

MONITOR

*of the 2017 Deutsche Bank
Mortgage Settlement*



INITIAL REPORT | JULY 2017

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INTRODUCTION

This is the initial report of the independent Monitor appointed to oversee the consumer relief obligations specified in the January 17, 2017, settlement agreement (the “Settlement Agreement”) between Deutsche Bank AG, as well as its current and former subsidiaries and affiliates (collectively “Deutsche Bank” or the “Bank”), ACE Securities Corp., and the United States Department of Justice (“Department of Justice”).

The Settlement Agreement resolved potential legal claims that Deutsche Bank violated federal law in connection with the creation, marketing, and sale of residential mortgage-backed securities (“RMBS”) prior to 2009. As part of the Settlement Agreement, Deutsche Bank agreed to pay a \$3.1 billion civil penalty to the United States. The Bank also agreed to provide \$4.1 billion in consumer relief, as specially calculated in the Settlement Agreement, in order to remediate the harm caused by its allegedly unlawful conduct. The types of consumer relief available to the Bank include residential mortgage loan modifications, such as assistance with refinancing, principal forgiveness to distressed and underwater homeowners, and forbearance, as well as certain loan originations and financing for affordable housing throughout the country. The Settlement Agreement gives the Bank broad discretion to choose the specific relief it will provide.

The Settlement Agreement also provided for the appointment of an independent Monitor to determine whether the Bank is satisfying its consumer relief obligations and to report to the public on its performance on a quarterly basis. Accordingly, starting with this report, the Monitor will (a) report on Deutsche Bank’s progress towards completion of its consumer relief obligations; (b) report on credits earned by Deutsche Bank; and (c) ultimately determine and certify Deutsche Bank’s compliance with the consumer relief terms of the Settlement Agreement.

As of the date of this initial report, Deutsche Bank has not submitted to the Monitor any requests for approval of consumer relief credit, and therefore has not earned any credit from the Monitor. In other words, the Bank’s entire consumer relief obligation of \$4.1 billion remains outstanding.

The Bank, however, has not been idle. Over the past several months, Deutsche Bank has (a) created an internal governance framework to guide its consumer relief activities; (b) formed an independent group, to be assisted by a consultant the Bank engaged for this effort, to review and certify to the Monitor the accuracy of the Bank’s submissions for consumer relief credit; (c) discussed with the Monitor testing definitions and protocols for the various forms of relief available under the Settlement Agreement; and (d) met with third parties to help provide nationwide consumer outreach events.

The Bank also met and discussed financing terms with numerous counterparties, performed due diligence on several of them, and engaged a vendor to create a new system of record (“SOR”) to receive and store documents from counterparties that will be necessary to validate the Bank’s submissions for credit.

Deutsche Bank’s expected use of counterparties to satisfy its consumer relief obligations may be confusing to those familiar with the Department of Justice’s RMBS settlement agreements with other banks and requires explanation. Deutsche Bank’s Settlement Agreement differs from the other settlements because Deutsche Bank may earn consumer relief credit by providing funds to third-party originators and servicers, commonly referred to as “counterparties,” that will originate or modify loans in accordance with the Settlement Agreement. Specifically, the Bank may receive credit for loan modifications or originations made by counterparties through financing arrangements where the loans serve as collateral to the Bank, or participation arrangements in which Deutsche Bank owns an equity interest in the counterparty that allows the Bank to influence the provision of relief.

This distinction in the Settlement Agreement is likely a result of Deutsche Bank’s current business operations – with limited exceptions, the Bank does not own, originate, or service U.S. residential mortgages and does not currently have plans to develop those business lines – and therefore the Bank does not have existing mortgage customers to which it could provide direct relief under the Settlement Agreement. Consequently, Deutsche Bank has been discussing potential financing arrangements with various counterparties to provide loan originations and loan modifications under the Settlement Agreement and, in one instance, discussed below, has fully executed an agreement with a loan originator and currently is funding the origination of loans for which it may eventually seek credit from the Monitor.

