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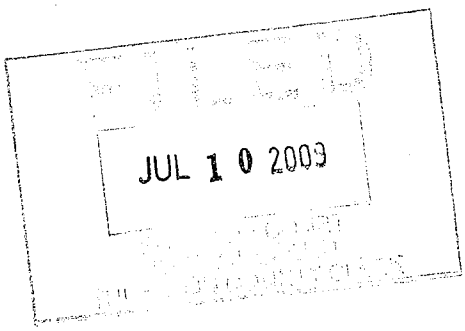

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF THURSTON

STATE OF WASHINGTON, Plaintiff, v. COUNTRYWIDE FINANCIAL CORPORATION, a Delaware corporation; COUNTRYWIDE HOME LOANS, INC., a New York corporation; and FULL SPECTRUM LENDING, INC., a California corporation, Defendants.	NO. 09 2 01690 6 **COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF UNDER THE CONSUMER PROTECTION ACT**

Plaintiff STATE OF WASHINGTON acting by and through the Office of the Attorney General, Consumer Protection Division, by and through its attorneys, Robert M. McKenna, Attorney General, and David W. Huey, Assistant Attorney General, brings this action pursuant to the Unfair Business Practices—Consumer Protection Act, Chapter 19.86 RCW. Plaintiff seeks a permanent injunction and an order compelling Defendants to pay restitution to consumers, attorney's fees and costs.

JURISDICTION AND AUTHORITY

1. Under the provisions of the Consumer Protection Act, RCW 19.86.020 and RCW 19.86.080 the Office of the Attorney General may bring an action whenever it has reason to

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believe that any person is engaging in, has engaged in, or is about to engage in any false, misleading or deceptive act or practice in the conduct of any trade or commerce.

2. Under RCW 19.86.080 the Court may make such orders or judgments as are necessary to compensate identifiable persons for damages or to restore money or property acquired by means of any unlawful act or practice.

PARTIES

3. Defendant Countrywide Financial Corporation ("***CFC***") is a Delaware corporation.

4. Defendant Countrywide Home Loans, Inc., a New York corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization, and at all times relevant herein engaged in the retail based origination and funding of real estate secured, owner occupied residential mortgage loans.

5. Defendant Full Spectrum Lending, Inc., a California corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization, and at all times relevant herein engaged in the retail based origination and funding of real estate secured, owner occupied residential mortgage loans.

6. On July 1, 2008, Bank of America Corporation, a Delaware corporation, announced that it had completed its purchase of CFC, including Countrywide Home Loans, Inc., Full Spectrum Lending, and Countrywide Home Loans Servicing, LP.

7. The State of Washington, represented by Attorney General, Robert M. McKenna, appears through the Consumer Protection Division of the Office of the Attorney General.

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VENUE

8. Venue of this suit lies in Thurston County, State of Washington for the following reasons:

a. Under Superior Court Civil Rule 82, venue is proper because Defendants engaged in the origination and funding of real estate secured, owner-occupied, residential mortgage loans and have transacted business within the State of Washington and County of Thurston.

b. Under RCW 4.17.025, venue is proper in Thurston County, State of Washington because the violations of law alleged herein were committed throughout the State of Washington and in the County of Thurston.

PUBLIC INTEREST

9. The Attorney General has reason to believe that Defendant has engaged in the unlawful practices described below. The Attorney General also has reason to believe that Defendant has caused and will continue to cause injury, loss and damage not only to Washington consumers, but also to legitimate businesses which lawfully conduct trade and commerce in the State of Washington, including those which make legitimate mortgage transactions. The Consumer Protection Division of the Office of the Attorney General believes that this action is in the public interest.

TRADE OR COMMERCE

10. Defendants have, at all times relevant, engaged in trade or commerce within the meaning of RCW 19.86.010(2).

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ACTS OF AGENTS

11. Whenever reference is made in this Complaint to any act or practice of Defendants, such allegation shall be deemed to mean that the principals, officers, directors, employees, agents and representatives of such Defendants did, or authorized, such act or practice on behalf of said Defendant, while actively engaged in the scope of their duties.

12. Whenever reference is made in this Complaint to any act of Defendants, such allegation shall be deemed to mean the act of each Defendant acting individually and jointly.

GENERAL ALLEGATIONS

13. For a number of years, Defendants have been one of the largest originators of home loan mortgages in the country. In recent years, Defendants increased their market share by engaging in unfair and deceptive business practices that placed thousands of borrowers in risky, high-priced, and ultimately unaffordable mortgage loans. Defendants' practices have included placing borrowers in risky loans for which they were unqualified according to underwriting standards, structuring unfair loan products with risky features, offering illusory initial savings features such as "teaser" rates and low or no closing costs to induce borrowers to accept unaffordable loans, engaging in misleading marketing and sales techniques, and offering financial incentives to employees and brokers to sell more and more non-traditional loans with increasingly less adherence to underwriting guidelines. Defendants' business practices resulted in unaffordable mortgage loans and increased delinquencies and foreclosures for Washington homeowners.

