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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

MAUDER and ALICE CHAO; DEOGENESO and GLORINA PALUGOD, on behalf of themselves and all others similarly situated, Plaintiffs, v. AURORA LOAN SERVICES, LLC, Defendant.	No. CLASS ACTION COMPLAINT 1. VIOLATION OF CALIFORNIA CIVIL CODE §§ 1688, *ET SEQ.* 2. NEGLIGENT MISREPRESENATION 3. UNJUST ENRICHMENT 4. BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING 5. VIOLATION OF UNFAIR BUSINESS PRACTICES ACT [CAL. BUS. & PROF. CODE §§ 17200, *ET SEQ.*] **DEMAND FOR JURY TRIAL**

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I. INTRODUCTION

1. In the face of the escalating foreclosure crisis in the United States and especially in California, Defendant Aurora Loan Services, LLC ("Aurora") has further victimized those struggling to keep their homes by offering and inducing customers into illusory "Workout Agreements," which purport to offer hope of an opportunity to cure loan default, but in truth and fact are merely a ruse through which Aurora dupes homeowners into paying it tens of thousands of dollars immediately before losing their homes to foreclosures. On information and belief, Aurora has reaped illicit profits from these actions exceeding $100 million.

2. Plaintiffs and the Class entered into "Workout Agreements" with Aurora in which Plaintiffs promised to pay and paid tens of thousands of dollars on the seeming return promise of a review for loan modification and an opportunity to cure their default at the end of a review period. But Aurora's promises in return were empty; it foreclosed on Plaintiffs' and the Class members' homes ***without any notice that loan modifications were denied and without allowing borrowers access to any "cure method" despite its promises in the Workout Agreement to do so***. As a result, Aurora fraudulently induced its customers into entering the Workout Agreements and made no legally binding promises to Plaintiffs and the Class; Plaintiffs and the Class hereby tender back to Aurora any benefits they received under the Workout Agreements and are entitled to rescind. In that alternative, Plaintiffs allege that Aurora breached its duty of good faith and fair dealing when it foreclosed on Plaintiffs' homes without first giving (1) notice that modification had been rejected; and (2) an opportunity to cure the default.

3. Plaintiffs entered into Workout Agreements with Aurora, agreeing to large monthly payments over three or six months to halt foreclosure in the hopes of obtaining a cure method for the default of their loan, including possibly loan modification. After the initial term of the Workout Agreements, Aurora often asked for continued monthly payments, telling customers that it was still reviewing for possible modification.

4. In return for Plaintiffs' promises to make monthly payments, Aurora promised to waive legal rights for the duration of the Workout Agreement, at the end of which Plaintiffs would be entitled to "cure" their loan deficiency through: (1) reinstatement (i.e., bring the loan current);

(2) payoff (i.e., refinancing with another lender to pay off the Aurora-serviced loan; (3) modification at the discretion of Aurora; or (4) another workout "option" at the discretion of Aurora.

5. The Workout Agreements signed by Plaintiffs and members of the putative Class were a sham. They were illusory because Aurora made no legally binding promises in exchange for the borrowers' promises to make payments. The loan modifications and "other" workout options were entirely at Aurora's discretion, and thus not a binding promise. The options to cure by reinstatement or payoff were also illusory because Aurora's policy was to foreclose on properties ***with no notice whatsoever*** to borrowers. Thus, borrowers had no opportunity to reinstate or pay off their loans because they were never told that a modification or other workout plan was denied. As a result, Plaintiffs' and Class members' consent to the Workout Agreements was fraudulently obtained and Aurora's consideration for the Workout Agreements failed, rendering such agreements ***void ab initio*** and subject to rescission.

6. Having not received the promised benefit from Aurora, Plaintiffs and the Class are entitled to rescind and obtain back from Aurora their promised (and delivered) consideration, namely the payments that were made to Aurora under the Workout Agreements.

7. In the alternative, should the Workout Agreements be deemed enforceable, Aurora has breached its duty of good faith and fair dealing by foreclosing on Plaintiffs' properties without first providing notice that modification had been rejected and an opportunity to cure the loan default. Plaintiffs complied with all of their obligations under the Workout Agreements. At the very least, Aurora was required by good faith and fair dealing to provide notice to Plaintiffs that modification had been rejected and that Plaintiffs needed to invoke another of the permitted means to cure their default at the end of the term, as required by the Workout Agreement.

8. Through this Action, Plaintiffs seek to stop Aurora from preying on its customers through its Workout Agreement scheme. Where Aurora intends to foreclose on a property, it must not be able to extract thousands of dollars in additional payments with illusory promises and false statements of opportunities to cure defaulted loans. Aurora has sold Plaintiffs' homes in

foreclosure and noticed their eviction. At the very least Plaintiffs are entitled to a return of the payments they made under the illusory promise from Aurora that this could be avoided.

II. JURISDICTION

9. This Court has subject matter jurisdiction over this action under 28 U.S.C. § 1332(d)(2) in that the matter is a class action wherein the amount in controversy exceeds the sum or value of $5,000,000, exclusive of interest and costs, and members of the Class are citizens of a State different from the Defendant.

10. This Court has personal jurisdiction over the parties in this action by the fact that Defendant is a corporation that is licensed to do business in the state of California or otherwise conducts business in the state of California.

11. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) inasmuch as the unlawful practices are alleged to have been committed in this District, Defendant regularly conducts business in this District, and the named Plaintiffs reside in this District.

12. Intradistrict Assignment: Assignment to the San Jose division of this Court is appropriate because Defendant does substantial business in this judicial district. Moreover, Plaintiffs reside in Santa Clara County, as well as many of the class members, making assignment to the San Jose division appropriate.

III. PARTIES

13. Plaintiffs Mauder and Alice Chao are a married couple residing in Los Altos, California.

14. Plaintiffs Deogeneso and Glorina Palugod are a married couple residing in San Jose, California.

15. Defendant Aurora Loan Services, LLC is a loan servicer headquartered in Littleton, Colorado and is currently doing business throughout the State of California.

IV. CONDITIONAL NOTICE OF RESCISSION[1]

16. Plaintiffs and Class, by service of this Class Action Complaint on Defendant Aurora, hereby provide notice to Defendant, its subsidiaries and affiliates that the "Workout Agreements" described in this Complaint are subject to rescission and rescinded for the reasons set forth herein. Should the Court or trier of fact determine that the Workout Agreements are enforceable then this notice shall be of no force and effect.

V. FACTUAL BACKGROUND

A. The Foreclosure Crisis

17. Over the last three years, the United States has been in a foreclosure crisis. A congressional oversight panel has recently noted that one in eight mortgages in the United States is currently in foreclosure or default.[2]

18. In testimony before the United States Senate Subcommittee on Administrative Oversight and the Courts of the Committee on the Judiciary on July 23, 2009, Alys Cohen of the National Consumer Law Center testified as follows:

> Goldman Sachs estimates that, starting at the end of the last quarter of 2008 through 2014, 13 million foreclosures will be started. The Center for Responsible Lending, based on industry data, predicts 2.4 million foreclosures in 2009, and a total of 9 million foreclosures between 2009 and 2012. At the end of the first quarter of 2009, more than 2 million houses were in foreclosure. Over twelve percent of all mortgages had payments past due or were in foreclosure and over seven percent were seriously delinquent – either in foreclosure or more than three months delinquent. Realtytrac recently reported that an additional 300,000 homes go into foreclosure every month. These spiraling foreclosures weaken the entire economy and devastate the communities in which they are concentrated. Neighbors lose equity; crime increases; tax revenue shrinks.

(Hereafter, "Cohen Testimony," at pp. 6-7).[3]

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[1] In the event this case is certified as a class action, and the Workout Agreements deemed subject to rescission, notice of rescission will only be effective as to those potential Class members who do not opt-out of the Class.

[2] Congressional Oversight Panel, Oct. 9, 2009 report at 3. Available at: http://cop.senate.gov/reports/library/report100909-cop.cfin.

[3] Available online at: http://www.consumerlaw.org/issues/mortgage_servicing/content/Testimony-Worsening_forecl_072309.pdf.

19. California has been consistently one of the hardest hit by the housing crisis. California ranks fourth highest on the state foreclosure list in the United States for all of 2009. The number of total California properties with foreclosure filings in 2009 was 632,573. This represents nearly a 21% increase over 2008 and a 153% increase from 2007.[4]

20. Economists predict that interest rate resets on the riskiest of lending products will not reach their zenith until sometime in 2011.[5]

B. Aurora Loan Services

21. Lehman Brothers purchased Aurora to originate and service mortgages it used to prop up its mortgage backed securities. Aurora originated roughly one-third of the mortgages that Lehman Brothers securitized. From 2004-2007 this was approximately $160 billion in loans.

22. On September 15, 2008, Lehman Brothers filed the largest bankruptcy in the history of the United States. The financial services firm, which had been a stalwart on Wall Street since 1877, was doomed by the failure of billions of dollars in sub-prime and other low-rate mortgage securities held on its balance sheet. The engine that drove Lehman Brothers to financial collapse was Aurora and the loans it fed to its parent, Lehman Brothers.

