelly M. Dermody
Heather H. Wong
**Lieff, Cabraser, Heimann & Bernstein,
LLP**
275 Battery Street, 30th Floor
San Francisco, CA 94111

By: Gladys Schaffer
Gladys Schaffer

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

Dated: May 1, 2009

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

Daniel J. Mulligan
Jenkins Mulligan & Gabriel, LLP
78-065 Main Street, Suite 202
La Quinta, CA 92253

By: _____
John Durand

Dated: May __, 2009

Dated: _____, 2009

By: _____
Elaine Durand

Dated: _____, 2009

For Named Plaintiffs and the Class:

As to Form:

By: _____
Allan Schaffer

Dated: _____, 2009

By: _____
Gladys Schaffer

Dated: _____, 2009

By: _____

Kelly M. Dermody
Heather H. Wong
**Lieff, Cabraser, Heimann & Bernstein,
LLP**
275 Battery Street, 30th Floor
San Francisco, CA 94111

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

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

Daniel J. Mulligan
Jenkins Mulligan & Gabriel, LLP
78-065 Main Street, Suite 202
La Quinta, CA 92253

By: John Durand
John Durand

Dated: 5/1/09, 2009

By: Elaine Durand
Elaine Durand

Dated: 5/1, 2009

Dated: May __, 2009

For Defendant Litton Loan Servicing LP

As to Form:

By: _____

Name: Larry Litton, Jr.

Title: President and Chief Executive Officer

Dated: May 1, 2009

By: 

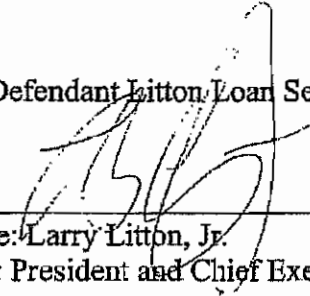
R. Bruce Allensworth
Irene C. Freidel
Brian M. Forbes
Stacey L. Gorman
K&L Gates LLP
State Street Financial Center
One Lincoln Street
Boston, MA 02111

Michael J. Quinn (SBN 198349)
K&L GATES LLP
10100 Santa Monica Blvd,
Seventh Floor
Los Angeles, CA 90067

Dated: May 1, 2009

For Defendant Litton Loan Servicing LP

As to Form:

By: 
Name: Larry Litton, Jr.
Title: President and Chief Executive Officer

By: _____

Dated: May 1, 2009

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

Michael J. Quinn (SBN 198349)
K&L GATES LLP
10100 Santa Monica Blvd,
Seventh Floor
Los Angeles, CA 90067

Dated: May 1, 2009

EXHIBIT 1

**IMPORTANT NOTICE FROM THE UNITED DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

**YOU MAY BE A CLASS MEMBER IN A PROPOSED CLASS ACTION SETTLEMENT IF YOU MEET
ALL OF THE FOLLOWING CONDITIONS:**

1. *You presently own or have owned property in the United States on or after **October 26, 2002**;*
2. *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 at any time on or after **October 26, 2002**; and*
3. *You 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.*

A proposed settlement has been given preliminary approval in a class action alleging that the late fees imposed by Litton on timely payments made to a prior loan servicer within the first sixty (60) days of transfer to Litton may violate the federal Real Estate Settlement Procedures Act. Litton denies that any law was violated. Receipt of this postcard does not mean that you are a member of the class or entitled to participate in the settlement. The sole purpose of this notice is to inform you of the settlement so that you may decide what to do about it.

Subject to the terms of the Settlement Agreement and the Court's approval, each eligible recipient who receives this postcard and who submits a timely and valid Claim Form under penalties of perjury may receive up to \$60 per loan. If you believe you are a class member, you may: (a) fill out, sign and return a timely and valid Claim Form, (b) request exclusion from the settlement, or (c) object to the settlement. You may only object to the Settlement if you do not exclude yourself and you are a class member. Valid Claim Forms are due: [DATE]. Requests to be excluded from the settlement are due: [DATE]. Objections to the settlement are due: [DATE]. For a full description of the settlement, related Court documents, dates and forms, please visit [WEBSITE].

