



IMB HoldCo LLC

Internal Audit Plan for Residential Mortgage Servicing, Loss Mitigation, and Foreclosure Activities & Operations

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OneWest BankSM



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OTS Required Action

IMB HoldCo LLC Consent Order Paragraph 9

Audit

“Within ninety (90) days of this Order, the Holding Company shall submit to the Regional Director an acceptable written plan to evaluate the effectiveness of, and strengthen, the Association’s current internal audit program in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, as detailed in the Association Order.”

The effective date of the Consent Order is April 13, 2011. The written plan is due no later than July 13, 2011.



Summary of Internal Audit Program Changes

The Board of Directors of IMB HoldCo LLC (“The Company”) has reviewed the current Internal Audit Program as set forth in this Internal Audit Plan for OneWest Bank, FSB (“Association”) in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations (“Servicing”). The Internal Audit Program will be strengthened to help ensure the Association effectively assesses and manages its legal, reputational, and compliance risks, and to meet the Consent Order requirements.

The following provides a summary overview of planned Internal Audit Program enhancements and changes:

I. Evaluate and Strengthen Internal Audit’s Servicing Risk Assessment Process and Audit Approach

1. **Re-assess the current Servicing Audit universe, assigned risk ratings (which drive audit frequency), and Audit programs (which drive testing)**
 - A. Evaluate and refine the Internal Audit Servicing risk assessment process to help identify potential process and control gaps. This includes performing a gap analysis of the current Internal Audit Program to the elements identified in the Association’s Consent Order to help ensure the scope of Internal Audit activities are comprehensive.
 - B. Ensure the Audit scope, objectives, and testing plans for Servicing Audits are prepared based on comprehensive, end-to-end process assessments.
 - C. Schedule regular meetings with Servicing senior management and the Servicing Compliance Management team to review organization and process changes and developing risk issues that will influence timely changes to the Servicing Internal Audit Plan.
 - D. Schedule regular meetings with the Chief Executive Officer, Chief Risk Officer, and Head of Loan Review / Quality Control to review planned Servicing Audits, assigned risk ratings, and audit schedules to validate reasonableness.
 - E. Establish a more dynamic risk assessment and rating process which evaluates key Servicing processes on a quarterly basis to ensure assigned risk levels and audit schedules are appropriate based upon the current and expected operating environment.



Summary of Internal Audit Program Changes (continued)

I. Evaluate and Strengthen Internal Audit's Servicing Risk Assessment Process and Audit Approach (continued)

2. Expand and enhance Servicing audits to help ensure compliance with established policies, procedures, and practices, and Consent Order requirements

The 2011 and / or 2012 Internal Audit Plans have been enhanced as follows:

A.A Mortgage Electronic Registration System (MERS) audit was added to the 2011 and 2012 Plans.

B.A follow-up Foreclosure audit to validate that management action plans identified in the Association's submission of Management's Response to the Navigant End to End Foreclosure review have been properly implemented will be performed in 2011.

C.Full-scope audits of the Servicing Compliance Management Program elements were added to the 2011 and 2012 Plans.

D.A detailed review of the Customer Contact Center (Single Point of Contact) was added to the 2012 Plan.

E.Other Servicing audits may be added to the 2011 or 2012 Plans as identified during re-assessments of the current Servicing Audit universe and assigned risk ratings.

3. Expand the audit scope and review frequency of Servicing Quality Control (QC) processes performed by Enterprise Risk Management (ERM) Loan Review / QC and Servicing Compliance Management

A. ERM Servicing QC Program audits will be added to the 2011 and 2012 Internal Audit Plans to review recently implemented QC processes performed by ERM Loan Review and monitored by Servicing Compliance Management.

B. In addition to the annual review completed during the ERM Servicing QC Program audit, focused semi-annual audits of select Servicing QC processes overseen by ERM Loan Review will be performed.



Summary of Internal Audit Program Changes (continued)

II. Evaluate and Strengthen Internal Audit's Staffing and Resources

1. **Engage qualified subject matter professionals with requisite experience in loan servicing, regulatory compliance, internal controls and risk management to support and supplement the current Servicing Audit team**
 - A. External subject matter professionals from current sourcing providers will be engaged to assist Internal Audit on key Servicing reviews to further ensure that risk assessments and testing sufficiently address appropriate loss mitigation, loan modification, bankruptcy and foreclosure operation risks, and compliance with established policies and procedures.
2. **Increase Internal Audit staff based on the expanded number and scope of Servicing Audits**
 - A. Internal Audit staffing and sourcing of external subject matter professional and staff resources will be increased to augment current audit capacity, as needed to complete expanded Servicing audits and testing.
 - B. Allocate Servicing audit resource budgets (audit hours) on the detailed plan of the work to be performed, rather than historical performance.
3. **Maintain a professional staff with sufficient knowledge, skills, and experience to perform Servicing audits**
 - A. Internal Audit personnel specializing in Servicing audits will participate in Default Management training programs established for personnel involved in mortgage servicing and foreclosure processes and operations.



Summary of Internal Audit Program Changes (continued)

III. Ensure Independent Monitoring of Company Compliance with Consent Order Requirements

1. **Implement ongoing and independent monitoring of the Plans and corrective actions developed by management to address Consent Order Requirements**
 - A. Expand the scope of Internal Audit's Servicing testing programs during the appropriate audit(s) to include verifying compliance with the Consent Order Plans and management corrective actions implemented to address and comply with Consent Order requirements.
 - B. Internal Audit will independently review and monitor Consent Order Project Management Office project plans, milestone deliverables, and issues logs; any significant concerns will be reported timely to the Executive Management and the Association's Audit Committee of the Board of Directors.