C. California Law on Rescission of Contracts

23. California has codified the law concerning rescission of contracts in the Civil Code:

> § 1688. **Rescission extinguishes contract**
>
> A contract is extinguished by its rescission.
>
> § 1689. **When party to a contract may rescind**
>
> (a) A contract may be rescinded if all the parties thereto consent
>
> (b) A party to a contract may rescind the contract in the following cases:
>
> (1) If the consent of the party rescinding, or of any party jointly contracting with him, was given by mistake, or obtained

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[4] http://www.realtytrac.com/contentmanagement/pressrelease.aspx?Channelid=9&itemid=8333

[5] *See* Eric Tymoigne, *Securitization, Deregulation, Economic Stability, and Financial Crisis*, Working Paper No. 573.2 at 9, Figure 30, available at http://papers.ssrn.com/so13/papers.cfm?abstract_id=1458413 (citing a Credit Suisse study showing monthly mortgage rate resets).

through duress, menace, fraud, or undue influence, exercised by or with the connivance of the party as to whom he rescinds, or of any other party to the contract jointly interested with such party.

(2) If the consideration for the obligation of the rescinding party fails, in whole or in part, through the fault of the party as to whom he rescinds.

(3) If the consideration for the obligation of the rescinding party becomes entirely void from any cause.

(4) If the consideration for the obligation of the rescinding party, before it is rendered to him, fails in a material respect from any cause.

(5) If the contract is unlawful for causes which do not appear in its terms or conditions, and the parties are not equally at fault.

(6) If the public interest will be prejudiced by permitting the contract to stand.

(7) Under the circumstances provided for in Sections 39, 1533, 1566, 1785, 1789, 1930 and 2314 of this code, Section 2470 of the Corporations Code, *Sections 331, 338, 359, 447, 1904* and *2030 of the Insurance Code* or any other statute providing for rescission.

Cal. Civ. Code §§ 1688-89.

24. California's Civil Code governing contract law, including rescission, are laws of general application, which do not seek in particular to regulate banking, lending, or the activities of federal thrifts. California's laws governing contracts have only an incidental effect on the banking and lending activities of Aurora, no different than the effect on any other contractual relationships. As a result, California's contract laws are not preempted by Office of Thrift Supervision ("OTS") regulations or the Home Owners Loan Act ("HOLA"). *See, e.g.*, 12 C.F.R. 560.2(c) (specifically excluding contract and commercial laws of general application from HOLA preemption).

D. Aurora Benefits Most from Extracting Workout Payments from Borrowers in Distress Then Foreclosing, as Opposed to Genuinely Offering Loan Modifications

25. As a loan servicer, Aurora is paid by and beholden to the investors that hold the principal and interest rights to the loans Aurora services. The larger the face value of the pools of loans Aurora services, the more it makes. Quality of servicing and responsiveness to borrowers are irrelevant to the bottom line. In fact, for loans in default, past due, and/or on the brink of foreclosure, Aurora makes ***more money*** in fees. As such, it is in Aurora's interest to have loans in

default and arrears for as long as possible prior to foreclosure, then foreclosing. Aurora stands only to lose revenue by giving loan modifications to borrowers instead of foreclosing.

26. It is, however, in Aurora's interest to delay foreclosure when by doing so it can collect additional sums from distressed borrowers prior to foreclosure.

27. Under California's non-judicial foreclosure rules, by electing to foreclose, Aurora loses the right to collect any amount owed on the loan that exceeds the amount paid toward the loan through the foreclosure process. Thus, when a home is worth less than the amount owed – which is especially common in the sub-prime and Alt-A market generally serviced by Aurora – the borrower does not have to repay, and Aurora has no means to collect, any arrearage or missed payments on the loan(s).

28. If Aurora can convince distressed borrowers to make payments on a loan which is already in default, ***then foreclose***, Aurora and its investors reap a windfall in fees and interest that they would otherwise be waiving through foreclosure. This is precisely what Aurora accomplishes through its Workout Agreement scheme.

29. In her testimony, Alys Cohen explained why loan servicers, such as Aurora, do not want their customers to qualify for loan modifications:

> Creating affordable and sustainable loan modifications for distressed homeowners on a loan-by-loan basis is labor intensive. Under many current pooling and servicing agreements, additional labor costs incurred by servicers engaged this process are not compensated by the loan owner. By contrast, servicers' costs in pursuing a foreclosure are compensated. In a foreclosure, a servicer gets paid before an investor; in a loan modification, the investor will usually continue to get paid first. Under this cost and incentive structure, it is no surprise that servicers continue to push homeowners into less labor-intensive repayment plans, non-HAMP loan modifications, or foreclosure.

Cohen Testimony, p. 15.

30. Economic factors that encourage Aurora to offer illusory Workout Agreements include the following:[6]

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[6] *See* Thompson, Diane E., *Why Servicers Foreclose When They Should Modify and Other Puzzles of Servicer Behavior*, National Consumer Law Center (October 2009).

- Aurora may be required to repurchase loans from the investor in order to permanently modify the loan. This presents a substantial cost and loss of revenue that can be avoided by keeping the loan in a state of lingering default until foreclosure.
- The monthly service fee that Aurora, as the servicer, collects as to each loan it services in a pool of loans is calculated as a fixed percentage of the unpaid principal balance of the loans in the pool. Consequently, modifying a loan to reduce the principal balance results in a lower monthly fee to the servicer.
- Fees that Aurora charges borrowers that are in default constitute a significant source of revenue. Aside from income Aurora directly receives, late fees and process fees are often added to the principal loan amount thereby increasing the unpaid balance in a pool of loans and increasing the amount of the servicer's monthly service fee.
- Entering into a permanent modification will often delay a servicer's ability to recover advances it is required to make to investors of the unpaid principal and interest payment of a non-performing loan. The servicer's right to recover expenses from an investor in a loan modification, rather than a foreclosure, is often less clear and less generous.

E. Plaintiffs' Workout Agreement

1. Mauder and Alice Chao

31. The Chaos purchased their home in San Jose, California in 1988. The Chaos refinanced their property in 1993, and again in 2003 for $286,000. On January 3, 2006, the Chaos refinanced into a note with Central Pacific Mortgage Company (the "Chao Note").

32. The original principal amount of the Note was $468,750. Aurora was the loan servicer for the Chao Note.

33. In late 2008 the Chaos were suffering financial hardship as a result of failed investments and a drop in income as a result of Mr. Chao being temporarily laid off from his employment as an engineer. This loss of income resulted in the Chaos seeking to reduce their expenses and to seek help from their creditors in reducing these expenses, including the Chao Note.

34. Beginning in January and throughout the following months in 2009, the Chaos contacted Aurora, seeking review of their loan for possible modification. Aurora offered a Workout Agreement. *See* Attachment A.

35. The Workout Agreement was drafted in its entirety by Aurora and presented as non-negotiable. The Chaos were not given an opportunity to suggest different or alternate terms. The Chaos were not advised to seek legal counsel or advised that Aurora would offer the Workout Agreement if the Chaos retained counsel.

36. The Workout Agreement required the Chaos to make an initial payment of $5,668 with the return of the executed agreement by October 15, 2009. Thereafter, the Chaos were required to make payments of $3,100 by the 20th of each month, including October 20, 2009, until February 20, 2010.

37. The Chaos were also required to provide certain documents and information to Aurora, which they did; and under the terms of the Workout Agreement, the Chaos waived certain legal rights and admitted certain liabilities to Aurora.

38. Aurora agreed in return to waive its legal rights under the Chao Note for the duration of the Workout Agreement. *See* Attachment A, ¶ 3.

39. The Workout Agreement specified that the Chao's payments would not cover the entire arrearage on the loan (which would make it current), so one of four things would have to occur at the end of the six-month term to avoid continued collection efforts, including foreclosure.

40. The four possibilities were: (1) full reinstatement; (2) payment in full; (3) loan modification agreement; or (4) other loan workout option that Aurora may offer. *See* Attachment A, ¶ b.

41. The Chaos made each of the payments as they had promised and provided all of the written materials and documents that Aurora sought for evaluating their loan.

42. After the Workout Agreement term ended on February 20, 2010, Aurora asked the Chaos to continue making the payment set forth the Workout Agreement while it claimed it continued its review for possible loan modification.

43. The Chaos made additional payments of $3,100 on or about March 12, 2010, and on or about April 20, 2010.

44. Aurora confirmed that all required documents were received and, as late as May 12, 2010, told the Chaos that foreclosure was "on hold" while the loan was reviewed for modification.

45. The Chaos made their ninth payment under the Workout Agreement (as extended by Aurora), again for $3,100, on May 18, 2010.

46. On May 28, 2010, the Chaos were served with a Notice to Vacate, indicating that their home had been sold in foreclosure on May 24, 2010.

47. The Chaos received no notice whatsoever that the foreclosure process had been reinstated nor, in fact, completed.

48. Importantly, the Chaos were not notified that they had been denied a modification or another workout option and – lacking notice of Aurora's intent to foreclose – were not given an opportunity to cure through reinstatement or pay-off as specifically contemplated by the Workout Agreement.

49. The Chaos were not informed by Aurora of the remaining amount of arrearage on the Note such that it could be reinstated by the Chaos, and they were not informed of the amount required to pay off the loan in its entirety.[7]

50. Aurora, having initiated foreclosure on the Chaos' home, was entitled only to the proceeds of any such foreclosure sale and was not entitled under California law to collect additional fees, payments, or interest from the Chaos through any other means.

51. Had the Chaos known that Aurora would not notify them that they were denied a modification and not provide an opportunity to cure, as promised in the Workout Agreement, the Chaos would not have entered into the Workout Agreement. Instead, the Chaos would have let the already initiated foreclosure run its course, and would not have paid $33,568 in return for Aurora's illusory promise of an opportunity to cure.

