

# **EXHIBIT 4**



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April 11, 2014

U.S. Bank National Association, as Trustee  
Attn: James H. Byrnes  
One Federal Street, 3<sup>rd</sup> Floor  
Boston, MA 02110  
By Email: [james.byrnes@usbank.com](mailto:james.byrnes@usbank.com)

Dear James:

Three months ago we wrote to you expressing our dissatisfaction with JP Morgan's proposed RMBS Trust Settlement Agreement (the "JPM RMBS Agreement") in our letter dated January 10, 2014. We have attempted to discuss these concerns with you over the past three months, but to date, you have not engaged us in any discussion. We explained why the aggregate payment (across all trusts) is too low and, more importantly, that the allocation to our holdings in the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts is particularly inequitable in light of the 90% haircut contemplated for third party originated loans. The recently announced Citigroup RMBS Trust Settlement Agreement<sup>1</sup> (the "Citigroup RMBS Agreement") only reinforces our position and we think it is important that our opinions be heard.

The Citigroup RMBS Agreement proposes a higher settlement amount as a percentage of total losses than the JPM RMBS Agreement. Additionally, while many of the Citigroup trusts consist of loans originated by third party originators, there is no comparable Selected Third Party Originator discount in the Citigroup RMBS Agreement. And unlike the language in the JPMAC 2006-WMC1 (and JPMAC 2006-WMC3) Pooling and Servicing Agreement (the "JPMAC PSA"), Citigroup does not appear to offer backstops on Originator failures to cure or repurchase. Yet JP Morgan seeks a complete release from these liabilities at a 90% discount whereas Citigroup applies no discount.

#### **The Citigroup Payment is Larger as a % of Aggregate Losses**

In our January letter we contrasted the Countrywide Agreement's 10.5% loss payout with the 6.7% payout in the JPM RMBS Agreement. We pointed out that the Countrywide Agreement incorporated discounts for Bank of America's defenses related to Countrywide's limited net worth and the issue of successor liability. Research analysts have recently estimated the loss payout in the Citigroup RMBS Agreement to be in the range of 7.3%-8.0%<sup>2</sup>. Unlike the JPM RMBS Agreement where the release included all servicing claims in addition to the representation and warranty claims, Section 3.02 of the Citigroup RMBS Agreement reads: "Except as it pertains to alleged failures to provide notice of representation and warranty violations, this agreement shall not release or affect any Master Servicer or Servicer obligations under any of the Governing Agreements that pertain to the servicing of Mortgage Loans held by the Trusts." Citigroup was the Master Servicer on less than half the trusts and was a Servicer on a small minority.

#### **The Citigroup Settlement Does Not Have Arbitrary Third Party Haircuts**

The Citigroup RMBS Agreement does not include any haircuts for trusts with loans originated by Selected Third Party Originators, in contrast to the allocation formula prescribed in the JPM RMBS

<sup>1</sup> Dated April 7, 2014 between Citigroup, the "Institutional Investors" and upon acceptance, the Accepting Trustees of 68 CMLTI trusts.

<sup>2</sup> E.g., Amherst [4/8/2014]: 7.9%, Barclays [4/7/2014]: 7.4%, Credit Suisse [4/7/2014]: 8.0%, Morgan Stanley [4/8/2014]: 7.3%, Nomura [4/7/2014]: 7.6%.

Agreement. This is the case even for trusts that seem to have fewer liabilities for Citigroup than JP Morgan is assuming in the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts. As an example, we compare below the language found in the Pooling and Servicing Agreement for one of the trusts covered by the Citigroup RMBS Agreement, the CMLTI 2005-OPT1 (the "CMLTI PSA"<sup>3</sup>) to the JPMAC PSA:

In both PSAs, Section 2.03 discusses the Repurchase or Substitution of Mortgage Loans by the Originator, the Seller or the Depositor<sup>4</sup>. In the case of the JPMAC PSA, Section 2.03(a)(i) has language: "In the event that the Originator shall fail to cure the applicable breach or repurchase a Mortgage Loan in accordance with the preceding sentence, the Depositor shall do so [emphasis added]". In this instance, the Depositor is JP Morgan and the Originator is WMC Mortgage Corp.; that is, JP Morgan assumes the repurchase obligation if WMC fails to repurchases defective loans. In the CMLTI PSA, there is no such language. Instead, Section 2.03(a) of the CMLTI PSA reads: "... and if the Originator or the Seller, as applicable, does not deliver such missing document or cure such defect or breach in all material respects during such period, the Servicer, to the extent it is not the Originator, the Seller or an Affiliate of the Seller, and otherwise the Trustee, in accordance with Section 3.02(b), shall enforce the obligations of the Originator or the Seller, as applicable, under the Mortgage Loan Purchase Agreement to repurchase such Mortgage Loan from REMIC I at the Purchase Price ...". Option One Mortgage Corporation is the Originator and Servicer, Citigroup is the Seller and Deutsche Bank National Trust Company is the Trustee. It is the obligation of the Servicer (or Trustee, if the Servicer is either the Seller or Originator) to determine the responsible party and there is no explicit Seller backstop.

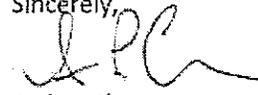
Another difference can be found in Section 2.06 of the JPMAC PSA, entitled Representations and Warranties as to the Mortgage Loans. There, the Seller (JPMorgan) "represents, warrants and covenants" that many of the representations in Schedule 4 (Mortgage Loan Representations and Warranties) that were made by the Originator are true. The section concludes "If the substance of the representations and warranties referred to in clauses (i), (ii), (iii), (iv) and (v) above are determined to have been breached, then the Seller will perform the remedy specified in Section 2.03 herein". This list of 68 representations and warranties includes relevant breaches that are regularly cited in other mortgage putback cases, including appraisal, mortgage file, underwriting guidelines, no fraud, origination guidelines and LTV limits. The CMLTI PSA has no corresponding section.

In summary, the details of the latest Citigroup RMBS Agreement clearly support our position that the terms of the JPM RMBS Agreement are insufficient and unduly prejudicial to the JPMAC 2006-WMC1 and JPMAC 2006-WMC3 trusts. We reiterate our instruction that you do not vote in favor of the JPM RMBS Agreement in its current form and are eager to discuss our concerns with you in more detail. We understand that Erica Taggart from Quinn Emanuel, who serves as our counsel in other matters, has reached out to US Bank through Jones Day to facilitate a discussion. Feel free to coordinate with her to arrange a call or meeting so that we can have a chance to engage directly with the Trustee on these important issues. Alternatively, you can contact us directly at (212) 705-8800 or by email at [arthur.chu@qvt.com](mailto:arthur.chu@qvt.com).

<sup>3</sup> <http://www.sec.gov/Archives/edgar/data/1316935/000088237705000377/d266700.txt>

<sup>4</sup> In the CMLTI PSA the section is entitled "Repurchase or Substitution of Mortgage Loans by the Originator or Seller".

Sincerely,



Arthur Chu  
QVT Financial LP

cc: Elizabeth Taraila  
cc: Erica Taggart  
cc: Matt Martel