Plan to Evaluate and Strengthen Internal Audit's Servicing Risk Assessment Process and Audit Approach



Servicing Audit Plan Enhancements

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>1. Re-assess the current Servicing Audit universe, assigned Audit risk ratings (which drive audit frequency), and Audit programs (which drive testing)</p>	<p>A. Evaluate and refine the Internal Audit Servicing risk assessment process to help identify potential process and control gaps. This includes performing a gap analysis of the current Internal Audit Program to the elements identified in the Association's Consent Order to help ensure the scope of Internal Audit activities are comprehensive.</p> <p>The evaluation of the risk assessment process will also help ensure that:</p> <ul style="list-style-type: none"> • The risk assessment process identifies and measures the appropriate loss mitigation, loan modification, bankruptcy and foreclosure operation risks and audit test programs are sufficient to determine compliance with established policies and procedures, and all Legal Requirements. • An effective audit planning process at the audit project level is performed in order to identify appropriate risks, establish a sufficient scope of work, and execute an effective and efficient audit approach. • Testing programs are sufficient and meets all stated audit objectives. • Initial audit resource budgets are reasonable for the scope of work to be performed. <p>Servicing audits may be added to the 2011 or 2012 Internal Audit Plans as identified during the re-assessment of the current Servicing Audit universe and assigned risk ratings.</p> <p>PLAN DATE: September 30, 2011</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>1. Re-assess the current Servicing Audit universe, assigned Audit risk ratings (which drive audit frequency), and Audit programs (which drive testing)</p>	<p>B. Ensure the Audit scope, objectives, and testing plans for Servicing Audits are prepared based on comprehensive, end-to-end process assessments. Servicing Audits will include the following testing, as each audit is performed:</p> <ul style="list-style-type: none"> • A thorough and detailed review of policy and procedure documentation supporting foreclosure, bankruptcy and loss mitigation, to determine if process and related process documentation, including process maps, policies, procedures, check lists and job aids are current and compliant with Company requirements. • All processes involving affidavits or notarization are thoroughly tested, including validating personal knowledge of underlying transactions. • All critical control points are subject to an ongoing and appropriately frequent internal and / or independent QC process. <p>PLAN DATE: Ongoing as audits are scheduled and performed</p>
	<p>C. Schedule regular meetings with Servicing senior management and the Servicing Compliance Management team. The meetings will facilitate a more consistent gathering of information regarding organization and process changes, developing risk issues, and audit schedules that will influence timely changes to the Servicing Internal Audit Plan.</p> <p>PLAN DATE: Ongoing</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>1. Re-assess the current Servicing Audit universe, assigned Audit risk ratings (which drive audit frequency), and Audit programs (which drive testing)</p>	<p>D. Schedule regular quarterly meetings with the Chief Executive Officer, Chief Risk Officer, and Head of Loan Review / Quality Control to review planned Servicing audits, assigned risk levels, and audit schedules to validate reasonableness. The ongoing Compliance Risk Assessment, a key element of the Servicing Compliance Management Program (see 2.C below) would also be reviewed during these meetings.</p> <p>PLAN DATE: Ongoing</p>
	<p>E. Establish a more dynamic risk assessment and rating process which evaluates key Servicing processes on a quarterly basis to ensure assigned risk levels and audit schedules are appropriate based upon the current and expected operating environment.</p> <p>A quarterly update of the Servicing Internal Audit Plan will be completed which would take into account regular management feedback per 1.C and 1.D above, in addition to external information such as regulatory or legal updates. This will help ensure the Plan is adjusted as appropriate and necessary rather than being based on more static annual risk assessment data.</p> <p>PLAN DATE: Ongoing</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>2. Expand and enhance Servicing audits to help ensure compliance with established policies, procedures, and practices, and Consent Order requirements</p>	<p>A. Per the OTS Horizontal Review, a MERS audit was added to the 2011 Internal Audit Plan. The initial audit was kicked-off in June 2011, with final report issuance expected on or before July 31, 2011. An annual MERS audit will also be added to future Internal Audit Plans.</p> <p>The audit scope will include an independent review of the control structure of the Company's processes and controls over MERS certifying officers, corporate resolutions and tri-party agreements, system-to-system reconciliation processes, the reject / warning error correction process, and an overall assessment of management's adherence to the Company's MERS quality assurance plan.</p> <p>PLAN DATE: July 31, 2011</p>
	<p>B. Perform a follow-up Foreclosure audit to validate that management action plans identified in the Association's submission of Management's Response to the Navigant End to End Foreclosure review have been properly implemented.</p> <p>The audit will be added to the 2011 Internal Audit Plan, and begin in December 2011 with final report issuance on or before February 29, 2012.</p> <p>PLAN DATE: February 29, 2012</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>2. Expand and enhance Servicing audits to help ensure compliance with established policies, procedures, and practices, and Consent Order requirements</p>	<p>C. Perform full-scope audits of the Servicing Compliance Management Program elements. The Program is designed to ensure compliance with the Legal Requirements outlined in the Consent Order and will strengthen control, risk and compliance activities executed across Servicing as a second line of defense – with Servicing management oversight as the first.</p> <p>The audits will be added to the 2011 and/or 2012 Internal Audit Plans. The audits will cover the following key program elements (additional details are included in the separate Compliance Program Consent Order Plan):</p> <p>1) Monitoring Legal Requirements (Start January 2012, final report issuance on or before March 31, 2012) Roles, responsibilities, and processes for monitoring and documenting Legal Requirements.</p> <p>2) Compliance Risk Assessment (Start January 2012, final report issuance on or before March 31, 2012) The program element establishes an ongoing compliance risk assessment process which helps to measure risks and ensure that loss mitigation, loan modification, bankruptcy and foreclosure operations comply with all Legal Requirements. Testing of this program element will be focused on the ongoing Compliance Risk Assessment process. Testing of loss mitigation, loan modification, bankruptcy and foreclosure operations and controls will be performed during separate internal audits of each area.</p> <p>The audit scope will include verifying that:</p> <ul style="list-style-type: none"> ▪ A fully staffed servicing compliance organization is in place ▪ The risk assessment process is documented, in place and properly performed, and compliance risk assessments are being completed ▪ Process changes identified during the risk assessments are being documented in a “Change Analysis” document, which includes: <ul style="list-style-type: none"> • Full accounting of the systems, policies, standards and procedures, documents, forms and agreements and training impacted by the regulatory changes, • Controls that are impacted by the change(s), and • Recommendations and accountability for remediation.