14. Defendants routinely encouraged borrowers to accept high priced loans that they could not afford with features that placed them at substantial risk of default. Defendants

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misled borrowers by enticing borrowers with low teaser rates, low monthly payments and "no closing cost" loans that failed to make clear and conspicuous disclosures of the products' risks. To increase market share, Defendants dispensed with many standard underwriting guidelines and offered "low" documentation and "no-documentation" loans to place unqualified borrowers in loans which ultimately they could not afford. Defendants encouraged borrowers to trust their guidance and then placed borrowers in loans that contained layers of unduly risky features, such as low introductory "teaser" rate adjustable rate mortgages, interest-only mortgages, pay option ARMs and mortgage loans for 100% of the value of borrowers' homes. Defendants failed to inform borrowers fully of the risks of these products.

15. Defendants shifted the risk of the failure of these non-traditional loans by bundling these loans and selling them to investors in the secondary market. The securitization of these loans allowed Defendants to shift much of the risk and gain much needed capital to fuel the loan origination process and reach their goal of capturing more and more market share. As the risky loans began to fail, Defendants were forced to repurchase or replace the failing loans in the investor pools.

16. The repurchase of defaulting loans increased the financial pressure on Defendants to generate more and more loan originations with less and less adherence to standard underwriting guidelines. To increase the number of loans, Defendants also provided incentives for their employees and brokers to solicit existing customers for re-financing, even though not requested by the customer, and place them in higher risk re-financed loans.

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17. Defendants' unfair and deceptive business practices have caused many thousands of borrowers damages, including but not limited to foreclosures of their homes, loan defaults and delinquencies, excessive interest, penalty, and loan re-payment costs, and damage to their credit ratings. Defendants' practices also have caused a decrease in home values and deterioration of neighborhoods throughout the country and including Washington State.

COUNT I
CONSUMER PROTECTION ACT VIOLATIONS

18. Plaintiff realleges and incorporates by reference the allegations of Paragraphs 1 through 17 of this Complaint.

19. The Defendants engaged in trade or commerce within the meaning of RCW 19.86.010, The Washington Consumer Protection Act, by making loans to borrowers. Defendants advertise, offer, solicit sales of, and sell real estate secured loans and related goods and services to Washington borrowers.

20. The Defendants engaged in the business of making loans to Washington borrowers that were secured by those borrowers' homes. Defendants used unfair or deceptive promotions, marketing and sales techniques to induce primarily low and moderate-income homeowners to refinance their mortgages and consolidate their debts using Defendants' real-estate secured loan products.

21. In the course of their dealings with borrowers and in furtherance of their own direct pecuniary and business gains, Defendants committed unfair or deceptive acts or practices, or made material misrepresentations or omissions in violation of Chapter 19.86 RCW, the Washington Consumer Protection Act.

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22. In the course of their dealings with borrowers and in furtherance of their own direct pecuniary and business gains, Defendants acted in violation of Chapter 19.86 RCW, the Washington Consumer Protection Act, relating to the business of making retail residential loans to borrowers in the State of Washington.

WHEREFORE, Plaintiff prays for judgment as follows:

That Defendants, their direct and indirect subsidiaries, affiliates, officers, directors, employees, agents, related entities, successors, and assigns, and any and all other persons who act under, by, through, or on behalf of Defendants be permanently restrained and enjoined from the following:

A. Engaging in unfair or deceptive acts or practices in the conduct of trade or commerce in violation of Chapter 19.86 RCW, the Washington Consumer Protection Act, relating to the marketing or sale of loans to consumers in the State of Washington.

B. Doing any of the wrongful acts referenced in this Complaint or any other act in violation of Chapter 19.86 RCW, the Washington Consumer Protection Act, relating to the business of making retail residential mortgage loans to consumers in the State of Washington.

In addition, Plaintiff respectfully prays that this court will:

C. Order Defendants to restore all money or other property taken from identifiable persons by means of unlawful acts or practices, or in the alternative award judgment for damages to compensate for such losses.

D. Order Defendants to pay Plaintiff State of Washington attorneys fees and costs of court pursuant to RCW 19.86.080.

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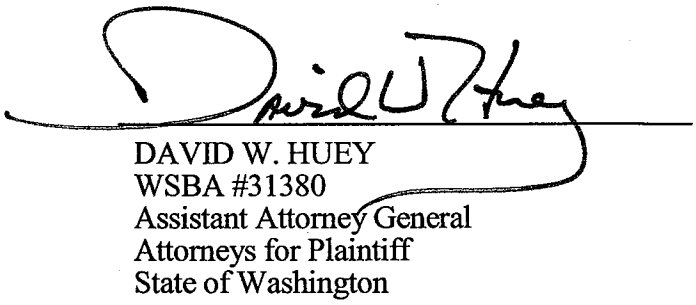
E. Grant all other relief to which the Plaintiff, State of Washington, may show itself entitled.

DATED this 6th day of July, 2009.

ROBERT M. MCKENNA
Attorney General



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