2. Deogeneso and Glorina Palugod

52. The Palugods purchased their home in San Jose, California in 1987. The Palugods refinanced their property in 2004. On May 8, 2007, the Palugods refinanced into a note with Lehman Brothers Bank (the "Palugod Note").

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[7] Though not an element of their claims for rescission in this case, had the Chaos been informed that they were denied a modification and the amount required to reinstate the loan, having already paid over $33,500 into their arrearage, the Chaos would have paid the remainder due to bring the loan current and avoid foreclosure.

53. The original principal amount of the Palugod Note was $740,000. Aurora was the loan servicer for the Palugod Note.

54. In early 2009, the Palugods were suffering financial hardship as a result of an illness in their family and the death of a parent. This hardship led to increased expenses and loss of income resulting in the Palugods seeking to reduce their expenses and to seek help from their creditors in reducing expenses, including the Palugod Note.

55. Beginning in January throughout the following months in 2009, the Palugods contacted Aurora, seeking review of their loan for possible modification. Aurora offered a Workout Agreement. *See* Attachment B.

56. The Workout Agreement was drafted in its entirety by Aurora and presented as non-negotiable. The Palugods were given no opportunity to suggest different or alternate terms. The Palugods were not advised to seek legal counsel or advised that Aurora would offer the Workout Agreement if the Palugods retained counsel.

57. The Workout Agreement required the Palugods to make an initial payment of $2,466.68 with the return of the executed agreement by October 1, 2009. Thereafter, the Palugods were required to make payments of $2,653 on November 1 and December 1, 2009, and January 1, 2010.

58. The Palugods were also required to provide certain documents and information to Aurora, which they did; and under the terms of the Workout Agreement, the Palugods waived certain legal rights and admitted certain liabilities to Aurora.

59. Aurora agreed in return to waive its legal rights under the Palugod Note for the duration of the Workout Agreement. *See* Attachment B, ¶ 3.

60. The Workout Agreement specified that the Palugods' payments would not cover the entire arrearage on the loan (which would make it current), so one of four things would have to occur at the end of the term to avoid continued collection efforts, including foreclosure.

61. The four possibilities were: (1) full reinstatement; (2) payment in full; (3) loan modification agreement; or (4) other loan workout option that Aurora may offer. *See* Attachment B, ¶ b.

62. The Palugods made each of the payments as they had promised and provided all of the written materials and documents that Aurora sought for evaluating their loan.

63. After the original term of the Workout Agreement ended on January 1, 2010, Aurora asked the Palugods to continue making the payment set forth the Workout Agreement while it claimed it continued its review for possible loan modification.

64. The Palugods made additional payments of $2,653 on or about February 1, 2010, March 1, 2010, April 1, 2010, May 1, 2010 and June 1, 2010.

65. Aurora confirmed that all required documents were received and, as late as June 17, 2010, told the Palugods that their loan was being reviewed for modification.

66. On June 29, 2010, the Palugods were served with a Notice to Vacate, indicating that their home had been sold in foreclosure on June 24, 2010.

67. The Palugods received no notice whatsoever that the foreclosure process would not continue to be postponed.

68. Importantly, the Palugods were not notified that they had been denied a modification or another workout option and – lacking notice of Aurora's intent to foreclose – were not given an opportunity to cure through reinstatement or pay-off.

69. The Palugods were not informed by Aurora of the remaining amount of arrearage on the Note such that it could be reinstated by the Palugods, and they were not informed of the amount required to pay off the loan in its entirety.

70. Aurora, having initiated foreclosure on the Palugods' home, was entitled only to the proceeds of any such foreclosure sale and was not entitled under California law to collect additional fees, payments, or interest from the Palugods through any other means.

71. Had the Palugods known that Aurora would not notify them that they were denied a modification and not provide an opportunity to cure, as promised in the Workout Agreement, the Palugods would not have entered into the Workout Agreement. Instead, the Palugods would have let the already initiated foreclosure run its course, and would not have paid $23,690.68 in return for Aurora's illusory promise of an opportunity to cure. On information and belief, there are

thousands of Aurora customers who have suffered the same fate as the Chaos and the Palugods and millions of dollars have been wrongfully and deceptively collected by Aurora.[8]

VI. CLASS ALLEGATIONS

72. Plaintiffs bring this action under Rule 23 of the Federal Rules of Civil Procedure, on behalf of themselves and a Class consisting of:

> All California homeowners who have entered into a Workout Agreement with Defendant, made payments under the Workout Agreement, and whose homes were foreclosed without such homeowners first receiving (1) notice that their modification requests had been denied and (2) the opportunity to cure their default.

73. Excluded from the Class are governmental entities, Defendant, its affiliates and subsidiaries, Defendant's current or former employees, officers, directors, agents, representatives, their family members, the members of this Court and its staff.

74. Plaintiffs do not know the exact size or identities of the members of the proposed Class, since such information is in the exclusive control of Defendant. Plaintiffs believe that the Class encompasses thousands of individuals whose identities can be readily ascertained from Defendant's books and records. Therefore, the proposed Class is so numerous that joinder of all members is impracticable.

75. Based on the size of the payments made by Class members under the Workout Agreements, Plaintiffs believe the amount in controversy well-exceeds $5 million.

76. All members of the Class have been subject to and affected by the same conduct. The claims are based on the terms of a form Workout Agreement between Aurora and Class members. There are questions of law and fact that are common to the class, and predominate over any questions affecting only individual members of the Class. These questions include, but are not limited to the following:

a. The nature, scope and operation of Aurora's obligations to its customers under the Workout Agreements;

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[8] As of January 2010, Aurora reported 77,000 loans over 60 days delinquent. If just one in ten of these loans was foreclosed after being offered a Workout Agreement, then there could be over 7,700 victims of Aurora's scheme. Even if these victims' damages were just half of the $33,568 suffered by the Chaos, Class damages would exceed $125,000,000.

b. Whether the Workout Agreements created any legally binding obligation on Aurora;

c. Whether the Workout Agreements were void *ab initio* for failure or partial failure of consideration;

d. Whether Aurora's failure to provide notice of its renewed intent to foreclose, thereby depriving customers of an opportunity to reinstate or pay-off their loans renders the Workout Agreements illusory;

e. Whether customers' consent to the Workout Agreements was the result of a mistake of fact, fraud or duress;

f. Whether Plaintiffs and Class members are entitled to rescind their Workout Agreements;

g. Whether, following rescission, Plaintiffs and Class members are entitled to the return of the consideration paid to Aurora under the Workout Agreements;

h. Whether Aurora breached its obligation of good faith and fair dealing by its failure to provide notice of its renewed intent to foreclose, thereby depriving customers of an opportunity to reinstate or pay-off their loans;

i. Whether Aurora's written representations to homeowners stating that they would have an opportunity to cure upon expiration of the Workout Agreement and then failing to notify customers of such opportunity prior to foreclosure constitutes an unfair or deceptive practice under the California Unfair Competition Law ("UCL"); and

j. Whether injunctive relief is appropriate.

77. The claims of the individual named Plaintiffs are typical of the claims of the Class and do not conflict with the interests of any other members of the Class in that both the Plaintiffs and the other members of the Class were subject to the same conduct, were subject to the terms of the same agreement and were met with the same absence of notice prior to foreclosure.

78. The individual named Plaintiffs will fairly and adequately represent the interests of the Class. They are committed to the vigorous prosecution of the Class's claims and have retained attorneys who are qualified to pursue this litigation and have experience in class actions – in particular, consumer protection actions.

79. A class action is superior to other methods for the fast and efficient adjudication of this controversy. A class action regarding the issues in this case does not create any problems of manageability.

80. This putative class action meets the requirements of Federal Rules of Civil Procedure 23(b)(2) and Fed. R. Civ. P. 23(b)(3).

81. Aurora has acted or refused to act on grounds that apply generally to the Class so that final injunctive relief or corresponding declaratory relief is appropriate respecting the Class as a whole.

VII. CLAIMS FOR RELIEF

COUNT I
FOR RESCISSION AND RESTITUTION
(CAL. CIV. CODE § 1689(B)(1))

82. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

83. Plaintiffs bring this claim on their own behalf and on behalf of each member of the Class described above.

84. Consent to the Workout Agreements was not real or free in that it was obtained solely through the mistakes and fraud as herein alleged. Plaintiffs thus seek to rescind the agreement under California Civil Code section 1689(b)(1). The only consideration received by Plaintiffs, from Aurora, was the waiver of Aurora's legal rights for the duration of the Workout Agreement. Since Aurora subsequently acted on these rights when it foreclosed Plaintiffs' home, Plaintiffs have retained no consideration that can be tendered back to Aurora prior to rescission.

A. Mistake of Fact

85. The Workout Agreements were entered into under material mistakes of fact in that it was believed by Plaintiffs and the Class that the forbearance and opportunity to cure offered by Defendant were appropriate for their needs and were worth in excess of amounts paid under the

Workout Agreement and waiver of their legal rights. However, at the time of entering into the Workout Agreements, it was unknown to Plaintiffs and the Class that the forbearance and opportunity to cure Aurora offered were not appropriate for their needs and were not worth the amounts paid as Defendant had no intention of providing an opportunity to cure at the expiration of the Workout Agreement.