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>2. Expand and enhance Servicing audits to help ensure compliance with established policies, procedures, and practices, and Consent Order requirements</p>	<p>C. Perform full-scope audits of Servicing Compliance Management Program elements (continued from prior page):</p> <p>3) <u>Change Management & Implementation</u> (Start February 2012, final report issuance on or before April 20, 2012)</p> <p>Establishment of a uniform risk-based change management process that can be used across all departments and addresses regulatory, policy, process, procedure, system or service level changes</p> <p>4) <u>Ongoing Testing & Control</u> (Start November 2011, final report issuance on or before January 31, 2012)</p> <p>Scope includes reviewing the ongoing and independent testing of HLS default management and foreclosure processes by ERM. Testing of this program element will be separately performed during audits of the ERM Servicing QC Program, as per 3.A and 3.B below. The initial ERM Servicing QC Program audit is being added to the 2011 Internal Audit Plan.</p> <p>PLAN DATE: April 30, 2012</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
2. Expand and enhance Servicing audits to help ensure compliance with established policies, procedures, and practices, and Consent Order requirements	<p>D. A review of the Customer Contact Center (Single Point of Contact) was added to the 2012 Plan. The audit will be scheduled to begin in January 2012 and completed by March 31, 2012.</p> <p>The audit scope will include verifying that: a) borrowers receive proper handling by a single point of contact, in accordance with the Consent Order and MHA directive 11-04, (b) the Association provides proper verbal and written communication of loss mitigation options and performs appropriate outreach, and c) documents are properly handled. Additional Customer Contact Center (Single Point of Contact) requirements are included in the separate Mortgage Servicing Consent Order Plan - Servicing Operations, Communications and Document Handling Section).</p> <p>PLAN DATE: March 31, 2012</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>3. Expand the audit scope and review frequency of Servicing Quality Control (QC) processes performed by Enterprise Risk Management (ERM) Loan Review / QC and Servicing Compliance Management</p>	<p>A. An ERM Servicing QC Program audit will be added to the 2011 and 2012 Internal Audit Plans to review recently implemented QC processes performed by ERM Loan Review and monitored by Servicing Compliance Management. The third party vendor performing the transactional level QC testing will be managed through the ERM Loan Review Department, which is independent of Servicing. The audit is scheduled to begin in November 2011 and the report will be issued by January 31, 2012.</p> <p>Servicing QC processes to be audited will cover all the key phases of the default management process, including:</p> <ul style="list-style-type: none"> • Loan Modifications / Loss Mitigation • Delinquent Loan Management and Breach Letters • First Legal, Notice of Default or Complaint • Affidavit of Indebtedness / Foreclosure Motion • Borrowers in Bankruptcy • Foreclosure Sales • REO Management <p>The audit scope will include re-performing a sample of QC tests performed by ERM Loan Review (through its third party vendor), assessing the reporting of QC results, and verifying tracking of errors / issues through remediation. A key audit objective will be to determine whether the Servicing QC Program administered by ERM Loan Review is effective in monitoring the ongoing servicing operations.</p> <p>PLAN DATE: January 31, 2012</p>



Servicing Audit Plan Enhancements (continued)

To strengthen and enhance the Internal Audit Program of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>3. Expand the audit scope and review frequency of Servicing Quality Control (QC) processes performed by Enterprise Risk Management (ERM) Loan Review / QC and Servicing Compliance Management</p>	<p>B. In addition to the annual review completed during the ERM Servicing QC Program audit, focused semi-annual audits of select Servicing QC processes overseen by ERM Loan Review will be performed, beginning in May 2012. The initial semi-annual audit will be completed by July 31, 2012.</p> <p>The QC processes to be reviewed (as listed in 3.A above) during each semi-annual review will be determined based on the results of the annual internal audit of ERM Loan Review, QC test results, and discussions with management. However, all of the QC processes will be subject to review at least twice during each 18-month cycle (during the annual ERM Loan Review audit and at least once during a semi-annual review).</p> <p>The key audit objective will be to determine whether the Servicing QC Program administered by ERM Loan Review is effective in monitoring the ongoing servicing operations.</p> <p>PLAN DATE: July 31, 2012</p>



