

APPENDIX 3

Bank of America Corporation

**Plan to Enhance Enterprise-wide Compliance Program Submission, Dated July 12, 2011
Pursuant to
Paragraph 4 of the Consent Order of the Board of Governors of the Federal Reserve System,
Dated April 13, 2011.**

Plan to Enhance Enterprise-wide Compliance Program

Introduction

This Plan to Enhance Enterprise-wide Compliance Program of the Bank of America Corporation (“BAC”), is developed pursuant to the provision of Paragraph 4 of the Consent Order No. 11-029-B-HC of the Board of Governors of the Federal Board System (the “Federal Reserve”), dated April 13, 2011 (the “Order”). It describes the action steps and timeline by which BAC will enhance its enterprise-wide compliance program with respect to oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations.

After significant analysis and review, BAC is moving to enhance its current Global Compliance Program with respect to residential mortgage loan servicing and related operations conducted through Bank of America, N.A. (the “Bank”). BAC intends to align the Bank’s mortgage compliance processes, to its Global Compliance Program, a component of BAC’s Global Risk Framework. The Risk Management Framework mandates sound disciplines, proven effective in the management of risks, including: (1) identify and measure; (2) mitigate and control; (3) monitor and test; and (4) report and review.

The Global Compliance Program establishes a common framework and expectation for compliance across BAC. It consists of seven elements and 18 standard operating requirements. The seven elements are:

- Commitment and Accountability – sets “tone at the top” to drive a culture of compliance;
- Policies and Procedures – outlines parameters of responsibilities;
- Controls and Supervision – identify, assess and control compliance risks;
- Regulatory Oversight – effectively manage regulatory environment and build constructive regulatory relationships;
- Monitoring and Testing – evaluates effectiveness of compliance controls in lines of business;
- Training and Awareness – timely compliance information and relevant training; and
- Reporting – robust, actionable and timely information to manage compliance risks.

Further, the Global Compliance Program satisfies the requirements for an effective compliance program as set forth in the U.S. Federal Sentencing Guidelines; 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 Compliance Programs; and other applicable regulatory directives. Aligning the Bank’s compliance in the mortgage business to BAC’s Global Compliance Program will provide a comprehensive compliance risk management process and facilitate a consistent approach to identify and measure, mitigate and control, monitor and test and report and review mortgage servicing compliance risks. This alignment enhances BAC’s Global Compliance Program in mortgage servicing and strengthens BAC’s oversight of the program as well.

The Order provided that the plan be based on an evaluation of the effectiveness of BAC’s current enterprise compliance program. We engaged Promontory Financial Group, LLC (“Promontory”) to assist

us in conducting and providing an independent evaluation of the Global Compliance Program and the compliance program of the 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, management of BAC’s Compliance organization self-identified a number of [REDACTED] in the Compliance function and program operating in residential mortgage lending. Those [REDACTED] led the Compliance organization to develop a comprehensive Compliance Transformation Plan to align the Bank’s mortgage business with BAC’s Global Compliance Program and Standard Operating Requirements. The Compliance Transformation Plan has resulted in a number of enhancements to date. This Plan required under the Order builds on the Compliance 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 Compliance Plan will contribute to safe, sound and compliant operations in the residential mortgage business.

Paragraph 4 Requirements

Within 60 days of this Order, BAC shall submit to the Reserve Bank an acceptable written plan to enhance its enterprise-wide compliance program (“ECP”) 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 ECP in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the ECP in these areas. The plan shall, at a minimum, be designed to:

- (a) Ensure that the fundamental elements of the ECP and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;
- (b) Ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors; and
- (c) Ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to Legal Requirements and supervisory guidance of the Board of Governors.

Summary of Current State

Overall, Promontory found that the Bank’s compliance program and activities in mortgage servicing are not yet mature and require additional build-out to fully implement the requirements of the Global Compliance Program. [REDACTED]

[REDACTED] The Compliance Transformation Plan of HL and LAS Compliance is designed to address weaknesses identified and move the compliance program into alignment with the Global Compliance Program. However, with the heightened risk environment, the relatively short time since the Compliance Transformation Plan’s implementation, and the current level of resources, the Compliance Transformation

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- Current reporting should be enhanced to provide key risks and actions needed to remediate compliance risks in HL and LAS. Where possible, reporting should also identify emerging trends and regulatory flashpoints as well as identification of what weaknesses in the businesses are driving the risks and what actions are needed to mitigate the risks. Further, compliance reporting should address known weaknesses in the Compliance organization that pose threats to its ability to perform the roles contemplated by the Global Compliance Program.

We are confident that the action steps we have developed in the Plan to Enhance the Enterprise-wide Compliance Program (attached as **Appendix 3.1**) will address these noted deficiencies and substantially enhance the compliance function within the mortgage business. We recognize the significant effort, time, and resources necessary to implement the 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.