

APPENDIX 2

Bank of America Corporation

**Plan to Enhance Enterprise-wide Risk Management Program Submission, Dated July 12, 2011
Pursuant to
Paragraph 3 of the Consent Order of the Board of Governors of the Federal Reserve System,
Dated April 13, 2011.**

Plan to Enhance Enterprise-wide Risk Management Program

Introduction

This Plan to Enhance Enterprise-wide Risk Management Program of the Bank of America Corporation (“BAC”), is developed pursuant to the provision of Paragraph 3 of the Consent Order No. 11-029-B-HC of the Board of Governors of the Federal Board System (the “Federal Reserve”), and dated April 13, 2011 (“the Order”). It describes the action steps and timeline by which BAC will enhance its enterprise-wide risk management (“ERM”) program with respect to oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations.

In 2009, BAC adopted the Global Risk Management, Risk Framework Document (“Risk Framework”). The Risk Framework embodies BAC’s comprehensive approach to enterprise risk management and constitutes BAC’s definitive risk policy statement at the enterprise level. The Risk Framework:

- Highlights the risks inherent in the Company’s businesses;
- Identifies the processes for managing risk;
- Describes the risk governance structure;
- Defines roles and accountabilities for the lines of business; and
- Governance and Control Functions and Corporate Audit.

The Risk Framework satisfies the requirements for an effective risk management program as set forth in Committee of Sponsoring Organizations of the Treadway Commission’s (“COSO’s”) Enterprise Risk Management – Integrated Framework; the guidance provided by the Federal Reserve Board Supervisory Letter SR 08-08 on the need for effective firm-wide compliance risk management and oversight at large, complex banking organizations; the Basel Committee’s Guidance on Risk Management Programs; and other applicable regulatory directives. BAC intends to align the risk processes in its residential mortgage business conducted through Bank of America, N.A., (the “Bank”) to its Risk Framework. This alignment facilitates a consistent approach to the identification, assessment, control, monitoring and reporting of risks arising in the mortgage business. Further, full implementation of the Risk Framework will enable BAC to improve its oversight of residential mortgage servicing activities at the Bank.

The Order requires that the plan be based on an evaluation of the effectiveness of BAC’s current ERM program. We engaged Promontory Financial Group, LLC (“Promontory”) to provide an independent evaluation of the Risk Management Framework and of our risk program for residential mortgage loan servicing, Loss Mitigation and foreclosure activities and operations as conducted through Home Loans (“HL”) and Legacy Asset Servicing (“LAS”).

In the months preceding the Order and Promontory’s evaluation, we updated the Risk Framework (Fall 2010) and management in HL and LAS Risk Management self-identified a number of shortcomings in the Risk Management function and program operating in residential mortgage servicing. Those shortcomings led the Risk Management organization to develop a comprehensive Transformation Plan to align Risk Management within HL and LAS with BAC’s Risk Framework.

The Risk Management Transformation Plan in HL and LAS has resulted in a number of enhancements to

date, including a sizeable increase in Risk Management resources. The Transformation Plan contemplates significant additional enhancements that are in process of implementation. This Plan builds on the Risk Transformation Plan, already under way, supplemented by the additional recommendations for improvement reflected in Promontory's evaluation.

It is BAC's goal to implement these actions promptly and effectively in order to achieve and maintain a robust internal control system over the consolidated organization. We believe that the actions required by the Plan will contribute materially to safe, sound and compliant operations in our residential mortgage business.

Paragraph 3 Requirements

Within 60 days of this Order, BAC shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The plan shall be based on an evaluation of the effectiveness of BAC's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas. The plan shall, at a minimum, be designed to:

- (a) Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;
- (b) Ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, guidance entitled, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08-11); and
- (c) Establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or authorized committee of the board of directors.

Summary of Current State

Promontory's evaluation reflects that implementation of the Risk Framework in HL and LAS is in the early stages. Management in HL and LAS Risk identified, in the fourth quarter of 2010 that risk management practices in the Home Loans business did not align fully with BAC's Risk Framework and moved aggressively to staff and build out the processes required by the Framework.

Implementation of the Risk Framework in the residential mortgage business will require an organizational transformation of the Risk Management function during a period when the risk profile of the business is severely elevated and both Risk Management and business management are attempting to satisfy a large number of high priority regulatory requirements stemming from conditions in the business. Promontory's overall evaluation is that building out the Risk Management Program to the point where it is fully effective is the appropriate goal for HL and LAS Risk management. Promontory's evaluation also notes that while HL and LAS Risk Management is moving aggressively to implement its Risk Transformation Plan, much work remains. Among the high level observations and recommendations emerging from Promontory's evaluation are:

High Level Observations: Risk Framework Implementation

- Under the Risk Framework, the Risk Management function includes development on business level policies, prescribing parameters under which business activities are to be conducted. At the time of Promontory's review, Risk Management had established a work stream under its Risk Transformation Plan devoted to policy development. That work stream documented processes for policy development by Risk Management. [REDACTED]
- The Risk Framework specifies that Risk Management should conduct risk assessments on the business activities that it oversees. [REDACTED]
- The Risk Framework contemplates that the Risk Function will monitor and test the effectiveness of business controls, compliance with policies, successful remediation of regulatory issues, including satisfaction of actions required by consent orders. The number of consent order issues at the time of Promontory's review was crowding out other tests, reducing the value of tests as a mechanism for gauging the effectiveness of risk management activities.

High Level Observations: Staffing

- Many of the Risk Management staff who have worked in HL and LAS Risk Management for some time are having to adjust [REDACTED] to the rigorous and independent oversight and escalation of significant issues contemplated by the Risk Framework.
- Promontory considers the more difficult challenge with staffing to be getting Risk Management Staff with the qualifications to perform effectively. At a minimum, those qualifications include solid knowledge of risk management principles and practices, understanding of Risk Management's role under the Risk Framework and knowledge of the business activities conducted in Home Loans.
- In a business as usual environment, orienting and developing new staff members can frequently be accomplished without undue difficulty. Given the current risk profile of the mortgage servicing activities in the Home Loans business, however, and the significant number of new Risk Management Staff required, management faces a particularly significant challenge in fielding a team whose members have the knowledge and stature necessary to perform risk management oversight effectively.

We are confident that the actions steps we have developed in our Plan to Enhance Enterprise-wide Risk Management Program (attached as **Appendix 2.1**) will address these noted deficiencies and substantially enhance the risk management function within the mortgage business. We recognize the significant effort, time, and resources necessary to implement our Plan and to verify its consistency and

rigor once implemented. As a result, we plan on commissioning an independent validation and report on the progress of the Plan at the critical junctures in this effort.