

Appendix 4.1

**FRB Consent Order (the "Order")
BANK OF AMERICA CORPORATION**

Paragraph 5. Plan to Enhance Internal Audit Program Action Steps

Action Plan as of November 30, 2011 for December 12, 2011 Submission

Subject to Federal Reserve Board/Reserve Bank Review and Approval

The Plan and the corresponding action steps do not describe all the core elements of BAC's internal audit program with respect to residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations. Prior to the issuance of the Order, BAC had made significant progress in enhancing its internal audit program over these activities and operations in accordance with supervisory guidance and expectations. As required by the Order, the Plan was based on an evaluation of the effectiveness of the internal audit program, which was completed in May 2011. The action steps presented in Appendix 4.1 reflect activity as of November 30, 2011. The action steps in the Plan are supplemental to the enhancements BAC had already implemented or had begun implementing and contribute to safe, sound, and compliant residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations.

BANK OF AMERICA CORPORATION		
Paragraph 5. Plan to Enhance the Internal Audit Program FRB Consent Order Effective April 13, 2011 Action Plan as of November 30, 2011 for December 12, 2011 Submission		
Area	Requirement	Action Steps
Paragraph 5. Internal Audit		
1. Internal Audit Program Encompasses Residential Mortgage Servicing, Loss Mitigation, and Foreclosure Activities	Ensure that the internal audit program encompasses residential mortgage loan servicing, loss mitigation, and foreclosure activities.	A. Existing and Ongoing Practices
		<p>A.1 The Corporate General Auditor reports directly to the Audit Committee of the Board, which is responsible for:</p> <ul style="list-style-type: none"> • Approving the risk-based audit plan annually. • Receiving communications from the General Auditor on Corporate Audit's performance relative to its plan and other matters. • Approving decisions regarding the appointment and removal of the General Auditor. • Making appropriate inquiries of management and the General Auditor. <p>A.2 Corporate Audit utilizes a risk-based approach to identify areas for Audit coverage including HL and LAS business activities and Enterprise Compliance/Enterprise Risk Management areas (as they pertain to HL and LAS). Corporate Audit uses a Risk and Frequency Model to assess inherent risks, control effectiveness, and residual risks; the risk assessment drives the frequency of audits and allocation of resources, resulting in an annual Audit plan that is updated quarterly.</p>
		B. Completed Action Steps
		<p>B.1 Foreclosure testing was expanded in 2011 to continuously test key foreclosure controls and loans identified through automated dashboards designed to proactively identify foreclosure sale issues.</p> <p>B.2 A comprehensive Corporate Audit Test Program was developed related to the Consent Orders. Testing has begun to validate foreclosure processes and activities related to remediation of matters identified in the Orders.</p> <p>B.3 Individual Audit Planning was enhanced in April 2011 to drive improved scoping of audits to consider strategic change, emerging risks, tail risks and reputation risk. Changes include expanded planning sessions required for each audit and formalization of interviews with executives and Audit subject matter experts along with site visits prior to testing decisions.</p>
2. Review Compliance with the Effectiveness of the ECP and ERM, Legal Requirements, and Supervisory Guidance	Periodically review compliance with the effectiveness of the ECP and ERM with respect to residential mortgage loan servicing, loss mitigation, and foreclosure activities, and compliance with the Legal Requirements and supervisory guidance of the Board of Governors.	A. Existing and Ongoing Practices
		<p>A.1 Compliance and Risk functions will continue to be assessed as part of each audit. A section is included in the standard Audit report to address the effectiveness of these groups in relation to the area under review.</p>
		B. Completed Action Steps
		<p>B.1 A dedicated team was established in March 2011 to provide coverage of transformation efforts in Risk Management and Compliance.</p> <p>B.2 An ongoing approach was developed to evaluate the Risk Management and Compliance teams and their alignment with the Risk and Control Framework on a regular basis.</p>
		C. Remaining Action Steps
		<p>C.1 Conduct an independent validation of Internal Audit's completion of corrective actions in response to OCC-identified deficiencies.</p>