86. Defendant knew or should have known that the Workout Agreements were not appropriate for Plaintiffs' and the Class' needs and were not worth the amounts charged under the Workout Agreements, but were only of nominal or no value. Defendant used Plaintiffs' and the Class' mistake to unfairly take advantage of Plaintiffs and the Class by obtaining payments under a Workout Agreement, while Plaintiffs and the Class received nominal or no value therefore.

87. Plaintiffs were induced to enter the Workout Agreements because of the mistaken belief that the forbearance and opportunity to cure were appropriate for their needs and were worth payments and waiver of rights made under the Workout Agreements.

88. Plaintiffs and the Class would not have given apparent consent to the Workout Agreements except for this mistaken belief.

89. As a direct result of these material mistakes of fact, Plaintiffs and the Class were damaged by paying thousands of dollars to Defendant that they would not have paid absent the Workout Agreement scheme.

B. Fraud in the Inducement

90. Defendant represented that at the expiration of the Workout Agreements, Plaintiffs and the Class would have an opportunity to cure their loan default through: (1) reinstatement; (2) payoff; (3) loan modification; or (4) some other workout.

91. At the time that Defendant made these representations, Defendant knew that they were not true. Defendant had no intention to provide an opportunity to cure prior to foreclosing on Plaintiffs' and the Class' homes.

92. Defendant made these representations with the purpose of persuading Plaintiffs and the Class to enter into the Workout Agreements.

93. Plaintiffs and the Class reasonably relied on these representations.

94. Plaintiffs and the Class would not have entered into the Workout Agreements had they known that these representations were not true.

95. Having lost their homes to foreclosure notwithstanding the Workout Agreements and the monies paid thereunder, Plaintiffs and the Class derived no benefits from the Workout Agreements and have retained nothing of value provided by Aurora to tender in advance of rescission.

96. Plaintiffs and the Class seek rescission of the agreement as a result of these material mistakes of fact and fraud. Plaintiffs have no other adequate remedy at law and will suffer irreparable harm if the Workout Agreements are not rescinded and if the payments wrongfully collected are not returned.

COUNT II
FOR RESCISSION AND RESTITUTION
(CAL. CIV. CODE § 1689(B)(2)-(4))

97. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

98. Plaintiffs bring this claim on their own behalf and on behalf of each member of the Class described above.

99. As consideration for the Workout Agreements, Plaintiffs and the Class made payments to Defendant totaling thousands of dollars.

100. As return consideration, Defendant waived certain legal rights and promised to provide Plaintiffs and the Class with an opportunity to cure the default of their loans upon the expiration of the Workout Agreements.

101. Defendant's consideration to Plaintiffs and the Class failed in material part because Defendant, through its own fault: (1) acted on the rights it had waived; and (2) had no intention to and did not provide to Plaintiffs and the Class the opportunity to cure that it had promised.

102. Defendant's consideration to Plaintiffs and the Class became entirely void because Defendant elected to foreclose and provision of the opportunity to cure was completely within Defendant's control and discretion.

103. Defendant's consideration to Plaintiffs and the Class, before it was rendered, failed in a material respect because Defendant elected to foreclose on Plaintiffs' and the Class' homes without providing any opportunity to cure as Defendant had promised.

104. Plaintiffs and the Class would not have entered into the Workout Agreements had they known that Defendant's consideration would fail in material part or be rendered void.

105. Having lost their homes to foreclosure notwithstanding the Workout Agreements and the monies paid thereunder, Plaintiffs and the Class derived no benefits from the Workout Agreements and have nothing of value provided by Aurora to tender in advance of rescission.

106. Plaintiffs and the Class seek rescission of the Workout Agreement as a result of these failures of consideration. Plaintiffs have no other adequate remedy at law and will suffer irreparable harm if the Workout Agreements are not rescinded and if the fees paid are not returned.

COUNT III
NEGLIGENT MISREPRESENTATION

107. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

108. Plaintiffs bring this claim on their own behalf and on behalf of each member of the Class described above.

109. Defendant had a legal duty to disclose to Plaintiffs and the Class, at and before the times of offering the Workout Agreements, all facts that would have materially affected the desirability of entering into the Workout Agreements offered Plaintiffs and the Class. Whether Plaintiffs' and Class members' homes would be foreclosed by Aurora without Aurora first providing the opportunity to cure contemplated by the Workout Agreements was a material fact that Defendant not only knew about, but had intentionally created.

110. Such knowledge was completely in the possession of Defendant and was unknown to Plaintiffs and the Class. The failure to disclose such material facts was uniform in the offering of the Workout Agreements to Plaintiffs and the Class.

111. Defendant uniformly represented to Plaintiffs and the Class through their written materials that there would be an opportunity to cure default at the expiration of the Workout

Agreements. Defendant knew, or in the exercise of reasonable diligence should have known, that Plaintiffs and the Class would rely upon such representations.

112. Plaintiffs and the Class members did reasonably rely on those representations.

113. Had Plaintiffs and the Class known about these material facts, they would not have entered into the Workout Agreements.

114. As a result of the conduct of Defendant, Plaintiffs and the Class have been damaged.

COUNT IV
UNJUST ENRICHMENT

115. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

116. Plaintiffs bring this claim on their own behalf and on behalf of each member of the Class described above.

117. As a result of the Workout Agreement scheme, Defendant extracted millions of dollars in payments from Plaintiffs and the Class that they would not have been entitled to collect had they not engaged in the scheme as described herein.

118. Defendant is aware of its receipt of the above-described benefits.

119. Defendant received the above-described benefits to the detriment of Plaintiffs and the Class.

120. Defendant continues to retain the above-described benefits to the detriment of Plaintiffs and the Class.

121. As a result of Defendant's unjust enrichment, Plaintiffs and the Class have sustained damages in an amount to be determined at trial and seek full disgorgement and restitution of Defendant's enrichment, benefits, and ill-gotten gains acquired as a result of the wrongful conduct alleged above.

COUNT V

BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING (PLED IN THE ALTERNATIVE)

122. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

123. Defendant Aurora and Plaintiffs are parties to the Workout Agreements which state as follows:

> 3. Lender's Forbearance. Lender shall forbear from exercising any or all of its rights or remedies now existing or arising during the term of this agreement under the Loan Documents, provided there is no "Default", as such term is defined in paragraph 6.
>
> ....
>
> The aggregate Plan payment will be insufficient to pay the Arrearage. At the Expiration Date, a portion of the arrearage will still be outstanding. Because payment of the Plan payments will not cure the arrearage, Customer's account will remain delinquent. Upon the expiration date, Customer must cure the Arrearage through a full reinstatement, payment in full, loan modification agreement or other workout option that lender may offer (individually and collectively, a "cure method. . . ."

124. Defendant has the sole ability to provide borrower notice, payoff figures, reinstatement figures, or "other work out options" to enable the Plaintiff to avail themselves of a "cure method."

125. Defendant foreclosed on Plaintiffs' homes in violation of the covenant of good faith and fair dealing associated with Paragraph 3 of the Workout Agreement when it did so without providing to Plaintiff the ability or opportunity to effectuate a cure method.

126. The Agreement imposed on Defendant the duty of good faith and fair dealing. This covenant imposes upon each contracting party the duty not to do anything which prevents realization of the benefits of the contract. It also imposes upon each contracting party the duty to do everything that the contract presupposes that each party will do to accomplish its purpose.

127. The actions of Defendant have deprived Plaintiffs of the benefits of the Workout Agreement, to which it is legally entitled. Specifically, by failing to give notice that modification had been rejected and that the foreclosure process re-initiated, Plaintiffs lost the opportunity to cure contemplated in the Workout Agreements. Defendant prevented Plaintiffs from availing themselves of the ability to cure and avoid foreclosure.

128. Defendants breached the covenant of good faith and fair dealing implicit in the Workout Agreement. The parties mutually intended and understood Section A2.b of the Workout Agreement to require Defendant to provide work out options or the ability to exercise other "cure methods." By foreclosing on Plaintiffs' properties without first giving any notice that modification

had been rejected and the foreclosure process restarted, Defendant failed to provide a "cure method" pursuant to the agreement.

129. As a direct and proximate result of defendant's breach of the covenant of good faith and fair dealing, Plaintiffs have been damaged in an amount to be proved at trial, but no less than the amounts paid pursuant to the Workout Agreements.

COUNT VI
VIOLATION OF THE UNFAIR COMPETITION LAW
(CAL. BUS. & PROF. CODE §§ 17200 *ET SEQ.*)

130. Plaintiffs repeat and re-allege every allegation above as if set forth herein in full.

131. Plaintiffs bring this claim on their own behalf and on behalf of each member of the Class described above.

132. The conduct of Aurora as set forth herein constitutes unfair or deceptive acts or practices, including its practice of leading borrowers to believe that they will have an opportunity to cure the default of their loans upon expiration of the Workout Agreements and its practice of temporarily delaying foreclosures only to obtain additional moneys from borrowers that under California's foreclosure laws it would not be entitled to collect.

