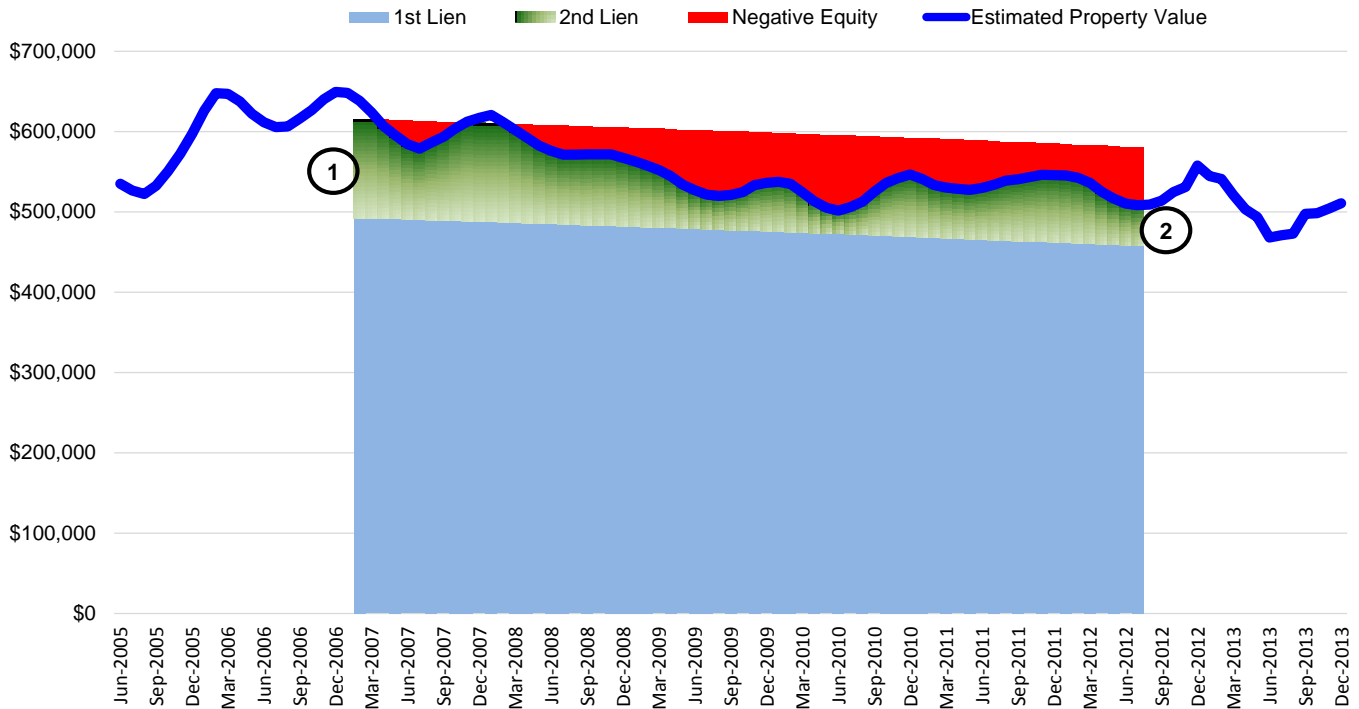


# **EXHIBIT O**

## Exhibit O: 1st Lien, 2nd Lien, and Estimated property Value



The above is an illustration of a property from Ellicott City Maryland. The homeowner in this case bought the property in Feb 2007 at \$615,000 financed with a \$492,000 1st lien mortgage and \$123,000 2nd lien mortgage (both of them from JPMorgan Chase).

At the point of loan origination, the \$492,000 1st lien had a 80% loan to value ratio while the 2nd lien assumed the risk from 80% to 100% of the property's value. The borrower had a healthy 736 FICO score, was employed, and the property was appraised properly. The 1st lien was securitized into CHASE 2007-S3, a prime RMBS trust.

Fast forward, the borrower run into financial trouble in 2012 after maintaining a perfect payment record from 2007 to December 2011. The servicer of the 1st lien foreclosed on the loan, facilitated a short sale to recover the principal. The property was sold at its fair value of \$505,000 in Aug 2012.

After paying off foreclosure costs and servicer advances, the 1st lien had a small loss (\$17,500) while the 2nd lien was entirely wiped out (with \$123,000 loss). This is because the 2nd lien does not get any recovery if the 1st lien takes a loss (the 2nd lien is subordinated to the 1st lien).

According to the proposed settlement, the 2nd lien would get credit for the entire \$123,000 loss while the 1st lien is only compensated for the small \$17,500 loss. In reality, this is a loan that's free of any origination servicing breach. The entire loss on the 2nd lien is due to factors not related to breaches. It is thus unfair to allocate any settlement to this 2nd lien (and the 1st lien).

Settlement allocation is meant to compensate investors for losses incurred due to origination and/or servicing breaches, not realized losses. The only equitable way to allocate the amount of settlement is to first identify loans with breaches and then allocate according to the amount of losses due to origination and or servicing breaches, a task the trustees have not performed.