The Monitor is particularly sensitive to the risks that may be presented by Deutsche Bank’s reliance on numerous counterparties to help provide consumer relief. Therefore, in addition to considering the counterparty due diligence performed by Deutsche Bank, the Monitor has performed, and will continue to perform, due diligence on the Bank’s counterparties to review their origination and servicing platforms for reasonable assurance that they will provide consumer relief on behalf of the Bank in compliance with the Settlement Agreement and applicable law – including the Equal Credit Opportunity Act and Fair Housing Act, among others. The diligence process can take time, but it is necessary and must be performed carefully and deliberately for each counterparty the Bank engages in this effort. The Monitor will discuss in future reports – when the Bank ultimately submits credit to the Monitor for validation – the specific counterparties through which the Bank has provided relief, the nature of the Bank’s arrangements with

them, and the extent and results of the due diligence the Bank and the Monitor performed on them.

OVERVIEW OF THE SETTLEMENT AGREEMENT

On January 17, 2017, Deutsche Bank entered into a \$7.2 billion agreement with the Department of Justice to settle potential claims that the Bank violated federal laws in connection with the marketing, structuring, arrangement, underwriting, issuance, and sale of RMBS prior to 2009. As part of the settlement, Deutsche Bank agreed to a Statement of Facts regarding the underlying conduct. A copy of the Statement of Facts is available on the Monitor's website at www.deutschebankmortgagemonitor.com (the Monitor's website is discussed in greater detail on page 9, below).

The \$7.2 billion settlement amount is structured in two parts. First, the Settlement Agreement requires Deutsche Bank to pay a \$3.1 billion civil penalty to the United States. Second, it requires Deutsche Bank to provide \$4.1 billion in consumer relief to remediate the harm caused by its allegedly unlawful conduct.

Appointment of a Monitor to Oversee Consumer Relief

Pursuant to the Settlement Agreement, Deutsche Bank and the Department of Justice selected Michael J. Bresnick to serve as an independent Monitor overseeing Deutsche Bank's compliance with its consumer relief obligations.

Mr. Bresnick is a partner at Venable LLP in Washington, D.C., where he is Chair of the Financial Services Investigations and Enforcement Practice. Prior to Venable, Mr. Bresnick served for 10 years as a prosecutor in various roles in the Department of Justice, the last two as Executive Director of the Financial Fraud Enforcement Task Force. Mr. Bresnick also served for several years as an Assistant U.S. Attorney in the criminal division of the U.S. Attorney's Office in Philadelphia, one of the largest in the country, and as a supervisor in the Fraud Section of the Department of Justice's Criminal Division, overseeing bank and mortgage fraud prosecutions.

As Monitor, Mr. Bresnick's job is to determine – wholly independent from the Department of Justice and Deutsche Bank – whether the Bank is providing the consumer relief in accordance with the terms of the Settlement Agreement, and how much credit the Bank should receive toward satisfying its \$4.1 billion obligation. He also will issue periodic reports to the public about Deutsche Bank's progress.

Consumer Relief Menu Items

As explained above, Deutsche Bank has broad discretion under the Settlement Agreement to determine how it will meet its \$4.1 billion consumer relief obligation. Annex 2 to the Settlement Agreement ("Consumer Relief Annex") (also available on

the Monitor’s website) provides the Bank a set of “Menu Items” of different types of available relief. The Settlement Agreement does not require Deutsche Bank to provide relief to any specific borrower or categories of borrowers, nor does it dictate how Deutsche Bank should meet its obligations under the Consumer Relief Annex. Below is a summary of the Menu Items:

MENU ITEM

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1. Loan Modification – Forgiveness and Forbearance

Subject to certain requirements, Deutsche Bank may earn credit for providing consumer relief in the form of mortgage loan modifications:¹

A. First Lien – Principal Forgiveness. Deutsche Bank may obtain credit if it forgives a portion of the principal (the balance of a loan, excluding interest) of certain troubled mortgage loans, such as loans where the balance exceeds the appraised value of the property (resulting in a Loan-to-Value ratio – or LTV – exceeding 100%). Such loans are frequently referred to as being “underwater,” with the homeowners lacking equity in their homes. When a portion of principal is forgiven, however, and the value of the home begins to exceed the amount of the loan that is due, the LTV reduces to at or below 100% and the homeowner, who is no longer underwater, may soon begin to earn some equity in the home. To receive credit under this Menu Item, the Bank must demonstrate that the amount of principal reduction lowered the LTV ratio to 100% or less (eliminating an underwater scenario).²

B. Principal Forgiveness of Forbearance. Sometimes a borrower who is experiencing a temporary financial hardship will receive a loan forbearance, meaning that the borrower may temporarily stop making payments on a portion of the principal due until a later date. A borrower receiving a forbearance, however, must make up those delayed payments eventually, typically in a balloon payment at the

¹ As explained above, the Bank can receive credit under this Menu Item for loans modified pursuant to financing arrangements (where the modified loans serve as collateral) or for participation arrangements with a counterparty in which the Bank owns an equity interest that allows it to influence the provision of relief. The counterparty, however, must not be subject to an ongoing FIRREA settlement with the Department of Justice involving a consumer relief schedule.