133. Aurora's conduct as set forth herein has been unfair in violation of California's UCL sections 17200, *et seq.* because the acts or practices violate established public policy, and because the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

134. Aurora's conduct as set forth herein resulted in loss of money or property to Plaintiffs and Class members.

VIII. PRAYER FOR RELIEF

WHEREFORE, the Plaintiffs respectfully request the following relief:

A. Certify this case as a class action and appoint the named Plaintiffs to be Class representatives and their counsel to be Class counsel;

B. Enter a judgment declaring the Workout Agreements to be void *ab initio* and subject to rescission by Plaintiffs and the Class;

C. Grant a permanent or final injunction enjoining Aurora's agents and employees, affiliates and subsidiaries, from continuing to offer illusory Workout Agreements;

D. Award restitution to the Plaintiffs and the Class in amounts to be proven at trial;

E. Award Plaintiffs the costs of this action, including the fees and costs of experts, together with reasonable attorneys' fees;

F. In the alternative, if the Workout Agreements are deemed enforceable, enter a judgment that Defendant has breached its duty of good faith and fair dealing and award damages to Plaintiffs as may be proven at trial; and

G. Grant Plaintiffs and the Class such other and further relief as this Court finds necessary and proper.

IX. JURY TRIAL DEMANDED

Plaintiffs demand a trial by jury on all issues so triable.

DATED: August 2, 2010

HAGENS BERMAN SOBOL SHAPIRO LLP

By _____
SHANA E. SCARLETT

715 Hearst Avenue, Suite 202
Berkeley, CA 94710
Telephone: (510) 725-3000
Facsimile: (510) 725-3001
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901 Campisi Way, Suite 248
Campbell, CA 95008

Telephone: (888) 842-4930

Attorneys for Plaintiffs and the Class

ATTACHMENT A

Aurora Loan Services

LMIT 0032271694

2617 COLLEGE PARK • P.O. BOX 1706 • SCOTTSBLUFF, NE 69363-1706
PHONE: 800-550-0508 • FAX: 303-728-7648

October 02, 2009 8A3

3640032271694534LM22410-02-09

Mauder D Chao
Alice Chao
440 Cuesta Dr
Los Altos CA 94024-4129

RE: Loan No. 0032271694
Property Address: 2284 Fallingtree Dr, San Jose CA 95131

Dear Customer(s):

Enclosed please find two copies of a Special Forbearance Agreement which has been prepared on your behalf. Please sign, date and return one copy to Aurora Loan Services and retain the second copy for your records.

You have been conditionally approved for this Special Forbearance Agreement as a result of the information that you provided to Aurora Loan Services. Your approval for the Special Forbearance Agreement is conditional upon Aurora Loan Services verifying the information that you provided.

Please execute the attached Special Forbearance Agreement and return it along with (1) the information requested in the enclosed package; (2) the completed financial statement; and (3) your initial payment in the amount of $5668.00. This payment as well as the requested information must be received in our office on or before 10/03/2009.

To expedite processing of your Special Forbearance Agreement, please fax the signed Agreement to Aurora Loan Services at 866-517-7975, and remit the initial payment via Western Union Quick Collect. When sending funds via Western Union, please use the Code City: BLUFF, NE and always include your Aurora Loan Services loan number for prompt posting to your account. Any funds received after 5:00 p.m. ET will be posted the next business day.

Certified Funds should be made payable to Aurora Loan Services. Please include your Aurora Loan Services loan number on the certified funds and mail the funds separately to our Payment Processing Center at:

Overnight Delivery Services	or	U.S. Postal Delivery Services
Aurora Loan Services		Aurora Loan Services
Attn: Cashiering Dept.		Attn: Cashiering Dept.
10350 Park Meadows Drive		P.O. Box 5180
Littleton, CO 80124		Denver, CO 80217-5180

IMPORTANT INFORMATION ON PAGE 2

Aurora Loan Services

2617 COLLEGE PARK • P.O. BOX 1706 • SCOTTSBLUFF, NE 69363-1706
PHONE: 800-550-0508 • FAX: 303-728-7648

Loan No. 0032271694

Please mail all correspondence, requested information and the executed agreement to our Servicing Center at:

Overnight Delivery Services	or	U.S. Postal Delivery Services
Aurora Loan Services		Aurora Loan Services
Attention: Loss Mitigation		Attention: Loss Mitigation
2617 College Park		P.O. Box 1706
Scottsbluff, NE 69361		Scottsbluff, NE 69363-1706

Notwithstanding anything to the contrary contained in the Special Forbearance Agreement, the parties hereto acknowledge the effect of a discharge in bankruptcy that may have been granted to the Borrower(s) prior to the execution hereof and that the Lender may not pursue the Borrower(s) for personal liability. However, the parties acknowledge that the Lender retains certain rights, including but not limited to the right to foreclose its lien under appropriate circumstances. The parties agree that the consideration for this Agreement is Aurora Loan Services' forbearance from presently exercising its rights and pursuing its remedies under the Security Instrument as a result of the Borrower's default of its obligations there under. Nothing herein shall be construed to be an attempt to collect against the Borrower(s) personally or an attempt to revive personal liability.

Signing the attached documents in no way affects or eliminates any rights you have been given in this letter or any correspondence attached hereto.

If you have any questions, please contact one of our Loan Counselors at the address above or by calling 800-550-0509.

Sincerely,

Loss Mitigation
Aurora Loan Services

Enclosure

Aurora Loan Services is a debt collector. Aurora Loan Services is attempting to collect a debt and any information obtained will be used for that purpose. However, if you are in bankruptcy or received a bankruptcy discharge of this debt, this communication is not an attempt to collect the debt against you personally, but is notice of a possible enforcement of the lien against the collateral property.

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PHONE: 800-550-0508 • FAX: 303-728-7648

WORKOUT AGREEMENT

BY AND BETWEEN AURORA LOAN SERVICES LLC

AND

Mauder D Chao
Alice Chao

Property Address: 2284 Fallingtree Dr
San Jose CA 95131

Loan No. 0032271694

This Workout Agreement is made October 02, 2009, by and between AURORA LOAN SERVICES LLC("Lender") located at 2617 College Park, Scottsbluff, NE 69361, and Mauder D Chao and Alice Chao (individually and collectively, "Customer").

WHEREAS, Lender is the servicing agent and/or the owner and holder of a certain Note dated 01-03-06, executed and delivered by Customer, in the original principal amount of $ 468,750 (the "Note"). The Note is secured by a mortgage, deed of trust or comparable security instrument dated 01-03-06, (the "Security Instrument"), on the property located at the address specified above (the "Property"). The Note and Security Instrument are collectively referred to as the "Loan Documents".

WHEREAS, Customer is in default under the Loan Documents, has failed to make payment of monthly installments of principal, interest, and escrow, if any, and has incurred additional expenses authorized under the Loan Documents, resulting in a total arrearage now due of $ 31,802.88, as more particularly set forth below:

Unpaid monthly payment(s) of PITI* from 01-01-09 through and including 10-02-09	$ 28,320.30
Accrued Late Charges	424.80
NSF Charges	.00
Legal Fees	2,751.78
Corporate Advances**	306.00
Other Fees***	.00
Minus Credit (suspense balance/partial payment)	.00
Total Amount Due (the "Arrearage")	$ 31,802.88

* "PITI" means the monthly payment of principal, interest, and escrows, required, for taxes and insurance premium installments.
** "Corporate Advances" include, but are not limited to, property inspection fees, property preservation fees, legal fees, foreclosure fees and costs, appraisal fees, BPO (i.e. broker price opinion) fees, title report fees, recording fees, and subordination fees.
*** "Other Fees" include, but are not limited to, short payment advances and Speed ACH fees.

WHEREAS, as a result of Customer's default, Lender (i) has the right to accelerate, and to require Customer to make immediate payment in full, all of the sums owed under the Note and secured by the Security

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PHONE: 800-550-0508 • FAX: 303-728-7648

Instrument, (ii) has so accelerated and declared due in full all such sums, and (iii) may have already commenced foreclosure proceedings to sell the Property.

WHEREAS, as of the date of execution of the Agreement, Lender has not commenced Foreclosure proceedings to sell the property. by legal filing in the county and state where the Property is located A Foreclosure sale has not yet been scheduled.

WHEREAS, customer has requested Lender's forbearance in exercising its rights and remedies under the default provisions of the Loan Documents and with regard to any foreclosure action that may now be pending.

WHEREAS, Customer has requested and Lender has agreed to allow Customer to repay the Arrearage pursuant to a loan work-out arrangement on the terms set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties hereto agree as follows:

1. Bankruptcy. If the Customer was discharged in a Chapter 7 proceeding subsequent to the execution of the Loan Documents, Lender agrees that the Customer will not have personal liability on the debt pursuant to this Agreement.

2. Term. This Agreement shall expire on the "Expiration Date," as defined in Attachment A.

3. Lenders Forbearance. Lender shall forbear from exercising any or all of its rights and remedies now existing or arising during the term of this Agreement under the Loan Documents, provided there is no "Default", as such term is defined in paragraph 6.

4. Customer's Admissions. Customer admits and agrees that any and all postponements of a foreclosure sale, made during the term of this Agreement or in anticipation of this Agreement, are done by mutual consent of the Customer and Lender and that, to the extent allowed by applicable law, any such foreclosure sale may be postponed from time to time until the loan evidenced by the Note is fully reinstated or the foreclosure sale is consummated. Lender shall be under no obligation to dismiss a pending foreclosure proceeding until such time as all terms and conditions of this Agreement and Attachment A have been fully performed.

5. Terms of Workout. See Attachment A, which is made a part hereof.

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6. Default. If Customer fails to make any of the payments specified in Attachment A on the due dates and in the amount stated, or otherwise fails to comply with any of the terms and conditions herein or therein (any such even hereby defined as a "Default"), Lender, at its sole option, may terminate this Agreement without further notice to Customer. In such case, all amounts that are then owing under the Note, the Security Instrument, and this Agreement shall become immediately due and payable, and Lender shall be permitted to exercise any and all rights and remedies provided for in the Loan Documents, including, but not limited to, immediate commencement of a foreclosure action or resumption of a pending foreclosure action without further notice to Customer.