2011 Servicing Internal Audit Plan with Updates

As of July 6, 2011

BOLDED hours are additions to the IA Plan

Originally Planned Audits	Risk Rating	Status / Planned Start Date	Original Budgeted Hours		Additional Hours	
			Internal	External	Internal or Sourced	External SMP
HLS Investor Services	High	Draft Report in Process	0	0	0	0
HLS Foreclosure (performed with Navigant)		Report Issued May 2011				
HLS Bankruptcy		July 2011				
HLS Claims, REO & Default Accounting		July 2011				
HLS Corporate Customer Experience		August 2011				
HLS Vendor Management		August 2011				
HLS Enterprise Call Centers & Collections		September 2011				
ERM Loan Review		September 2011				
FDIC Loan Loss Sharing Contract (SFR)		September 2011				
HLS Liquidation Workouts (Short Sale, Deed in Lieu)		October 2011				
HLS Loan Modifications		November 2011				
HLS Escrow Administration & Flood Insurance		Draft Report in Process				
HLS Cash Management		Report issued May 2011				
HLS Custodial Review		Fieldwork				
Additional Audits		Risk Rating				
MERS Activities (to include HLS Custodial Review)	High	June 2011	0	0	0	0
ERM Servicing Quality Control Program		November 2011				
HLS Foreclosure Follow-Up		December 2011				
Total Resource Hours						

The above represents Audit senior management's current estimate of the audit hours needed to fulfill the contemplated audits. These estimates will be further refined as the result of the audit resource budget refinement process described on slide 23.



Preliminary 2012 Servicing Internal Audit Plan

2012 IA Plan resource hours and audit scheduling will be reviewed as part of the re-assessment of the current Servicing Audit universe, assigned Audit risk ratings (which drive audit frequency), and Audit programs (which drive testing).

Audit	Risk Rating
HLS Investor Services	
HLS Foreclosure	
HLS Bankruptcy	
HLS Loan Modifications	
HLS Claims, REO & Default Accounting	
HLS Enterprise Call Centers & Collections	
HLS Liquidation Workouts (Short Sale, Deed in Lieu)	
HLS Vendor Management	
HLS Corporate Customer Experience	
ERM Loan Review	
FDIC Loan Loss Sharing Contract (SFR)	

Audit	Risk Rating
HLS Escrow Administration & Flood Insurance	
HLS Cash Management	
HLS Data Integrity, Loan Integration & Special Loans	
HLS Default Accounts Payable	
HLS Post Closing & Government Insuring	
HLS HELOC Servicing	

Additional Audits	Risk Rating
ERM Servicing Quality Control	
ERM Quality Control Program (Semi-Annual Targeted Focus Review)	
MERS Activities	
Servicing Compliance Management Program <ul style="list-style-type: none"> 1. Monitoring Legal Requirements 2. Compliance Risk Assessment 3. Change Management & Implementation 	
HLS Customer Contact Center (Single Point of Contact)	



Relationship of Internal Audit Plan to Other Testing Performed

Internal Audit testing includes reviewing the results of various other internal Company and external third-party audits and reviews performed on residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations. The results of the reviews help to determine the scope and focus of Servicing audits. The reviews include:

Regulatory Reviews	Loss Share Audits and Operational Reviews	MHA-C Audits and Operational Reviews
<ol style="list-style-type: none"> 1. Safety and Soundness 2. Compliance 3. Targeted Reviews <ul style="list-style-type: none"> • Complaint Management • Loan Modification Process • FDIC Foreclosure Loan Modification Review • Foreclosure Horizontal Review • Consent Order 	<ol style="list-style-type: none"> 1. ██████████ - Credit Management and ERM 2. ██████████ – Credit Risk Management 3. Sub-servicing Attestations and Testing 	<ol style="list-style-type: none"> 1. NPV Model Reviews 2. Quarterly implementation and readiness reviews 3. Monthly 1st look and 2nd look file audits 4. Annual HAMP Certification 5. Semi-Annual Compliance review 6. Reporting through IR2
Investor Audits and Operational Review	OWB Corporate Reviews and Testing (independent of Servicing)	HLS Business Unit Quality Control and Reporting
<ol style="list-style-type: none"> 1. GSE Servicing and Loan Modification 2. FHA Servicing and Claims 3. GNMA 4. Private Investors – ██████████ 7. Reg. AB and USAP audits and testing 8. Mortgage Insurance Co. audits 9. Rating agency reviews – Moody's S&P and Fitch 	<ol style="list-style-type: none"> 1. Modification Loan Review 2. Quality Control Reviews 3. Loss Share Loan Level claims and Loss Mitigation review-credit 4. NPV Model back testing 5. Compliance Reviews 	<ol style="list-style-type: none"> 1. Loan Mod audits 2. 10-02 audits 3. Business Unit Quality testing 4. Call Monitoring program 5. MCP Exception Reporting program 6. Management Operational reporting 7. Credit Management review and feedback on owned loans



Plan to Evaluate and Strengthen Internal Audit Staffing and Resources



Internal Audit Staffing and Resource Enhancements

To strengthen and enhance the Internal Audit Staffing and Resources of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>1. Engage qualified subject matter professionals with requisite experience in loan servicing, regulatory compliance, internal controls and risk management to support and supplement the current Servicing Audit team</p>	<p>A. External subject matter professionals from current sourcing providers will be engaged to assist Internal Audit on key Servicing reviews to further ensure that risk assessments and testing sufficiently address appropriate loss mitigation, loan modification, bankruptcy and foreclosure operation risks, and compliance with established policies and procedures. A subject matter professional(s) will be engaged for the following 2011 and 2012 Servicing audits:</p> <ul style="list-style-type: none"> • Foreclosure • Customer Retention Workouts (Marketing & Loan Modifications) • Bankruptcy • Liquidation Workouts (Short Sale, Deed in Lieu) • HLS Corporate Customer Experience • HLS Vendor Management • Servicing Compliance Program <p>Qualified subject matter professionals will also be engaged, as necessary and appropriate, for Servicing audits and projects that are added to the Internal Audit Plan during the course of business.</p> <p>Internal Audit currently has established sourcing relationships with three firms (Schell Advisory Services, KPMG, and Resources Global) for subject matter expert and resource support. However, other firms / professionals will be engaged whenever appropriate.</p> <p>PLAN DATE: Ongoing as audits are scheduled and performed</p>