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		C.2 Evaluate and confirm the effectiveness of Internal Audit's reviews of Compliance and Risk Management functions.
3. Adequate Staffing	Ensure that adequate qualified staffing of the audit function is provided for residential mortgage loan servicing, loss mitigation, and foreclosure activities.	<p>A. Existing and Ongoing Practices</p> <p>A.1 BAC's Corporate Audit group includes specialized audit teams that align with major lines of business and conducts risk assessments, audit planning, audit testing, issue identification and validation, issue escalation, and audit reporting of the businesses.</p> <p>A.2 Corporate Audit conducts quarterly capacity planning to provide an ongoing evaluation of Audit's staffing needs.</p> <p>A.3 As needed, HL/LAS Audit may request additional resources from other audit groups and may engage external firms under co-sourcing agreements.</p> <p>B. Completed Action Steps</p> <p>B.1 Ensured that resources dedicated to Default related activities expanded proportionately to increases in the associated business activities.</p> <p>B.2 The HL and LAS audit teams grew 70% from second quarter 2010, including additions of management positions, and effectively expanded coverage in the mortgage space.</p> <p>C. Remaining Action Steps</p> <p>C.1 Continue funding initiatives to automate testing to ensure coverage of the broad and evolving universe of Legal requirements and expand automation to provide more comprehensive risk assessments/monitoring of the business.</p>
4. Timely Resolution of Audit Findings	Ensure timely resolution of audit findings and follow-up reviews to ensure completion and effectiveness of corrective measures.	<p>A. Existing and Ongoing Practices</p> <p>A.1 BAC has an effective process for tracking progress of audit and regulatory issues. All issues are logged and tracked until corrective measures have been implemented, and Internal Audit testing validates corrective measures are appropriate and sustainable.</p> <p>A.2 Timely resolution of Audit issues is a part of the performance review process, and Audit provides input on the business managers' control performance.</p> <p>B. Completed Action Steps</p> <p>B.1 The process was enhanced to escalate significant issues, including disagreements between audit staff and management concerning findings and recommendations, to the Audit Committee for resolution.</p>

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5. Documentation, Tracking, and Reporting of Status and Resolution of Audit Findings to Audit Committee	Ensure that comprehensive documentation, tracking, and reporting of the status and resolution of audit findings are submitted to the audit committee.	A. Existing and Ongoing Practices
		A.1 BAC has an extensive issue escalation process for tracking and reporting significant audit issues and past due corrective actions to senior management and the Audit Committee.
		B. Completed Action Steps
		B.1 An enhanced report was developed to provide comprehensive reporting of issue metrics and trends to senior management and the Audit Committee.
		B.2 Considered augmenting the risk measuring methodology to incorporate the duration associated with identified risks. On a quarterly basis, the duration of risk associated with each line of business is assessed and considered in the risk ratings assigned and presented to executive management, external regulators and the Audit Committee.
		B.3 Considered inclusion of the direction of risk in Audit Reports. The direction of risk is incorporated into Audit's assessment of inherent risk and control effectiveness on a quarterly basis for each line of business, Risk Management and Compliance.
		C. Remaining Action Steps
C.1 Perform independent validation of Enhancement Plans and report status periodically to the Audit Committee of the Board until full implementation of the Plan is achieved.		
6. Escalation of Audit Exceptions and Recommendations	Establish escalation procedures for resolving any differences of opinion between audit staff and management concerning audit exceptions and recommendations, with any disputes to be resolved by the BAC's Enterprise Risk Committee.	A. Existing and Ongoing Practices
		A.1 BAC has an extensive issue escalation process for reporting significant audit issues and past due corrective actions to senior management and the Audit Committee. Reports are prepared by BAC's General Auditor with breakdowns by business segment.
		B. Completed Action Steps
B.1 Corporate Audit enhanced issue escalation routines and components of the risk assessment methodology in 2011. Specific enhancements include: <ul style="list-style-type: none"> • Creation of executive reporting which highlights issues requiring management's attention. The report is produced monthly and distributed to the Executive Management Team and Audit Committee. Business executives are asked to present to the Audit Committee when there are risks and issues that require escalation. • Thematic issue analyses are performed periodically to highlight trends for executive management and the Audit Committee. Based on the trends, action plans are created to address the root cause and provide appropriate escalation routines. • Audit's opinion on Compliance is presented to the Audit Committee semi-annually. 		