7. No Waiver. Nothing contained herein shall constitute a waiver of any of all of the Lender's rights or remedies, including the right to commence or resume foreclosure proceedings. Failure by Lender to exercise any right or remedy under this Agreement or as otherwise provided by applicable law shall not be deemed to be a waiver thereof.1

8. Status of Default and Foreclosure. Customer acknowledges that if the Lender previously notified the Customer that the account was in default, that the Note and Security Instrument are accelerated and the debt evidenced by the Note is due in full, the account remains in default, such Loan Documents remain accelerated, and such debt due in full, although Customer may be entitled by law to cure such default by bringing the loan evidenced by Note current rather than paying it in full. Lender's acceptance of any payments from Customer which, individually, are less than the total amount due to cure the default described herein shall in no way prevent Lender from continuing with collection action, or require Lender to re-notify Customer of such default, re-accelerate the loan, re-issue any notice, or resume any process prior to Lender proceeding with collection action if Customer Defaults. Customer agrees that a foreclosure action if commenced by the Lender against Customer will not be withdrawn unless Lender determines to do so by applicable law. In the event Customer Defaults, the foreclosure will commence, or resume from the point at which it was placed on hold, without further notice.

9. Limited Modification. Except as otherwise provided in this Agreement, the Note and Security Instrument, and any amendments thereto, are ratified and confirmed and shall remain in full force and effect.

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1 A typical example of this would be if Lender decides to accept a partial or untimely payment from Customer instead of returning such payment or terminating this Agreement as provided herein, Lender shall not be precluded from rejecting a subsequent partial or untimely payment, terminating this Agreement, or taking any other action permitted by applicable law.

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10. Application of Payments. The payments received by Lender from Customer pursuant to this Agreement shall be applied, at Lender's sole option, first to the earliest monthly payment under the Note that is due. Any amounts received by Lender that are less than the full payment under then due and owing under this Agreement shall be, at Lender's sole option, (1) returned to Customer, or (2) held by Lender in partial or suspense payment balance until sufficient sum is received by Lender to apply a full payment. If this Agreement is canceled and/or terminated for any reason, any remaining funds in this partial or suspense payment balance shall be credited towards Customer's remaining obligation owing in connection with the loan and shall not be refunded.

11. Methods of Making Payments. All payments made to Lender under this Agreement shall (i) contain the Lender's loan number shown above, (ii) unless otherwise agreed to by the Lender, be payable in certified funds by means of cashier's check, Western Union (code city: Bluff,NE) money order, or certified check, and (iii) be sent to AURORA LOAN SERVICES as specified in Attachment A. Any payment made other than strictly pursuant to the requirements of this paragraph 10 and Attachment A shall not be considered to have been received by Lender, although Lender may, in its sole discretion, decide to accept any non-conforming payment.

12. Credit Reporting. The payment status of Customer's loan in existence immediately prior to execution of this Agreement will be reported monthly to all credit reporting agencies for the duration of this Agreement and thereafter. Accordingly, Lender will report the loan subject to this Agreement as delinquent if the loan is not paid current under the Loan Documents, even if Customer makes timely payments to Lender under this Agreement. However, Lender may disclose that Customer is in a repayment or work-out plan. This Agreement does not constitute an agreement by Lender to waive any reporting of the delinquency status of loan payments.

13. Property Taxes, Insurance, and Other Amounts. If Customer's loan is not escrowed for taxes and insurance premium payments, it is Customer's responsibility to pay all property taxes, premiums for insurance, and all other amounts Customer agreed to pay as required under the terms of the Loan Documents. Customer's failure to pay property taxes, amounts owed on any senior lien security instrument, other amounts that may attain priority over the Security Instrument, or insurance premiums, in each case before their due date, shall constitute a Default hereunder.

14. The Entire Agreement. This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior understandings, inducements or conditions, express or implied, oral or written, with respect thereto except as contained or referred to herein. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing.

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PHONE: 800-550-0508 • FAX: 303-728-7648

Loan No. 0032271694

15. Time is of the Essence. The Customer agrees and understands that TIME IS OF THE ESSENCE as to all of the Customer's obligations under this Agreement. The grace period for monthly payments under the Loan Documents will not apply to payment under this Agreement. Therefore, the Lender must receive the payments under this Agreement on or before the Due Dates specified in Attachment A.

16. Assignment by Customer Prohibited. This Agreement shall be non-transferable by Customer. However, if the legal or beneficial interest or the servicing of this loan is transferred by Lender, this Agreement inures to the benefit of any subsequent servicer or beneficial interest holder of the Note.

17. Severability. To the extent that any word, phrase, clause, or sentence of this Agreement shall be found to be illegal or unenforceable for any reason, such word, phrase, clause, or sentence shall be modified or deleted in such a manner so as to make the Agreement, as modified, legal and enforceable under applicable law, and the balance of the Agreement or parts thereof shall not be affected thereby, the balance being construed as severable and independent; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to either party.

18. Execution in Counterparts. This Agreement may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument and Agreement. Facsimile signatures shall be deemed as valid as originals.

19. Customer Contact. If Customer has any questions regarding this matter, Customer should contact one of Lender's Loan Counselors at the address above or by calling 800-550-0509.

IN WITNESS HEREOF, the parties hereto have caused this Agreement to be duly executed as of the date signed.

Dated: 10/12/09 Mauder D Chao Borrower

Dated: 10/12/09 Alice Chao Borrower

Aurora Loan Services
Dated: _____

Aurora Loan Services is a debt collector. Aurora Loan Services is attempting to collect a debt and any information obtained will be used for that purpose. However, if you are in bankruptcy or received a bankruptcy discharge of this debt, this communication is not an attempt to collect the debt against you personally, but is notice of a possible enforcement of the lien against the collateral property.

Aurora • Loan Services

2617 COLLEGE PARK • P.O. BOX 1706 • SCOTTSBLUFF, NE 69363-1706
PHONE: 800-550-0508 • FAX: 303-728-7648

ATTACHMENT A-STIPULATED PAYMENTS

a.1 For purposes of repayment of the Arrearage, Customer shall pay a stipulated payment of $5668.00 (the "First Plan payment"), on or before 10/03/2009. Thereafter, Customer shall pay five (5) consecutive stipulated monthly payments each in the amount of $3100.00 on or before the 20th day of every month (each, a "Due Date"), commencing 10/20/2009 and continuing through and including 02/20/2010 (the "Second Plan payment, Third Plan payment, Fourth Plan payment, Fifth Plan payment, and Sixth Plan payment", respectively). On or before 10/03/2009 (the "Agreement Return Date"), Customer shall execute and return the Agreement, including this Attachment A, in accordance with the following instructions:

If by overnight mail service to	or if by US Postal Services to
Aurora Loan Services	Aurora Loan Services
Attention: Loss Mitigation	Attention: Loss Mitigation
2617 College Park	P.O. Box 1706
Scottsbluff, NE 69361	Scottsbluff, NE 69363-1706

The Agreement will be of no force and effect unless Lender receives the executed Agreement, including Attachment A, as well as the First Plan payment by the Agreement Return Date. Customer shall remit to Lender the First Plan payment, in the amount specified above, made payable to Aurora Loan Services in certified funds by means of cashier's check, money order, Western Union (code city: Bluff, NE), or certified check. All Plan payments, including the First Plan payment, shall contain the Lender's loan number shown in the Agreement and, unless otherwise agreed to by the Lender, shall be payable in certified funds as described above are to be sent to Lender's Payment Processing Center in accordance with the following instructions:

If by overnight mail service to	or if by US Postal Services to
Aurora Loan Services	Aurora Loan Services
Attention: Cashiering Department	Attention: Cashiering Department
10350 Park Meadows Drive	P.O. Box 5180
Littleton, CO 80124	Denver, CO 80217-5180

a.2 Plan payments are to be paid on or before the 20th day of every month (each, a "Due Date"). Lender must receive each Plan payment by the Due Date of each month. The Agreement shall expire on the Due Date of the Sixth Plan payment contemplated by section a.1 above (the "Expiration Date"). After the Customer makes the Second Plan payment under this Agreement, it shall be the Customer's responsibility to provide Aurora Loan Services with accurate and complete financial information in support of the Customer's request for a loan modification or other workout option. Customer must also provide Lender with a completed Borrower's Financial Statement and proof of income (copies of Customer's two (2) most recent pay stubs) to enable Lender to properly evaluate Customer's current financial situation and the Customer's request for a loan modification or other loan workout option.

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PHONE: 800-550-0508 • FAX: 303-728-7648

Loan No. 0032271694

Tender of the Sixth Plan payment shall not be deemed acceptance by Aurora Loan Services of a workout plan or loan modification.

b. The aggregate Plan payment will be insufficient to pay the Arrearage. At the Expiration Date, a portion of the Arrearage will still be outstanding. Because payment of the Plan payments will not cure the Arrearage, Customer's account will remain delinquent. Upon the Expiration Date, Customer must cure the Arrearage through a full reinstatement, payment in full, loan modification agreement or other loan workout option that Lender may offer (individually and collectively, a "Cure Method.") Customer's failure to enter into a Cure Method will result in the loan being disqualified from any future Lender Loss Mitigation program with respect to the loan evidenced by the Note, and regular collection activity will continue, including, but not limited to, commencement or resumption of the foreclosure process, as specified in paragraphs 6 and 8 of the Agreement.

