

## Appendix 3.1

**FRB Consent Order (the "Order")  
BANK OF AMERICA CORPORATION****Paragraph 4. Plan to Enhance Enterprise-wide Compliance 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 Enterprise-wide Compliance Program with respect to its oversight of 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 enterprise-wide compliance 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 enterprise-wide compliance program, which was completed in May 2011. Action steps presented in Appendix 3.1 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.*

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<b>Paragraph 4. Compliance Program</b>		
1. Fundamental Elements	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.	<p><b>A. Existing and Ongoing Practices</b></p> <p>A.1 Global Compliance Program establishes an enterprise-wide standard for compliance monitoring and testing that meets regulatory expectations, defining operating requirements for monitoring and testing. Monitoring and testing activities are mapped to rules and standards, Compliance risk categories and policies. Compliance program owners manage monitoring and testing activities to determine adherence to applicable rules and standards and related policies that mitigate identified risks. Compliance monitoring and testing activities are reviewed and updated at least annually to address business and regulatory changes and emerging risks and to reflect Compliance risk assessment results.</p> <p>A.2 Global Compliance conducted a review of the compliance risk management program in HL/LAS and recommended enhancements. Resources were aligned to execute enhancement plans defined.</p> <p>A.3 HL/LAS Compliance, Risk and the Line of Business developed and continues to deploy the HL and LAS risk and control framework.</p> <p>A.4 Lines of business and enterprise control functions are responsible for developing business-specific training based on business-specific regulatory requirements.</p> <p>A.5 HL/LAS Compliance Executive reports directly to the Global Compliance Risk Executive.</p> <p>A.6 Compliance and Risk develop policies for review and approval as part of the HL and LAS risk and control framework.</p> <p>A.7 HL and LAS compliance maintain a compliance program document describing the risk and control framework under which HL and LAS operates and the specific operating requirements for Compliance oversight in relation to the HL and LAS business units.</p> <p>A.8 HL/LAS has in place a committee to review new products and manage reputational risk.</p> <p>A.9 The HL/LAS risk and compliance governance was redefined in alignment with the enterprise risk framework and new/modified committee charters were completed.</p> <p>A.10 Bank conducts the HL/LAS Compliance Risk Committee (chaired by the HL/LAS Compliance Executive) to oversee the HL/LAS compliance program, and associated processes, and review (and escalate as required) significant compliance issues and risks affecting HL/LAS and decide disposition of escalated issues.</p> <p>A.11 Governance committees overseeing compliance and operational risk related to the HL/LAS businesses are co-chaired by the HL/LAS Compliance Executive and HL/LAS Operational Risk Executive. These committees report and escalate compliance and operational risk to Board level committees through the Bank's governance structure.</p> <p>A.12 Management produces a monthly compliance risk report (state of compliance report) that reports the overall level of HL/LAS Compliance risk.</p> <p>A.13 The HL/LAS state of compliance report and the HL and LAS Key Risk Indicators (KRIs) are presented monthly at the HL/LAS Compliance Risk Committee. Significant compliance risks and KRIs exceeding established limits are escalated through governance routines.</p> <p>A.14 Global Compliance Executive reports and escalates the KRIs through the compliance composite score to the Board and/or appropriate Board level committees.</p> <p>A.15 Compliance employs monitoring and testing-based KRIs covering key regulatory areas. HL/LAS KRIs are reported in the HL/LAS compliance report on a monthly basis.</p>

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		<p>A.16 Compliance has partnered with Risk to ensure the use and continued development of risk reduction plans within HL and LAS for high risk thematic areas that require action and remediation.</p> <p>A.17 Senior management communicates the importance of compliance using a number of channels, e.g., town halls, online forums, personnel training, virtual live sessions, and key leadership meetings, including the CEO and his direct reports with their subordinates.</p> <p>A.18 Management has emphasized that Compliance has ultimate authority on compliance-related matters.</p> <p>A.19 HL/LAS Compliance Executive has the appropriate authority over personnel decisions affecting compliance management and staff. The HL/LAS Compliance executive is not required to solicit input from the business on evaluating compliance staff and the Compliance function's performance, the recruiting efforts, and compensation of Compliance staff and management.</p> <p>A.20 HL/LAS Compliance testing has a well-defined process for tracking and the validation of the resolution of compliance issues.</p> <p>A.21 The Audit Committee, on behalf of the Board, reviews an enterprise-wide compliance risk report (which clearly identifies the compliance risk level for major business lines) prepared by Global Compliance and presented by the Global Compliance Executive on a quarterly basis.</p> <p>A.22 Global Compliance Program requires that training provide timely compliance information and relevant training to support personnel in effectively fulfilling their compliance obligation.</p> <p>A.23 Global Compliance has dedicated enterprise compliance training resources to develop and drive compliance training standards, requirements, and processes.</p> <p>A.24 Processes for tracking of training requirements/attendance and training waivers are established by the Global Compliance Program.</p>
		<p><b>B. Completed Action Steps</b></p> <p>B.1 Enhancement of the culture of compliance in HL and LAS, including business units and the compliance function, has occurred.</p> <p>B.2 Management has developed risk reduction plans and increased risk monitoring.</p> <p>B.3 Board established a Compliance Committee, a subcommittee of the Enterprise Risk Committee consisting solely of independent directors, to monitor the actions and obligations of the Bank under the OCC and FRB orders. The Compliance Committee meets at least monthly to review the status of compliance with the OCC and FRB orders.</p> <p>B.4 Board increased its oversight of the Bank's mortgage servicing practices, including more frequent reporting and review of supervisory Matters Requiring Attention (MRAs) remediation activity at the Audit Committee.</p> <p>B.5 Bank appointed a Special Advisor on Remediation Strategies to oversee and coordinate all aspects of the Bank's Action Plans in response to the supervisory orders and to provide independent, comprehensive actions plans, reports, and recommendations to management and to the Board.</p> <p>B.6 Bank named a new Compliance Executive for HL and LAS.</p>