You may also obtain the Class Notice and Claim Form online by visiting:

[WEBSITE]

or by calling ____-____-____.

Do NOT CONTACT LITTON OR THE COURT ABOUT THIS SETTLEMENT

EXHIBIT 2

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 Loan Servicing LP (“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 will 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, 30th Floor
San Francisco, CA 94111

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

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

Daniel J. Mulligan
Jenkins Mulligan & Gabriel, LLP
78-065 Main Street, Suite 202
La Quinta, CA 92253

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 by no later than _____, 2009, at the address provided on the Claim Form. Please note that you must sign the Claim Form under penalty of perjury. **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 _____ at _____ in Courtroom ___ of _____ 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 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, Attn: Schaffer v. Litton Loan Servicing Settlement, on or before _____, 2009. 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, and 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 _____, 2009. 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: _____

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, Attn: Schaffer v. Litton Loan Servicing Settlement. THIS FORM MUST BE COMPLETED, SIGNED, AND RETURNED TO GILARDI & CO., LLC AT THE ADDRESS NOTED WITH A POSTMARK OF NO LATER THAN _____, 2009. 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 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 _____, 2009.

EXHIBIT 3

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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 through 100, Inclusive,,

Defendants.

Case No. CV 05-7673 MMM (CTx)

**PRELIMINARY APPROVAL
ORDER**

Judge: Hon. Margaret M. Morrow
United States District Judge

WHEREAS, a Class Action Complaint has been filed in this Court on behalf of Allan and Gladys Schaffer, John and Elaine Durand and Albert J. and Mary Beth Saulnier, as representative plaintiffs,¹ in Case No. CV 05-7673 (the "Class Action").

¹ As reported to the Court in the Notice of Status Reports dated April 13, 2009 (Docket No. 429) and April 16, 2009 (Docket No. 430), on the evening of April 13, 2009, the Named Plaintiffs Albert J. and Mary Beth Saulnier reported to Class Counsel that they would not be a party signatory to the Class Action Settlement Agreement and Release. A motion to withdraw the Saulniers as class

[continued...]

1 WHEREAS, Allan and Gladys Schaffer and John and Elaine Durand (the
2 “Named Plaintiffs”) and Litton Loan Servicing LP (“Litton”) (collectively, the
3 “Parties”) and their attorneys have entered into a Class Action Settlement
4 Agreement and Release dated May 1, 2009 (the “Settlement Agreement”), in which
5 the Parties have agreed upon a Settlement of the Class Action, subject to the
6 approval of the Court.

7 WHEREAS, the Parties have filed a Motion for Preliminary Approval of
8 Settlement and Approval of Notice Plan.

9 WHEREAS, the Parties’ Joint Motion for Preliminary Approval of Proposed
10 Class Settlement and Approval of Notice Plan was duly noticed and came on for
11 hearing on _____, 2009, before the Honorable Margaret M. Morrow in
12 Courtroom 780 of the above-captioned Court.

13 NOW THEREFORE, upon careful consideration of Plaintiffs’ Motion for
14 Preliminary Approval of Settlement and Approval of Notice Plan, and review of the
15 Settlement Agreement that has been entered into by the parties, and for good cause
16 shown, IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

17 1. All defined terms contained herein shall have the same meanings as set
18 forth in the Settlement Agreement.

19 2. The Class Representatives – Named Plaintiffs herein, as previously
20 appointed by the Court – and Defendant Litton Loan Servicing, LP (“Litton”),
21 through their counsel of record and as memorialized in the terms of the Settlement
22 Agreement, have reached an agreement to resolve this Action in its entirety,
23 including both the previously certified class claim and Named Plaintiffs’ individual
24 claims, and release all Released Claims (“proposed Settlement”).

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27 _____
28 representatives was filed on _____ and that motion was allowed on
_____. Accordingly, the Saulniers are not a signatory to the Settlement
Agreement.