IN WITNESS HEREOF, the parties hereto have caused this Attachment A to be duly executed as of the date signed below.

Dated: 10/12/09 Mauder D Chao
Mauder D Chao Borrower

Dated: 10/12/09 Alice Chao
Alice Chao Borrower

Aurora Loan Services

Dated: _____ By: _____

Title: _____

Aurora • Loan Services

2617 COLLEGE PARK • P.O. BOX 1706 • SCOTTSBLUFF, NE 69363-1706
PHONE: 800-550-0508 • FAX: 303-728-7648

October 02, 2009

3640032271694534LM02910-02-09

RE: Loan No. 0032271694
Borrower(s): Mauder D Chao
Alice Chao
Property Address: 2284 Fallingtree Dr
San Jose CA 95131

ITEMIZATION OF FEES, COSTS AND OTHER CHARGES

Dear Customer(s):

This Addendum supplements the Attached Letter.

Below is a detailed itemization of the unpaid fees, costs and other charges due on the above-referenced loan.

Description	Unpaid Balance
Property Preservation Fees	$96.00
Property Value Fee	$210.00

ATTACHMENT B

Aurora • Loan Services

LMIT 0046327714

2617 COLLEGE PARK • P.O. BOX 1706 • SCOTTSBLUFF, NE 69363-1706
PHONE: 800-550-0508 • FAX: 303-728-7648

September 09, 2009 M1M

3640046327714534LM22409-09-09

Deogeneso P Palugod
Glorina D Palugod
3233 Sprucegate CT
San Jose CA 95148-3044

RE: Loan No. 0046327714
Property Address: 3233 Sprucegate Ct, San Jose CA 95148

Dear Customer(s):

Enclosed please find two copies of a Special Forbearance Agreement which has been prepared on your behalf. Please sign, date and return one copy to Aurora Loan Services and retain the second copy for your records.

You have been conditionally approved for this Special Forbearance Agreement as a result of the information that you provided to Aurora Loan Services. Your approval for the Special Forbearance Agreement is conditional upon Aurora Loan Services verifying the information that you provided.

Please execute the attached Special Forbearance Agreement and return it along with (1) the information requested in the enclosed package; (2) the completed financial statement; and (3) your initial payment in the amount of $2466.68. This payment as well as the requested information must be received in our office on or before 10/01/2009.

To expedite processing of your Special Forbearance Agreement, please fax the signed Agreement to Aurora Loan Services at 866-517-7975, and remit the initial payment via Western Union Quick Collect. When sending funds via Western Union, please use the Code City: BLUFF, NE and always include your Aurora Loan Services loan number for prompt posting to your account. Any funds received after 5:00 p.m. ET will be posted the next business day.

Certified Funds should be made payable to Aurora Loan Services. Please include your Aurora Loan Services loan number on the certified funds and mail the funds separately to our Payment Processing Center at:

Overnight Delivery Services	or	U.S. Postal Delivery Services
Aurora Loan Services		Aurora Loan Services
Attn: Cashiering Dept.		Attn: Cashiering Dept.
10350 Park Meadows Drive		P.O. Box 5180
Littleton, CO 80124		Denver, CO 80217-5180

IMPORTANT INFORMATION ON PAGE 2

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PHONE: 800-550-0508 • FAX: 303-728-7648

Loan No. 0046327714

Please mail all correspondence, requested information and the executed agreement to our Servicing Center at:

Overnight Delivery Services	or	U.S. Postal Delivery Services
Aurora Loan Services		Aurora Loan Services
Attention: Loss Mitigation		Attention: Loss Mitigation
2617 College Park		P.O. Box 1706
Scottsbluff, NE 69361		Scottsbluff, NE 69363-1706

Not withstanding anything to the contrary contained in the Special Forbearance Agreement, the parties hereto acknowledge the effect of a discharge in bankruptcy that may have been granted to the Borrower(s) prior to the execution hereof and that the Lender may not pursue the Borrower(s) for personal liability. However, the parties acknowledge that the Lender retains certain rights, including but not limited to the right to foreclose its lien under appropriate circumstances. The parties agree that the consideration for this Agreement is Aurora Loan Services' forbearance from presently exercising its rights and pursuing its remedies under the Security Instrument as a result of the Borrower's default of its obligations there under. Nothing herein shall be construed to be an attempt to collect against the Borrower(s) personally or an attempt to revive personal liability.

Signing the attached documents in no way affects or eliminates any rights you have been given in this letter or any correspondence attached hereto.

If you have any questions, please contact one of our Loan Counselors at the address above or by calling 800-550-0509.

Sincerely,

Loss Mitigation
Aurora Loan Services

Enclosure

Aurora Loan Services is a debt collector. Aurora Loan Services is attempting to collect a debt and any information obtained will be used for that purpose. However, if you are in bankruptcy or received a bankruptcy discharge of this debt, this communication is not an attempt to collect the debt against you personally, but is notice of a possible enforcement of the lien against the collateral property.

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WORKOUT AGREEMENT

BY AND BETWEEN AURORA LOAN SERVICES LLC

AND

Deogeneso P Palugod
Glorina D Palugod

Property Address: 3233 Sprucegate Ct
San Jose CA 95148

Loan No. 0046327714

This Workout Agreement is made September 09, 2009, by and between AURORA LOAN SERVICES LLC("Lender") located at 2617 College Park, Scottsbluff, NE 69361, and Deogeneso P Palugod and Glorina D Palugod (individually and collectively, "Customer").

WHEREAS, Lender is the servicing agent and/or the owner and holder of a certain Note dated 05-08-07, executed and delivered by Customer, in the original principal amount of $ 740,000 (the "Note"). The Note is secured by a mortgage, deed of trust or comparable security instrument dated 05-08-07, (the "Security Instrument"), on the property located at the address specified above (the "Property"). The Note and Security Instrument are collectively referred to as the "Loan Documents".

WHEREAS, Customer is in default under the Loan Documents, has failed to make payment of monthly installments of principal, interest, and escrow, if any, and has incurred additional expenses authorized under the Loan Documents, resulting in a total arrearage now due of $ 22,742.91, as more particularly set forth below:

Unpaid monthly payment(s) of PITI* from 02-01-09 through and including 09-09-09	$	19,733.44
Accrued Late Charges		369.99
NSF Charges		.00
Legal Fees		2,466.48
Corporate Advances**		173.00
Other Fees***		.00
Minus Credit (suspense balance/partial payment)		.00
Total Amount Due (the "Arrearage")	$	22,742.91

* "PITI" means the monthly payment of principal, interest, and escrows, required, for taxes and insurance premium installments.

** "Corporate Advances" include, but are not limited to, property inspection fees, property preservation fees, legal fees, foreclosure fees and costs, appraisal fees, BPO (i.e. broker price opinion) fees, title report fees, recording fees, and subordination fees.

*** "Other Fees" include, but are not limited to, short payment advances and Speed ACH fees.

WHEREAS, as a result of Customer's default, Lender (i) has the right to accelerate, and to require Customer to make immediate payment in full, all of the sums owed under the Note and secured by the Security

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Instrument, (ii) has so accelerated and declared due in full all such sums, and (iii) may have already commenced foreclosure proceedings to sell the Property.

WHEREAS, as of the date of execution of the Agreement, Lender commenced Foreclosure proceedings to sell the property on 05/21/09A Fore by legal filing in the county and state where the Property is located closure sale has been scheduled for 09/15/09.

WHEREAS, customer has requested Lender's forbearance in exercising its rights and remedies under the default provisions of the Loan Documents and with regard to any foreclosure action that may now be pending.

WHEREAS, Customer has requested and Lender has agreed to allow Customer to repay the Arrearage pursuant to a loan work-out arrangement on the terms set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties hereto agree as follows:

1. Bankruptcy. If the Customer was discharged in a Chapter 7 proceeding subsequent to the execution of the Loan Documents, Lender agrees that the Customer will not have personal liability on the debt pursuant to this Agreement.

2. Term. This Agreement shall expire on the "Expiration Date," as defined in Attachment A.

3. Lenders Forbearance. Lender shall forbear from exercising any or all of its rights and remedies now existing or arising during the term of this Agreement under the Loan Documents, provided there is no "Default", as such term is defined in paragraph 6.

4. Customer's Admissions. Customer admits and agrees that any and all postponements of a foreclosure sale, made during the term of this Agreement or in anticipation of this Agreement, are done by mutual consent of the Customer and Lender and that, to the extent allowed by applicable law, any such foreclosure sale may be postponed from time to time until the loan evidenced by the Note is fully reinstated or the foreclosure sale is consummated. Lender shall be under no obligation to dismiss a pending foreclosure proceeding until such time as all terms and conditions of this Agreement and Attachment A have been fully performed.

5. Terms of Workout. See Attachment A, which is made a part hereof.

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6. Default. If Customer fails to make any of the payments specified in Attachment A on the due dates and in the amount stated, or otherwise fails to comply with any of the terms and conditions herein or therein (any such even hereby defined as a "Default"), Lender, at its sole option, may terminate this Agreement without further notice to Customer. In such case, all amounts that are then owing under the Note, the Security Instrument, and this Agreement shall become immediately due and payable, and Lender shall be permitted to exercise any and all rights and remedies provided for in the Loan Documents, including, but not limited to, immediate commencement of a foreclosure action or resumption of a pending foreclosure action without further notice to Customer.