Internal Audit Staffing and Resource Enhancements (continued)

To strengthen and enhance the Internal Audit Staffing and Resources of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>2. Increase Internal Audit staff based on the expanded number and scope of Servicing Audits</p>	<p>A. Internal Audit staffing and sourcing of external subject matter professional and staff resources will be increased to augment current audit capacity, as needed to complete expanded Servicing audits and testing.</p> <ul style="list-style-type: none"> • Increasing Internal Audit staff will provide additional local audit resource capacity, strengthen in-house knowledge of Servicing operations, and provide a smoother transition in the event of Servicing audit team turnover. • Increasing existing external Servicing subject matter professional and staff resources sourcing will help ensure: <ul style="list-style-type: none"> ○ Sufficient and knowledgeable resources are available to help complete the expanded 2011 and 2012 Servicing Internal Audit Plans. ○ Needed access to subject matter expertise and opportunities for knowledge transfer to in-house auditors. ○ Just-in-time audit resources are available for additional / special projects or if a current in-house resource leaves the Association. <p>2011 and 2012 Servicing Internal Audit Plan staff and sourcing hours will be determined as part of the re-assessment of the current Servicing Audit universe, risk ratings, and test programs. Initial audit hour increases for the 2011 Servicing Audit Plan are presented on slide 17. Additional staff resources will be retained from current sourcing providers as necessary.</p> <p>Continuing assessments of Internal Audit staffing levels and workloads for audit teams focused on mortgage servicing and foreclosure processes and operations will be performed at least quarterly and staff will be adjusted, as needed.</p> <p>PLAN DATE: September 30, 2011</p>



Internal Audit Staffing and Resource Enhancements (continued)

To strengthen and enhance the Internal Audit Staffing and Resources of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
2. Increase Internal Audit staff based on the expanded number and scope of Servicing Audits	B. Allocate Servicing audit resource budgets (audit hours) on the detailed plan of the work to be performed, rather than historical performance. Resource budgets are generally assigned prior to the start of each audit. Assigning a resource budget after the planning and risk assessment process have been completed will help ensure the commensurate level of resources are assigned for the objectives and risks of the audit area. PLAN DATE: Ongoing



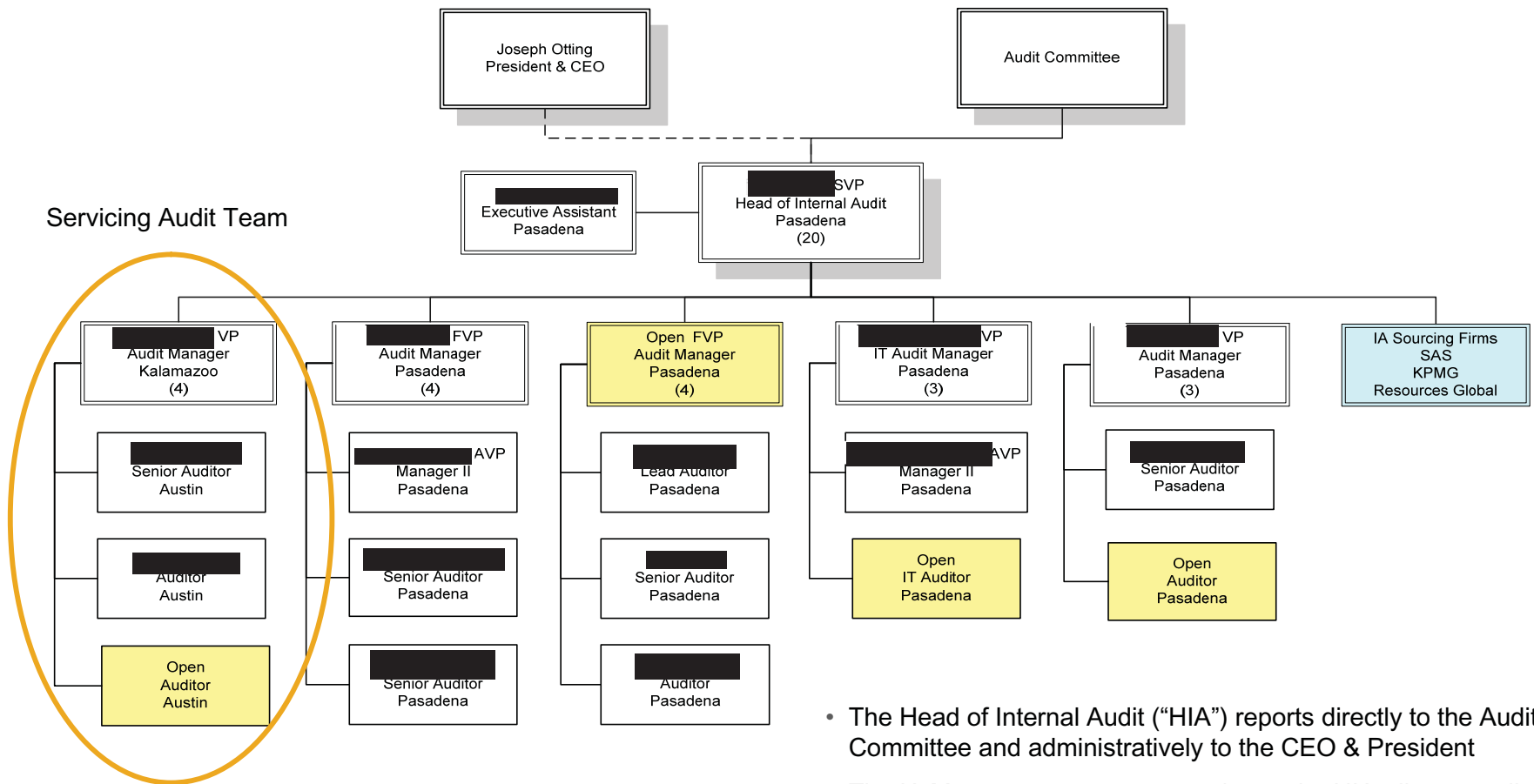
Internal Audit Staffing and Resource Enhancements (continued)