1 3. The Court finds that the proposed Settlement is the product of several
2 years of litigation and was negotiated at arms' length. The Court finds further that
3 the proposed Settlement is within the range of reasonableness and appears to be fair
4 to absent class members and adequate, subject to the Court's further evaluation
5 after absent class members receive notice of the proposed Settlement. Therefore,
6 the Court finds that the proposed Settlement meets requirements for preliminary
7 approval pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, and grants
8 preliminary approval.

9 4. Named Plaintiffs have also presented to the Court for review a plan for
10 providing notice of the proposed Settlement to potential members of the Settlement
11 Class ("Notice Recipients"). The plan includes proposed contents of the Notice
12 Postcard, Class Notice, and Claim Form and a proposed manner of distributing the
13 Notice Postcard, Class Notice, and Claim Form and administering the responses of
14 the Notice Recipients. The Court finds that the proposed Notice Postcard and Class
15 Notice appropriately informs Notice Recipients about this litigation and the terms
16 of the proposed Settlement, and that it clearly advises Notice Recipients of their
17 rights to exclude themselves from the proposed Settlement, file a claim for benefits
18 pursuant to the proposed Settlement, or object to the proposed Settlement, and the
19 procedures for doing so.

20 5. The Court finds further that the proposed manner of distributing the
21 proposed Notice Postcard, Class Notice and Claim Form and advising Notice
22 Recipients how to obtain additional information about the proposed Settlement is
23 the best method practicable under the circumstances; that it complies fully with the
24 requirements of Rule 23 of the Federal Rules of Civil Procedure and with due
25 process standards; and that it constitutes due and sufficient notice to all persons
26 entitled to notice of the proposed Settlement of this Class Action.

27 6. The Court approves the Parties' agreed-upon selection of Gilardi &
28 Co., LLC ("Gilardi") as the Claims Administrator for purposes of the proposed

1 Settlement. The Court directs that Gilardi shall mail the Notice Postcards as set
2 forth in the Settlement Agreement, in substantially the format as submitted to the
3 Court as Exhibit 1 to the Settlement Agreement; shall establish a website dedicated
4 to this litigation and upload to the website the Class Notice and Claim form in
5 substantially the format as submitted to the Court as Exhibit 2 to the Settlement
6 Agreement; shall maintain a toll-free number for purposes of responding to
7 inquiries from Notice Recipients who lack access to the Internet or have questions
8 about the documents posted on the dedicated website or procedural questions; shall
9 provide copies of the Class Notice and Claims Form to all Notice Recipients who
10 request that the Class Notice and Claim Form be mailed to them; and shall comply
11 with other terms of the Settlement Agreement with respect to documents to be
12 provided to the Parties and the Court and the deadline for these submissions.

13 Timing of the mailing of the Notice Postcard shall run from the date of entry of this
14 Order.

15 7. Based on the Parties' submissions and the above findings, the Court
16 approves the content and form of the proposed Notice Postcard, Class Notice and
17 Claim Form in substantially the format as set forth in Exhibits 1 and 2 to the
18 Settlement Agreement and the plan proposed by the Parties for distributing and
19 administering the Notice Postcard, Class Notice, and Claims Form as set forth in
20 the Settlement Agreement; approves the procedures for voluntary exclusion of
21 Notice Recipients from the proposed Settlement, as set forth in the Settlement
22 Agreement; approves the procedures for filing claims, as set forth in the Settlement
23 Agreement; and approves the procedures by which Settlement Class Members may
24 object to the proposed Settlement, as set forth in the Settlement Agreement.

25 8. With respect to exclusion from the Settlement Class, the Court orders
26 that no person may exercise any exclusion rights on behalf of any other person or
27 persons, except as reasonable in instances of disability, guardianship, or
28 conservatorship. Any purported exclusion inconsistent with this Order shall be

1 void, and any Notice Recipients who are the subject of such purported exclusion
2 shall be treated as Settlement Class Members pursuant to the terms of the
3 Settlement Agreement. Notice Recipients who do not exclude themselves from or
4 object to the proposed Settlement will be represented by Class Counsel. (As
5 previously appointed, Class Counsel consists of the law firms Lieff, Cabraser,
6 Heimann & Bernstein, LLP; Cotchett, Pitre & McCarthy; and Jenkins Mulligan &
7 Gabriel, LLP.)

