

# Exhibit 2

## **EXPERT REPORT OF DANIEL R. FISCHER**

### **I. QUALIFICATIONS**

1. I am President of Compass Lexecon, a consulting firm that specializes in the application of economics to a variety of legal and regulatory issues. I am also the Lee and Brena Freeman Professor of Law and Business Emeritus at The University of Chicago Law School. I have served previously as Dean of The University of Chicago Law School, Director of the Law and Economics Program at The University of Chicago, and as Professor of Law and Business at The University of Chicago Graduate School of Business, the Kellogg School of Management at Northwestern University, and the Northwestern University Law School.

2. Both my research and my teaching have concerned the economics of corporate law and financial markets. I have published approximately fifty articles in leading legal and economics journals and am coauthor, with Judge Frank Easterbrook of the Seventh Circuit Court of Appeals, of the book The Economic Structure of Corporate Law (Harvard University Press, 1991). Courts of all levels, including the Supreme Court of the United States have cited my articles as authoritative. My curriculum vitae, which contains a list of my publications, is attached hereto as Appendix A.

3. I have served as a consultant or adviser on economic issues to, among others, the United States Department of Justice, the United States Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange, the Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Mercantile Exchange, the United States Department of Labor, the Federal Deposit Insurance Corporation, the

In exchange for these concessions, each Trust that accepts the Proposed Settlement (each “Settlement Trust”) will receive a share of \$4.5 billion (each Trust’s share being the “Trust Settlement Payment” and the total \$4.5 billion being the “Settlement Payment”). The Trust Settlement Payments will be determined by a formula specified in the Proposed Settlement (the “Allocation Formula”).<sup>15</sup> In addition, JPM will abide by a set of rules relating to the servicing of Mortgage Loans owned by the Trusts that accept the Proposed Settlement (the “Subservicing Protocol”, together with the Settlement Payment, the “Settlement Consideration”).<sup>16</sup>

12. We were retained by counsel for the Trustees to form an independent opinion of the reasonableness and adequacy of the Proposed Settlement for each Trust.<sup>17</sup>

### **III. THE ECONOMICS OF THE SETTLEMENT DECISION**

#### **A. General Principles**

13. At the outset, I want to emphasize that the context of my report is evaluating the reasonableness and adequacy of a proposed settlement. Any settlement by

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15. Section 3.05 of the Proposed Settlement Agreement.

16. Section 3.01 of the Proposed Settlement Agreement and Exhibit B to the Proposed Settlement Agreement.

17. We have not been provided with the submissions by the G&B Investors and JPM in the course of their negotiations and mediation, certain information that we requested such as the terms of JPM’s settlements of RMBS claims with parties other than FHFA, which we understand to be subject to a confidentiality restriction, the identity of senders of letters objecting to the Proposed Settlement or the identity of investors who participated in meetings on January 15, 2014 and January 29, 2014 where attorneys at Quinn Emanuel Urquhart & Sullivan, LLP criticized the Proposed Settlement. In addition, we requested and received data from JPM. However, JPM told us that, “[w]hile JPMorgan believes the [data it provided] is reasonably accurate, JPMorgan cannot make an absolute representation that it is complete or that there were not inadvertent errors in its preparation.” See e.g. letter from Jonathan Sedlak to David Conroy dated March 31, 2014 which accompanied data on loans JPM sold to Freddie Mac and Fannie Mae. JPM promised to provide updates or corrections if it discovered missing information or errors. *Id.* Because of the voluminous amount of information we have reviewed, I do not expect but cannot guarantee that any of my opinions would change if we had been provided this information.

## D. Conclusion

76. Overall, the market reaction to the Proposed Settlement is difficult to interpret but generally consistent with market expectations. The price reaction of JPM's investors to disclosures related to the amount of the Proposed Settlement appears neutral overall. The Certificate price reaction appears favorable, but there are many anomalous results. Finally, the evidence from analyst commentary does not establish any consensus on the reasonableness or adequacy of the Proposed Settlement.

## VI. ESTIMATION OF THE SETTLEMENT CONSIDERATION FOR EACH TRUST

77. The Settlement Consideration for each Trust consists of the portion of the Settlement Payment it would receive and the value of the Subservicing Protocol to the Trust.<sup>130</sup> Below we analyze each of these components.

### 1. Estimation of the Settlement Payment for Each Trust

78. We estimated the share of the Settlement Payment each Trust would receive in accordance with Section 3.05 of the Settlement Agreement. Section 3.05 states that the Settlement Payment is to be allocated based on the historical and estimated future losses

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(...continued)

Morgan."); J. Egan, V. Tirupattur, and J. Cambrono, "Resi Credit Insights: Citi Settlement Implications," Morgan Stanley, April 8, 2014 ("Comparison to BAC and JPM settlements: By our estimates, investors in the Citi settlement are recovering 7.3% of realized and projected losses. That is slightly higher than our 6.2% estimate for the JPM settlement but not quite as high as the 9.2% of realized and projected future losses that investors are receiving in the BAC settlement.").

129. *Id.*

130. See *Supra* ¶ 11 [Components of Settlement in Introduction]

(together, lifetime losses) of the Mortgage Loans and should be calculated on an SLG level.<sup>131</sup>

We first estimate the portion of the Settlement Payment each SLG would receive (the “SLG Settlement Payment”) and then estimate each Trust Settlement Payment by summing the Settlement Payments each of the Trust’s SLGs would receive, if the Trust accepted the Proposed Settlement.

79. The primary data source we used to calculate historical losses was Corelogic’s LoanPerformance database. This database provides loan-level origination and performance data which Corelogic obtains from loan servicers. From this source we obtained cumulative historical losses through March 2014 for 316 of the 330 trusts.

80. We estimated historical losses for the SLGs in an additional nine trusts using data from MBS Data, another firm that provides loan origination and performance data. MBS Data also provided historical losses through March 2014.

81. The remaining five trusts were private placements that are not tracked by Corelogic and MBS Data. For these trusts we obtained historical losses on an SLG basis from the March 2014 trustee reports.

82. Exhibit O lists historical losses for the Mortgage Loans in the 330 Trusts. It reports total historical losses of approximately \$53.5 billion in column A.

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131. Section 3.05 (“If the Mortgage Loans held by any Trust are divided by the Governing Agreements into loan groups, so that ordinarily only certain classes of Investors benefit from the proceeds of particular loan groups, those loan groups shall be deemed to be separate Trusts for purposes of the allocation and distribution of the Settlement Payment”), Section 3.05(a) and 1.16 (definition of Net Losses), of the Proposed Settlement Agreement.