To strengthen and enhance the Internal Audit Staffing and Resources of the Association in the areas of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>3. Maintain a professional staff with sufficient knowledge, skills, and experience to perform Servicing audits</p>	<p>A. Internal Audit personnel specializing in Servicing audits will participate in Default Management training programs established for personnel involved in mortgage servicing and foreclosure processes and operations, including collections, Loss Mitigation, and loan modification (additional program details are included in the separate Compliance Program Consent Order Plan).</p> <p>The formal training will be up to 80 hours annually, and will be in addition to Internal Audit's existing 40 hour Continuing Professional Education (CPE) requirement.</p> <p>Other Internal Audit personnel who support Servicing audits periodically will receive appropriate orientation in advance of each specific audit, which may include attending Default Management training programs.</p> <p>PLAN DATE: January 31, 2012</p>



Internal Audit Organization Chart (as of July 7, 2011)



Servicing Audit Team

- The Head of Internal Audit (“HIA”) reports directly to the Audit Committee and administratively to the CEO & President
- The IA Management team, reporting to the HIA, directs audits of the Association’s business units / processes
- IA team members have defined business unit assignments, but are also pooled to support all ongoing audits
- The IA Department has current sourcing relationships with three firms (Schell Advisory Services, KPMG, and Resources Global) for subject matter expert and resource support, as needed



Servicing Audit Team Resumes

Auditor	Background
[Redacted content]	



Sourcing Firm Backgrounds

To enhance Internal Audit's capabilities and resources, sourcing relationships are established with three professional services firms. The firms and their professionals provide technical skills, insights and perspective to address key industry challenges, and in-depth Banking and Audit experience.

Professional Services Firm	Background	2011 OneWest Audits
<p>KPMG LLP Provides Subject Matter Professionals and General Staff Resources</p>	<p>KPMG LLP, the United States member firm of KPMG International, has over 23,000 professionals in 87 offices. KPMG is a leading provider of outsourcing and co-sourcing internal audit services to the FORTUNE 1000 and equivalents. Banking and finance is KPMG's largest and most successful industry sector, which allows them to continually focus on the changes and trends of the financial services marketplace. Most of the members of OneWest's assigned Core Team are dedicated audit professionals who have prior experience managing and / or working in internal audit at financial institutions.</p>	<ul style="list-style-type: none"> • Wealth Management and Trust • Asset Liability Management • Fair Lending • Market Risk Valuation Committee • Enterprise Risk Assessment • Treasury Cash Management • Commercial Lending • Accounts Payable (Data Analytics) • Home Mortgage Disclosure Act
<p>Resources Global Professionals Provides Subject Matter Professionals and General Staff Resources</p>	<p>Founded in 1996, Resources has grown from a subsidiary of Deloitte & Touche to a publicly-traded professional services firm with more than 2,700 professionals with expertise across key business disciplines serving clients in 66 countries. They have supported internal audit and controls-related initiatives since their inception. Resources works with clients supporting initiatives related to financial, operational and information technology audits, Sarbanes-Oxley (SOX) compliance, enterprise risk management, and other initiatives related to corporate governance, risk and compliance. Their practice consists of professionals with extensive experience in internal and external audit from the Big Four and large global companies who are highly qualified to provide internal audit services.</p>	<ul style="list-style-type: none"> • Loan Servicing • Bankruptcy • Branches
<p>Schell Advisory Services Provides IT Subject Matter Professionals and General Staff Resources</p>	<p>SAS is a boutique firm specializing in IT risk management & controls consulting. SAS professionals are seasoned IT risk and audit specialists, hold many certifications (e.g., CPAs, CISAs, CISSPs, CIAs, etc.) and have extensive IT, and business knowledge. Much of their professional experiences are derived from years working in the "Big Four" and internal audit environments. SAS professionals understand the financial services industry, regulatory demands and the external auditor's requirements.</p>	<ul style="list-style-type: none"> • Banking Ops FIS IBS System • Identity & Access Management • Host Security • GLBA / Privacy • Treasury Disbursements • IT Operations • Accounting (PeopleSoft)



Plan to Ensure Independent Monitoring of Company Compliance with Consent Order Requirements



Consent Order Compliance Monitoring

To help ensure independent monitoring of the Association compliance with Consent Order requirements, the following actions will be taken:

Program Enhancement / Change	Action Plan
<p>1. Implement ongoing and independent monitoring of the Plans and corrective actions developed by management to address Consent Order Requirements</p>	<p>A. Expand the scope of Internal Audit's Servicing testing programs during the appropriate audit(s) to include verifying compliance with the Consent Order Plans and management corrective actions implemented to address and comply with Consent Order requirements. The Plans include:</p> <ul style="list-style-type: none"> • Compliance Program • Third Party Management • Mortgage Electronic Registration System • Independent Foreclosure Review • Management Information System • Mortgage Servicing – Customer Contact Center <p>A mapping of each Plan's corrective actions / implemented controls to the specific Audit program where the action / control will be tested will be developed. The results of testing will be included as part of the applicable Internal Audit report which is distributed to management and the Audit Committee of the Board of Directors.</p> <p>PLAN DATE: September 15, 2011</p> <p>B. Internal Audit will independently review and monitor Consent Order Project Management Office project plans, milestone deliverables, and issues logs. Any significant concerns will be reported timely to Executive Management and the Audit Committee of the Board of Directors.</p> <p>Issues identified during Servicing audits, including issues related to Consent Order compliance, will be entered and tracked in the Issues Management (IM) database maintained by Internal Audit to track risk issues, management responses, and remediation plans.</p> <p>PLAN DATE: Already Started</p>



Appendix



Internal Audit Charter Statement

Audit shall assist OneWest's management and Board of Directors by fulfilling the following definition of Internal Auditing:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

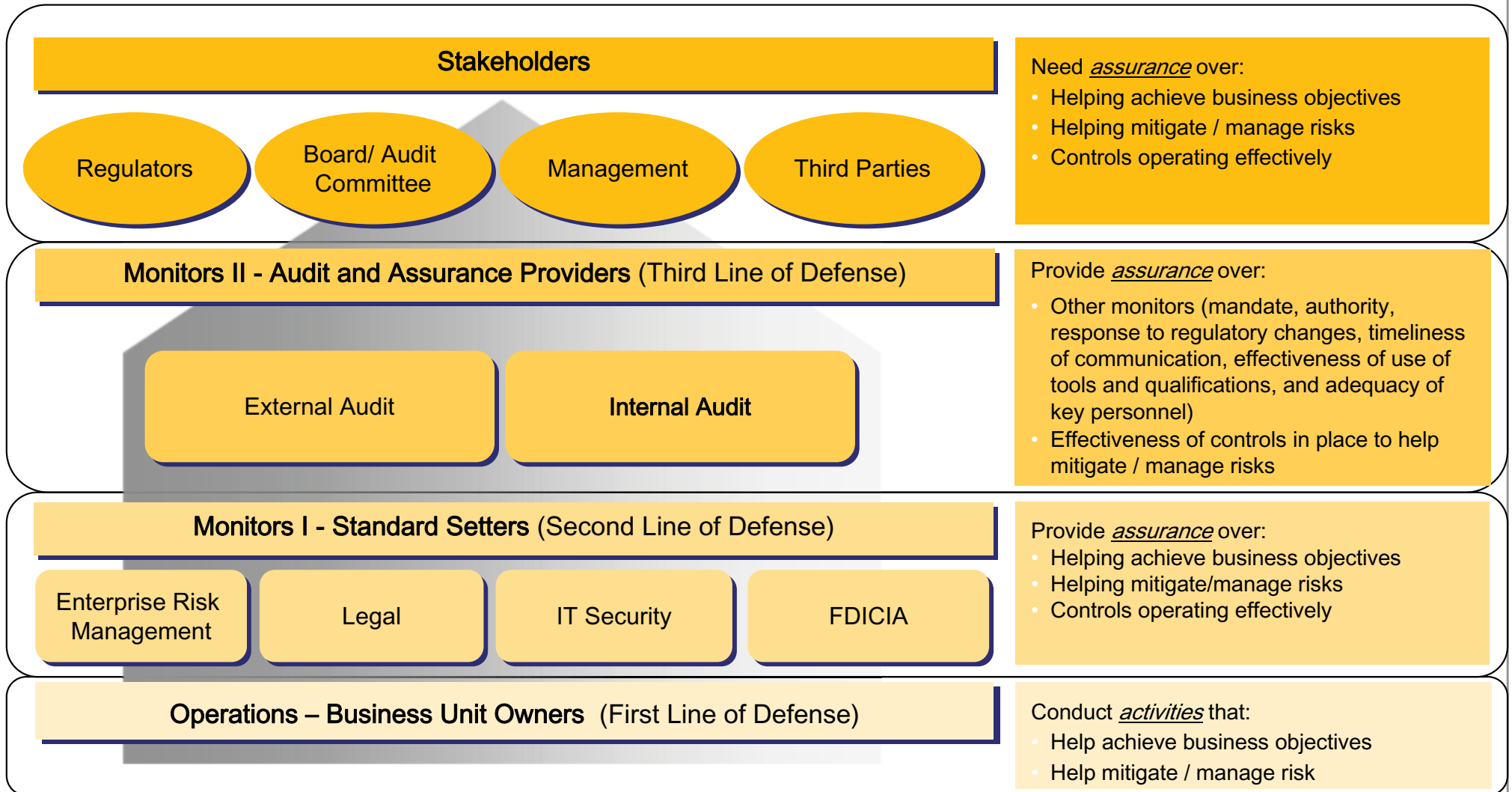
Audit's primary role will be to conduct independent and objective engagements, which will evaluate whether OneWest processes and controls for risk management, governance, operations, and information systems are adequate and operating effectively to reasonably ensure:

- Reliability, integrity, and availability of financial and operational information
- Safeguarding of assets
- Effectiveness and efficiency of actual and perceived operations / activities
- Compliance with laws, regulations, policies, and contracts

Audit will also evaluate the adequacy and effectiveness, and support the improvement, of risk management, internal controls, and governance procedures to help ensure each business unit's activities move toward the accomplishment of OneWest's operating goals and mission statement. Audit will provide management and the Board of Directors with analyses, appraisals, information, and recommendations concerning the activities reviewed.