8 9. In compliance with the requirements of the Class Action Fairness Act
9 of 2005 ("CAFA"), at 28 U.S.C. § 1715(b), and as provided for in the Settlement
10 Agreement, Litton shall serve notice of the proposed Settlement on appropriate
11 government officials within ten (10) days after the Parties' filing of the proposed
12 Settlement Agreement with the Court.

13 10. The Court will hold a Final Approval Hearing on _____,
14 2009, at __.m., in Courtroom 780 of this Court before the Honorable Margaret M.
15 Morrow. The purposes of the Final Approval Hearing are to determine (1) whether
16 the proposed Settlement on the terms and conditions provided for in the Settlement
17 Agreement is fair to the proposed Settlement Class, reasonable, and adequate,
18 whether the proposed plan of allocation should be approved by the Court, and
19 whether the Released Claims should be released and this Class Action and Named
20 Plaintiffs' individual claims should be dismissed with prejudice on the terms set
21 forth in the Settlement Agreement; and (2) whether the application of Class
22 Counsel for reimbursement of litigation expenses and for incentive awards to the
23 Class Representatives, for their role in bringing and participating in this litigation,
24 should be approved and, if so, in what amounts. The Court may adjourn or
25 continue the Final Approval Hearing, and may continue interim deadlines provided
26 for herein, without further notice to the Settlement Class.

27 11. Written Objections to the proposed Settlement submitted by Notice
28 Recipients who have not timely excluded themselves will be considered if received

1 by the Court and the Parties' counsel on or before _____. At the Final
2 Approval Hearing, Notice Recipients who have complied with procedures for
3 submitting Written Objections and have provided timely notice of their intent to
4 address the Court at the Final Approval Hearing may be heard orally, either in
5 person or through an attorney of their choosing engaged at their own expense,
6 subject to the Court's power to manage its proceedings.

7 12. No later than _____, the Parties shall file any responses that they
8 wish to make to timely Written Objections and any further documents that they
9 wish to submit in support of final approval of the proposed Settlement. No later
10 than _____, Class Counsel shall file their application for reimbursement of
11 litigation costs and expenses, in an amount not to exceed \$200,000.00, to be paid
12 from the Settlement Fund and for the Court's approval of incentive awards to the
13 Named Plaintiffs, in amounts not to exceed \$5,000.00 per household, also to be
14 paid from the Settlement Fund.

15 13. All Notice Recipients, unless they timely exclude themselves from the
16 Settlement Class in compliance with the procedures set forth in the Settlement
17 Agreement and the Class Notice, shall be bound by all orders, determinations, and
18 judgments in this class action concerning the proposed Settlement, whether or not
19 they timely submit a Claim Form and share in the distribution of the Settlement
20 Fund.

21 14. All discovery and other proceedings in this Action are stayed until
22 further order of the Court, except as may be necessary to implement the proposed
23 Settlement or comply with the terms of the proposed Settlement. Plaintiffs, Notice
24 Recipients, and each of them, and anyone else who acts or purports to act on their
25 behalf, are barred from commencing or prosecuting action inconsistent with the
26 Settlement of the Class Action, whether directly, representatively, derivatively, or
27 in any other capacity, whether by a complaint, counterclaim, defense, other
28 otherwise, in any local, state, or federal court, or in any agency or other authority or

1 forum wherever located, unless and until the proposed Settlement Agreement is
2 terminated according to its terms. Nothing in this paragraph shall be construed to
3 prevent a Class Member from presenting objections to the Court regarding the
4 Class Settlement Agreement in accordance with the terms of: (a) this Order; (b) the
5 Notice Postcard; (c) the Class Notice; and (d) the Class Settlement Agreement.

6 15. The Court retains exclusive jurisdiction over this Action to consider all
7 further matters arising out of or connected with the Settlement Agreement and the
8 proposed Settlement.