7. No Waiver. Nothing contained herein shall constitute a waiver of any of all of the Lender's rights or remedies, including the right to commence or resume foreclosure proceedings. Failure by Lender to exercise any right or remedy under this Agreement or as otherwise provided by applicable law shall not be deemed to be a waiver thereof.1

8. Status of Default and Foreclosure. Customer acknowledges that if the Lender previously notified the Customer that the account was in default, that the Note and Security Instrument are accelerated and the debt evidenced by the Note is due in full, the account remains in default, such Loan Documents remain accelerated, and such debt due in full, although Customer may be entitled by law to cure such default by bringing the loan evidenced by Note current rather than paying it in full. Lender's acceptance of any payments from Customer which, individually, are less than the total amount due to cure the default described herein shall in no way prevent Lender from continuing with collection action, or require Lender to re-notify Customer of such default, re-accelerate the loan, re-issue any notice, or resume any process prior to Lender proceeding with collection action if Customer Defaults. Customer agrees that a foreclosure action if commenced by the Lender against Customer will not be withdrawn unless Lender determines to do so by applicable law. In the event Customer Defaults, the foreclosure will commence, or resume from the point at which it was placed on hold, without further notice.

9. Limited Modification. Except as otherwise provided in this Agreement, the Note and Security Instrument, and any amendments thereto, are ratified and confirmed and shall remain in full force and effect.

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1 A typical example of this would be if Lender decides to accept a partial or untimely payment from Customer instead of returning such payment or terminating this Agreement as provided herein, Lender shall not be precluded from rejecting a subsequent partial or untimely payment, terminating this Agreement, or taking any other action permitted by applicable law.

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10. Application of Payments. The payments received by Lender from Customer pursuant to this Agreement shall be applied, at Lender's sole option, first to the earliest monthly payment under the Note that is due. Any amounts received by Lender that are less than the full payment under then due and owing under this Agreement shall be, at Lender's sole option, (1) returned to Customer, or (2) held by Lender in partial or suspense payment balance until sufficient sum is received by Lender to apply a full payment. If this Agreement is canceled and/or terminated for any reason, any remaining funds in this partial or suspense payment balance shall be credited towards Customer's remaining obligation owing in connection with the loan and shall not be refunded.

11. Methods of Making Payments. All payments made to Lender under this Agreement shall (i) contain the Lender's loan number shown above, (ii) unless otherwise agreed to by the Lender, be payable in certified funds by means of cashier's check, Western Union (code city: Bluff,NE) money order, or certified check, and (iii) be sent to AURORA LOAN SERVICES as specified in Attachment A. Any payment made other than strictly pursuant to the requirements of this paragraph 10 and Attachment A shall not be considered to have been received by Lender, although Lender may, in its sole discretion, decide to accept any non-conforming payment.

12. Credit Reporting. The payment status of Customer's loan in existence immediately prior to execution of this Agreement will be reported monthly to all credit reporting agencies for the duration of this Agreement and thereafter. Accordingly, Lender will report the loan subject to this Agreement as delinquent if the loan is not paid current under the Loan Documents, even if Customer makes timely payments to Lender under this Agreement. However, Lender may disclose that Customer is in a repayment or work-out plan. This Agreement does not constitute an agreement by Lender to waive any reporting of the delinquency status of loan payments.

13. Property Taxes, Insurance, and Other Amounts. If Customer's loan is not escrowed for taxes and insurance premium payments, it is Customer's responsibility to pay all property taxes, premiums for insurance, and all other amounts Customer agreed to pay as required under the terms of the Loan Documents. Customer's failure to pay property taxes, amounts owed on any senior lien security instrument, other amounts that may attain priority over the Security Instrument, or insurance premiums, in each case before their due date, shall constitute a Default hereunder.

14. The Entire Agreement. This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior understandings, inducements or conditions, express or implied, oral or written, with respect thereto except as contained or referred to herein. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing.

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15. Time is of the Essence. The Customer agrees and understands that TIME IS OF THE ESSENCE as to all of the Customer's obligations under this Agreement. The grace period for monthly payments under the Loan Documents will not apply to payment under this Agreement. Therefore, the Lender must receive the payments under this Agreement on or before the Due Dates specified in Attachment A.

16. Assignment by Customer Prohibited. This Agreement shall be non-transferable by Customer. However, if the legal or beneficial interest or the servicing of this loan is transferred by Lender, this Agreement inures to the benefit of any subsequent servicer or beneficial interest holder of the Note.

17. Severability. To the extent that any word, phrase, clause, or sentence of this Agreement shall be found to be illegal or unenforceable for any reason, such word, phrase, clause, or sentence shall be modified or deleted in such a manner so as to make the Agreement, as modified, legal and enforceable under applicable law, and the balance of the Agreement or parts thereof shall not be affected thereby, the balance being construed as severable and independent; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to either party.

18. Execution in Counterparts. This Agreement may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument and Agreement. Facsimile signatures shall be deemed as valid as originals.

19. Customer Contact. . If Customer has any questions regarding this matter, Customer should contact one of Lender's Loan Counselors at the address above or by calling 800-550-0509.

IN WITNESS HEREOF, the parties hereto have caused this Agreement to be duly executed as of the date signed.

Dated: 09/16/09 Deogeneso P. Palugod
Deogeneso P Palugod Borrower

Dated: 09/16/09 Glorina D. Palugod
Glorina D Palugod Borrower

Aurora Loan Services
Dated: _____ _____

Aurora Loan Services is a debt collector. Aurora Loan Services is attempting to collect a debt and any information obtained will be used for that purpose. However, if you are in bankruptcy or received a bankruptcy discharge of this debt, this communication is not an attempt to collect the debt against you personally, but is notice of a possible enforcement of the lien against the collateral property.

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ATTACHMENT A-STIPULATED PAYMENTS

a.1 For purposes of repayment of the Arrearage, Customer shall pay a stipulated payment of $2466.68 (the "First Plan payment"), on or before 10/01/2009. Thereafter, Customer shall pay three (3) stipulated monthly payments each in the amount of $2653.00 (the "Second Plan payment, Third Plan payment, and Fourth Plan payment", respectively). On or before 10/01/2009 (the "Agreement Return Date"), Customer shall execute and return the Agreement, including this Attachment A, in accordance with the following instructions:

If by overnight mail service to	or	if by US Postal Services to
Aurora Loan Services		Aurora Loan Services
Attention: Loss Mitigation		Attention: Loss Mitigation
2617 College Park		P.O. Box 1706
Scottsbluff, NE 69361		Scottsbluff, NE 69363-1706

The Agreement will be of no force and effect unless Lender receives the executed Agreement, including Attachment A, as well as the First Plan payment by the Agreement Return Date. Customer shall remit to Lender the First Plan payment, in the amount specified above, made payable to Aurora Loan Services in certified funds by means of cashier's check, money order, Western Union (code city: Bluff, NE), or certified check. All Plan payments, including the First Plan payment, shall contain the Lender's loan number shown in the Agreement and, unless otherwise agreed to by the Lender, shall be payable in certified funds as described above are to be sent to Lender's Payment Processing Center in accordance with the following instructions:

If by overnight mail service to	or	if by US Postal Services to
Aurora Loan Services		Aurora Loan Services
Attention: Cashiering Department		Attention: Cashiering Department
10350 Park Meadows Drive		P.O. Box 5180
Littleton, CO 80124		Denver, CO 80217-5180

a.2 Plan payments are to be paid on or before the 1st day of every month (each, a "Due Date"). Lender must receive each Plan payment by the Due Date of each month. The Agreement shall expire on the Due Date of the Fourth Plan payment contemplated by section a.1 above (the "Expiration Date"). After the Customer makes the Second Plan payment under this Agreement, it shall be the Customer's responsibility to provide Aurora Loan Services with accurate and complete financial information in support of the Customer's request for a loan modification or other workout option. Customer must also provide Lender with a completed Borrower's Financial Statement and proof of income (copies of Customer's two (2) most recent pay stubs) to enable Lender to properly evaluate Customer's current financial situation and the Customer's request for a loan modification or other loan workout option. Tender of the Fourth Plan payment shall not be deemed acceptance by Aurora Loan Services of a workout plan or loan modification.

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PHONE: 800-550-0508 • FAX: 303-728-7648

Loan No. 0046327714

b. The aggregate Plan payment will be insufficient to pay the Arrearage. At the Expiration Date, a portion of the Arrearage will still be outstanding. Because payment of the Plan payments will not cure the Arrearage, Customer's account will remain delinquent. Upon the Expiration Date, Customer must cure the Arrearage through a full reinstatement, payment in full, loan modification agreement or other loan workout option that Lender may offer (individually and collectively, a "Cure Method.") Customer's failure to enter into a Cure Method will result in the loan being disqualified from any future Lender Loss Mitigation program with respect to the loan evidenced by the Note, and regular collection activity will continue, including, but not limited to, commencement or resumption of the foreclosure process, as specified in paragraphs 6 and 8 of the Agreement.

IN WITNESS HEREOF, the parties hereto have caused this Attachment A to be duly executed as of the date signed below.

Dated: 09/16/09 Deogeneso P. Palugod
Deogeneso P Palugod Borrower

Dated: 09/16/09 Glorina D. Palugod
Glorina D Palugod Borrower

Aurora Loan Services

Dated: _____ By: _____

Title: _____