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		B.7 Executive management announced the creation of a new function, Global Legal and Compliance, directly reporting to the CEO. The Global Compliance Executive reports directly to the Global Legal and Compliance head.
		B.8 HL/LAS Compliance named a new senior leader to manage the Rules and Standards Inventory.
		B.9 Factored into HL/LAS Compliance staffing analyses: existing/emerging compliance issues in the business line; progress on the compliance transformation plan; inventory of legal requirements and related policies/procedures; the expansion of compliance testing to cover preventive controls; and the alignment of compliance risk levels with the Board's risk appetite.
		B.10 Obtained approval for identified staffing needs. Compliance initiated and executed phases of staffing additions since March 2011.
		B.11 Processes established to perform a periodic staffing adequacy review and respond to identified needs in a timely and appropriate manner.
		B.12 Evaluated the "downstream" impact of the significant number of Legal Requirements, e.g., creation/revision of policies and procedures, expansion of the compliance testing plan, creation/revision of testing scripts, performing compliance risk assessments, training, etc. Adjust staffing budget to ensure that the number and skill sets of staff are adequate for this significant undertaking. The compliance risk assessment process now contemplates levels of testing for the compliance-testing group, especially as it relates to change management processes.
		B.13 Developed a methodology to estimate the number of testing staff and management necessary to cover an expanded number of Legal Requirements, and to expand the testing plan to include testing of preventive controls in a timely manner. Included an assessment of the skill sets needed to effectively perform testing of preventive controls.
		B.14 Compliance enhanced job descriptions to highlight skills and experience needed for key roles in Compliance.
		B.15 Continued to emphasize the importance of independence as part of the transformation project to enhance and clarify compliance roles and responsibilities.
		B.16 Monitored progress in transitioning all levels of compliance staff to strong independent oversight of compliance with rules and standards in the business line.
		B.17 HL/LAS Compliance established a centralized Compliance testing team, appointing an experienced team leader.
		B.18 Compliance executed the semi-annual line of business Compliance risk assessment.
		B.19 Developed guidelines for overriding calculated compliance risk levels and when necessary reporting to senior management.
		B.20 Compliance management presents an annual comprehensive compliance risk assessment.
		B.21 Enhanced KRIs used by HL/LAS to calculate the HL/LAS compliance composite score.
		B.22 Provided training metrics for the HL/LAS compliance composite score as reflected in the monthly HL/LAS state of compliance report.
		B.23 Completed review of business controls in the lines of business to determine what monitoring/reporting and KPIs/KRIs are available for monitoring.
		B.24 Defined the criteria for issues that should be escalated to the Head of Global Compliance in a prompt manner and the process to be followed.