9 16. If a Final Order is not issued or otherwise does not occur, or if the
10 Settlement is terminated for any reason whatsoever, the Settlement and all
11 proceedings held in connection therewith shall be without prejudice to the rights of
12 the parties to the Class Action before the Settlement Agreement was executed, and
13 all Orders issued pursuant to the Settlement Agreement shall be vacated.

14 17. Neither this Order, the Settlement Agreement, nor any of its terms or
15 provisions, nor any of the negotiations between the Parties or their counsel (nor any
16 action taken to carry out this Order), is, may be construed as, or may be used as an
17 admission or concession by or against any of the Parties or the Released Parties of
18 any wrongdoing, the validity of any claim or liability, any alleged violation or
19 failure to comply with any law, any alleged breach of contract, or any legal or
20 factual argument, contention or assertion, and the Parties deny any wrongdoing or
21 liability on their part. Neither entering into nor carrying out the Settlement
22 Agreement, nor the terms of the Settlement Agreement, nor any negotiations or
23 proceedings related to it, shall in any event be construed as, or deemed evidence of,
24 an admission or concession as to Litton's denials, defenses, or factual or legal
25 positions, nor shall be offered or received in evidence in any action or proceeding
26 against any party in any court, administrative agency or other tribunal for any
27 purpose whatsoever, except as necessary in a proceeding to enforce the terms of
28 this Order and the Settlement Agreement; provided, however, that this Order and

1 the Settlement Agreement may be filed in any action against or by Litton or the
2 Released Parties to support a defense of *res judicata*, collateral estoppel, release,
3 waiver, good faith settlement, judgment bar or reduction, full faith and credit, or
4 any other theory of claim preclusion, issue preclusion or similar defense or
5 counterclaim. Litton expressly reserves all rights and defenses to any claims and
6 does not waive any such rights or defenses in the event that the Agreement is not
7 approved for any reason.

8 **IT IS SO ORDERED.**

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10 Date: _____

11 HON. MARGARET M. MORROW
12 UNITED STATES DISTRICT JUDGE
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EXHIBIT 4

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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 through 100, Inclusive,,

Defendants.

Case No. CV 05-7673 MMM (CTx)

FINAL APPROVAL ORDER

Judge: Hon. Margaret M. Morrow
United States District Judge

WHEREAS, a Class Action Complaint has been filed in this Court on behalf of Allan and Gladys Schaffer, John and Elaine Durand and Albert J. and Mary Beth Saulnier, as representative plaintiffs,¹ in Case No. CV 05-7673 (the "Class Action").

WHEREAS, Allan and Gladys Schaffer and John and Elaine Durand (the "Named Plaintiffs") and Litton Loan Servicing LP ("Litton") (collectively, the

¹ Plaintiffs Albert J. and Mary Beth Saulnier withdrew as class representatives by Order of the Court dated _____, 2009.

1 “Parties”) and their attorneys have entered into a Class Action Settlement
2 Agreement and Release dated May 1, 2009 (the “Settlement Agreement”), in which
3 the Parties have agreed upon a Settlement of the Class Action, subject to the
4 approval of the Court.

5 WHEREAS, the Parties have filed a Motion for Preliminary Approval of
6 Settlement and Approval of Notice Plan.

7 WHEREAS, the Parties’ Joint Motion for Preliminary Approval of Proposed
8 Class Settlement and Approval of Notice Plan was duly noticed and came on for
9 hearing on _____, 2009, before the Honorable Margaret M. Morrow in
10 Courtroom 780 of the above-captioned Court.

11 WHEREAS, Court issued an order preliminarily approving the settlement
12 and the notice plan on _____;

13 WHEREAS, the Parties filed a Joint Motion for Final Approval of the Class
14 Settlement on _____;

15 WHEREAS, Class Counsel filed an application for reimbursement of
16 litigation fees and expenses on _____;

17 WHEREAS, the Parties’ Joint Motion for Final Approval of the Class
18 Settlement and Approval of Notice Plan and Class Counsels’ Application for
19 Attorneys’ Fees and Expenses was duly noticed and came on for hearing on _____,
20 2009, before the Honorable Margaret M. Morrow in Courtroom 780 of the above-
21 captioned Court.