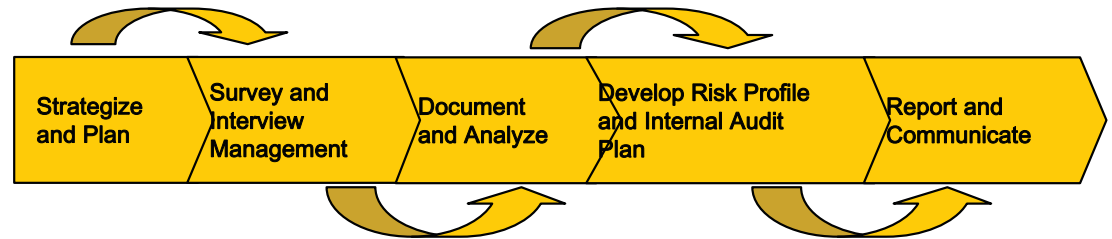


Internal Audit Role in Risk Governance Framework





Annual Audit Planning



Objectives

- Identify, assess, and prioritize risks impacting the achievement of the Company’s strategic and business objectives
- Develop a risk-based, three-year Internal Audit (“IA”) plan

Approach

- Develop and update understanding of OneWest’s goals, strategies and initiatives, and core and resource management processes, products and services, and systems - the appropriate audit universe is reevaluated and re-defined each year
- Conduct interviews with key Senior Managers to identify objectives for their respective areas of responsibility, risks that may affect the ability to achieve these objectives, and their estimate of the probability and impact of the risks
- Corresponding risk levels are determined for each auditable activity via an assessment of several factors including: Financial risks, IT risks, Legal / Compliance risks, Operational risks, Strategic risks, Human Resource risks and Prior / Other Audit activities
- Each audit activity / area is assigned a “Risk Rating” – Required, High, Moderate or Low - based on the level of risk associated with the activity / function
- The results of the IA Risk Assessment to form the foundation for the development of a risk-based IA plan - the assigned risk ratings help to drive the frequency and extent of testing performed by IA
 - High Risk areas and Required Audits are scheduled for review each year
 - Moderate risk every two to three years
 - Low risk every three to four years
- The Audit Committee reviews and approves the Association’s annual Internal Audit Plan. Once approved, any major changes to the Internal Audit Plan must also be reviewed and approved by Audit Committee.



Audit Reports & Issues Management

- In addition to the managers responsible for the audited business unit / activity, Internal Audit (“IA”) reports are distributed to Audit Committee, Executive Management, Enterprise Risk Committee, Corporate Compliance, Corporate Legal, and the External Auditor
- IA reports include an overall rating: Satisfactory, Needs Improvement, or Unsatisfactory. Reportable issues are rated: Material, Significant, Moderate, Minor, or Observation
- Management is required to respond in writing to all IA report issues. Responses must include: agreement or disagreement with the issue; agreement or disagreement with risk rating; planned corrective action; due date of corrective action; and responsible manager
- IA issues are entered and tracked in the Issues Management (“IM”) database maintained by IA
- In addition to IA issues, the IM Database is used to track risk issues, management responses, and remediation plans arising from:
 - Third-party reviews (includes external auditor, regulators, GSE, and rating agencies)
 - Internal Bank reviews (includes Loan Review and Enterprise Compliance)
- Due dates for all reported issues are monitored in the IM database. IA performs follow up on all issues to verify client management has adequately addressed corrective procedures by the specified due date
- IA sends a bi-weekly IM email to managers assigned responsibility to resolve individual issues. The email includes a link to a IM report of all outstanding issues (open and past-due) to help ensure proper monitoring and timely remediation. The Chief Risk Officer is copied on these emails
- Access to close issues in the IM database is limited to Internal Audit personnel



Internal Audit Status Reporting

- The Head of IA (“HIA”) attends Audit Committee meetings, generally quarterly. The HIA provides IA status updates that include:
 - Summary of reports issued since the prior Audit Committee meeting
 - Summary and details of new and outstanding High Priority findings (High Priority findings are those risk rated either Material or Significant)
 - Summary of outstanding issues and details of past-due issue resolution action plans
 - Audit Plan status, including completion status and any significant plan revisions
 - Annual risk assessment and resulting Audit Plan
- The HIA is a non-voting member of the Enterprise Risk Committee (“ERC”). The HIA provides ERC quarterly status updates that include:
 - Summary of reports issued during the prior quarter
 - Summary and details of new and outstanding High Priority findings
 - Summary of all outstanding issues and details of past-due issue resolution action plans
 - Annual risk assessment and resulting Audit Plan
- The HIA meets one-on-one with the President and Chief Executive Officer regularly (generally monthly) to discuss Audit matters
- The HIA and IA independently monitor and report to Executive Management and the Audit Committee on:
 - ██████████ cases - third party anonymous reporting service provided to all employees via website and telephone, 24 hours a day, 365 days a year. The HIA monitors cases to help ensure timely and appropriate resolution
 - Accounting-Auditing Matters Web Site Link - Link in the “Contact Us” section of the Association’s website provides an email address that any interested party can report a Financial Reporting, Accounting, or Audit concern that may require additional follow-up. The emails are delivered directly to an Audit employee