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		B 25 Expanded reporting on compliance risk to include a review of the effectiveness of the business controls assessed by HL/LAS Compliance through ongoing testing and monitoring activities.
		B 26 Reviewed list of regulations listed in the enterprise risk assessment against the inventory of Legal Requirements held within HL/LAS.
		B 27 Enhanced the regulatory change management process to ensure timely training on the new requirements for applicable compliance and business line personnel.
		B 28 Finalized the guidelines and process to reduce the level of overall (composite) compliance risk to the Board-approved level.
		B 29 HL/LAS Compliance testing has enhanced the testing function by, among other things, developing an updated operating procedure manual and a methodology for determining testing to be included in the Annual Compliance Testing Plan considering inherent risk of the regulations; effectiveness of controls; and other risk-related information reported in the HL/LAS state of compliance report. Compliance has embedded this methodology within the revised Compliance testing procedures.
		B 30 Aligned testing gap analysis to the enhanced inventory of rules and standards.
		B 31 Developed a process to perform ongoing compliance monitoring.
		B 32 Developed a process for escalating significant testing and monitoring findings directly to the HL/LAS Compliance Executive and the appropriate governance channel in a timely manner.
		B 33 Developed a compliance training policy/procedures for HL/LAS that fully complies with the Global Compliance Program training requirements.
		B 34 Appointed a position reporting directly to the HL/LAS Reporting and Governance Compliance Executive responsible for the overall coordination and development of training consistent with requirements under the Global Compliance Program for line of business and Compliance training.
		B 35 Assessed the adequacy of personnel devoted to HL/LAS Compliance training considering impact of the HL/LAS Compliance transformation project, expansion of Legal Requirements, and overall high risk environment.
		B 36 Enhanced HL/LAS Specific KRIs to calculate Compliance key risk indicators including the severity of testing exceptions and adequacy of controls.
		<b>C. Remaining Action Steps</b>
		C.1 Management should consider expanding the quarterly report to the Audit Committee to include significant issues identified in the HL/LAS Compliance function and progress toward fully satisfying the Global Compliance Program in HL/LAS.
		C.2 Assess controls across the business processes and determine residual risks at a process and rule level.
		C.3 Evaluate increasing the presence of the Compliance personnel in mortgage processing sites as a means of enhancing the compliance culture in those locations.
		C.4 Assess current testing and monitoring coverage model to ensure thoroughness and effectiveness.

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		C.5 Align testing frequency to related monitoring plans.
		C.6 Perform independent validation of Enhancement Plan and report status periodically to the Compliance Committee, subcommittee of the Board, until full implementation of the Plan is achieved.
2. Compliance with Legal Requirements and Supervisory Guidance	Ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors.	<p><b>A. Existing and Ongoing Practices</b></p> <p>A.1 Compliance has established processes for risk ranking the rules and standards inventory and developed enhanced regulatory change management processes and procedures.</p> <p><b>B. Completed Action Steps</b></p> <p>B.1 Compliance further developed the rules and standards inventory.</p> <p>B.2 Created and enhanced one common inventory of rules and standards; including all sources outside of private investor requirements.</p> <p>B.3 Reconciled the criteria and process proposed for the HL/LAS inventory of legal requirements to the enterprise-wide requirements.</p> <p>B.4 Finalized the criteria/process for risk ranking the legal requirements ensuring that the risk ranking is updated periodically or when significant changes occur in the rating criteria.</p> <p>B.5 Mapped the LOB core processes to the inventory of rules and standards.</p> <p>B.6 Finalized the project to connect regulatory change management to the inventory of rules and standards.</p> <p>B.7 Identified steps to accelerate the establishment of controls, and subsequent validation, to ensure timely compliance with regulatory changes. Include specific steps to be taken when readiness is not achieved by the effective date of the regulatory change.</p> <p>B.8 Technology investments made related to infrastructure supporting the rules and standards inventory and the regulatory change management process.</p> <p>B.9 Ensured the HL and LAS Compliance Officers understand the applicable rules and standards for the LOB to which they are aligned and oversee compliance risk management with respect to rules and standards.</p> <p>B.10 Revised the compliance risk assessment process/methodology to reflect the expanded inventory of legal requirements.</p> <p><b>C. Remaining Action Steps</b></p> <p>C.1 Validate that models/system used in the risk ranking of individual Legal Requirements, as applicable, operate as intended.</p>

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3. Updating Policies, Procedures, and Processes	Ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors.	<b>A. Existing and Ongoing Practices</b>
		A.1 Compliance partners with Legal and Public Policy to execute the regulatory change process.
		A.2 Regulatory change management process includes monitoring and review activities and communications to affected personnel.
		A.3 Key contacts representing each line of business or enterprise control function must ensure that regulatory change information is disseminated to the appropriate personnel and that impacts are appropriately assessed and implemented.
		<b>B. Completed Action Steps</b>
		B.1 Compliance and Risk have approved and published enhanced mortgage servicing-related policies mapped to the rules and standards inventory and to business processes.
		B.2 HL and LAS implemented enhanced procedures for regulatory change management, which outline the requirements for the rules and standards change process and its alignment with the HL and LAS risk and control framework.
		B.3 HL/LAS Compliance conducted employee readiness on the updated procedures for regulatory change management.
		B.4 Formal compliance procedures developed for processes related to inventory and regulatory change management, monitoring, testing, risk assessment, governance & reporting, training, and issues management.
		B.5 Established a process to ensure that vendors comply with regulatory changes, as applicable.