22 NOW THEREFORE, due and adequate notice having been given to the
23 Settlement Class Members; the Court having considered the Settlement Agreement,
24 all papers filed and proceedings held herein, and all written and oral comments
25 received regarding the proposed Settlement, and having reviewed the record in the
26 above-captioned matter (the “Action” or “Class Action”); and good cause
27 appearing,

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1 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS**
2 **FOLLOWS:**

- 3 1. **Incorporation of Other Documents.** This Order Approving Class
4 Action Settlement (“Final Approval Order”) incorporates and makes a part hereof:
5 a. the Class Settlement Agreement filed with this Court on May 1,
6 2009;
7 b. the Postcard providing initial notice of the pendency of a Class
8 Action Settlement (“Notice Postcard”), approved by the Court on _____, 2009;
9 c. the Notice of Pendency of Class Action Settlement (“Class
10 Notice”), approved by the Court on _____, 2009;
11 d. the Claim Form (“Claim Form”), approved by the Court on
12 _____, 2009; and
13 e. the Order Preliminarily Approving the Class Action Settlement,
14 Preliminarily Certifying a Class for Settlement Purposes, Directing The Issuance of
15 Notice to the Class, and Scheduling a Settlement Hearing, dated _____, 2009
16 (“Preliminary Order”));

17 Unless otherwise provided herein, the Court, for purposes of this Final
18 Approval Order, adopts all defined terms as set forth in the Settlement Agreement
19 filed in this Action.

20 2. Because adequate notice has been disseminated and all Class Members
21 (as defined below) have been given notice and the opportunity to opt-out or object
22 to this Class Action, the Court has jurisdiction over the subject matter of this
23 Action, the Named Plaintiffs (whom the Court previously appointed Class
24 Representatives), the Settlement Class Members, and Defendant Litton Loan
25 Servicing, LP (“Litton”).

26 3. The Court finds that the Action arose from a good faith dispute over
27 Litton’s assessment of late fees in the sixty (60) days after the loan was transferred
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1 to Litton for servicing with respect to payments allegedly made to the transferor
2 servicer, and the Court finds in favor of settlement approval.

3 4. Based on evidence submitted pursuant to the terms of the Settlement
4 Agreement and the Preliminary Approval Order, the Court finds that distribution of
5 the Notice Postcard and the Class Notice complied with applicable provisions of the
6 Settlement Agreement, as approved in the Preliminary Approval Order; that it
7 constituted the best notice practicable under the circumstances to all persons within
8 the definition of the Settlement Class; and that it fully met the requirements of due
9 process under the United States Constitution. The Court finds further that Litton
10 has satisfied the requirements of notice to pertinent government agencies as set
11 forth in the Class Action Fairness Act of 2005 (“CAFA”) at 28 U.S.C. § 1715.

12 5. The Court finds that the Settlement Class satisfies applicable standards
13 for certification under Rule 23 of the Federal Rules of Civil Procedure.

14 6. The Court approves settlement of the Action, as set forth in the
15 Settlement Agreement, including the Releases and other terms, as fair, just,
16 reasonable, and adequate as to the Settlement Class, the Named Plaintiffs, and
17 Litton. The settling Parties are directed to perform in accordance with the terms set
18 forth in the Settlement Agreement.

19 7. This Action, including all individual and class claims resolved in it, is
20 hereby dismissed on the merits and with prejudice, permanently barring the Named
21 Plaintiffs and the Settlement Class Members (excluding all potential members of
22 the Settlement Class who filed timely, valid Requests for Exclusion) from
23 commencing or prosecuting Released Claims against the Released Parties. No
24 other fees or costs are to be awarded except as otherwise provided in this Order and
25 in the Settlement Agreement.

26 8. As previously appointed, Class Counsel consists of the law firms Lieff,
27 Cabraser, Heimann & Bernstein, LLP; Cotchett, Pitre & McCarthy; and Jenkins
28 Mulligan & Gabriel, LLP. The application of Class Counsel for reimbursement of

1 litigation expenses, up to a maximum amount of \$200,000.00, and for an award of
2 incentive payments to the Class Representatives (Named Plaintiffs) for their role in
3 bringing and participating in this litigation, up to maximum amounts of \$5,000.00
4 per household (\$10,000.00 total), is approved in its entirety. The previously
5 appointed Settlement Administrator, Gilardi & Co., LLC, is directed to make
6 payments totaling \$200,000.00 to Class Counsel and payments of \$5,000.00 per
7 household to the Schaffer and Durand Named Plaintiffs, from the Settlement Fund
8 in accordance with the terms of the Settlement Agreement.

9 9. Once the Claims Administrator makes the payments to the Claimants
10 under the terms of the Settlement Agreement, if any Claimant, for whatever reason,
11 does not receive his or her payment check, said Claimant is nonetheless considered
12 to have been paid by Litton and Litton has no further obligation to said Claimant,
13 and said check shall not be considered to be abandoned property subject to
14 escheatment but shall be deemed a *cy pres* remainder subject to the terms of the
15 Settlement Agreement, and the Settlement Agreement shall in all other respects be
16 fully enforceable against the Claimant.

17 10. The Court approves Habitat for Humanity International, a not-for-
18 profit organization, as the recipient of the *cy pres* remainder, if any, in accordance
19 with the terms of the Settlement Agreement.

20 11. Neither this Order, nor the Settlement Agreement, nor any of its terms
21 or provisions, nor any of the negotiations between the Parties or their counsel, nor
22 any action taken to carry out this Order or the Final Judgment, is, or may be
23 construed as, or may be used as an admission or concession by or against any of the
24 Parties or the Released Parties of any wrongdoing, the validity of any claim or
25 liability, any alleged violation or failure to comply with any law, any alleged breach
26 of contract, or any legal or factual argument, contention or assertion, and the Parties
27 deny any wrongdoing or liability on their part. Neither entering into nor carrying
28 out the Settlement Agreement, nor the terms of the Settlement Agreement, nor any

1 negotiations or proceedings related to it, shall in any event be construed as, or
2 deemed evidence of, an admission or concession as to Litton's denials, defenses, or
3 factual or legal positions, nor shall be offered or received in evidence in any action
4 or proceeding against any party in any court, administrative agency or other tribunal
5 for any purpose whatsoever, except as necessary in a proceeding to enforce the
6 terms of this Order and the Class Settlement Agreement; provided, however, that
7 this Order and the Settlement Agreement may be filed in any action against or by
8 Litton or the Released Parties to support a defense of res judicata, collateral
9 estoppel, release, waiver, good faith settlement, judgment bar or reduction, full faith
10 and credit, or any other theory of claim preclusion, issue preclusion or similar
11 defense or counterclaim.

12 12. Named Plaintiffs and the Settlement Class Members are permanently
13 enjoined and barred from commencing or prosecuting any action asserting any of
14 the claims that are the subject of the Releases provided for herein and in the
15 Settlement Agreement either directly, representatively, derivatively, or in any other
16 capacity, whether by a complaint, counterclaim, defense or otherwise, in any local
17 state, or federal court, or in any agency or other authority or forum wherever
18 located. Nothing in this Final Order, however, shall preclude any action to enforce
19 the terms of the Class Settlement Agreement.

20 13. The Court reserves continuing and exclusive jurisdiction over the
21 Action, the Named Plaintiffs, the Settlement Class, and Litton for purposes of
22 supervising the interpretation, implementation, administration, and enforcement of
23 the Settlement and this Final Approval Order.

1 14. The Court directs the clerk to enter a separate document on the docket,
2 which shall constitute a judgment for purposes of Rule 58 of the Federal Rules of
3 Civil Procedure dismissing with prejudice the claims of Named Plaintiffs Allan and
4 Gladys Schaffer, and John and Elaine Durand, and the claims of the Settlement
5 Class Members as defined by the Class Action Settlement Agreement and Release.

6 **IT IS SO ORDERED.**

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8 Date: _____

HON. MARGARET M. MORROW
UNITED STATES DISTRICT JUDGE

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