² For modifications under this Menu Item and any others in the Settlement Agreement that require the homeowner to continue making payments (that is, if the entire principal was not forgiven), then the Bank will only receive credit if the homeowner makes his or her first three scheduled payments (including trial period payments) under the modification.

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end of the loan's term. Under this Menu Item, the Bank would be entitled to credit if it forgives some or all of the forbore amount, which, in turn, would lower the total amount of principal due under the loan. To receive credit, the amount of the principal reduction must reduce a homeowner's LTV to 100% or less (again eliminating an underwater scenario).

C. First Lien – Forbearance (Payment Forgiveness).

Deutsche Bank may receive credit if it provides a forbearance – that is, it defers payment of a portion of the principal until a later date. Again, this type of relief still requires the borrower to make up at a later date the principal payments that temporarily were delayed by the forbearance, but it can have the effect of reducing a homeowner's monthly payments.

D. Assistance for Borrowers to Refinance with New Lender.

Oftentimes a homeowner may be unable to take advantage of available lower interest rates and refinance a loan because the costs associated with a refinancing are too expensive. Under this Menu Item, Deutsche Bank may receive credit if it provides assistance to cover certain costs associated with mortgage refinancing, including closing costs, which may include, for example, fees associated with appraisals, title searches, and credit reports.

E. Second Lien Extinguishment. A second lien, sometimes known as a “second mortgage,” is a loan in addition to a mortgage used to purchase a home where the residence is collateral, or security, for the loan. An example of a second lien is a home equity line of credit. Extinguishment of a second lien, therefore, will help reduce a borrower's monthly payment and aid the borrower in gaining equity in the home. Under this Menu Item, Deutsche Bank may receive credit for extinguishing a borrower's second lien, although credit will be denied if the Bank or its counterparty also owns or services the first lien and attempts to foreclose on the first lien within the first six months of extinguishment of the second lien.

F. Junior Lien / Unsecured Mortgage Debt Principal Forgiveness / Extinguishment. Deutsche Bank may receive credit for forgiving all of a borrower's junior lien (a loan

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secured by the borrower's residence and with less priority than second liens), and unsecured mortgage debt, which may result in a reduced monthly payment and may create some equity in the home for the homeowner. As with the prior Menu Item, the Bank will be denied credit under this Menu Item if it or its counterparty also owns or services the first lien and attempts to foreclose on the first lien within the first six months of extinguishment of the junior lien or unsecured mortgage debt.

2. Loan Originations³

A. Mortgage Rate Reduction. Deutsche Bank may earn credit for reducing mortgage interest rates, for paying certain costs associated with refinancing, and/or for forgiving principal to make a refinancing possible.

B. Low to Moderate Income and Other Lending. Deutsche Bank may earn credit by providing new mortgage loans to credit worthy borrowers:

- In Hardest Hit Areas;⁴
- Who lost a primary residence to foreclosure or short sale; or
- Who are first time, low-to-moderate income ("LMI") homebuyers. An LMI borrower is someone with an income at or below 100% of the Area Median Income ("AMI"), which is calculated by the U.S. Department of Housing and Urban Development.

³ As with loan modifications, the Bank can receive credit under this Menu Item for loans originated pursuant to financing arrangements (where the originated loan serves as collateral) or for participation arrangements with a counterparty in which the Bank owns an equity interest that allows it to influence the provision of relief. The counterparty, however, must not be subject to an ongoing FIRREA settlement with the Department of Justice involving a consumer relief schedule.

⁴ The Consumer Relief Annex states that Hardest Hit Areas are defined by the Department of Housing and Urban Development.

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3. Community Reinvestment and Neighborhood Stabilization

Deutsche Bank may obtain credit for forgiving the entire principal balance on an occupied home where foreclosure has not been pursued, and extinguishing any liens. This Menu Item might make sense when the costs of foreclosure exceed the value of the property to be foreclosed, and, similarly, can benefit a homeowner who otherwise might have little incentive to seek a modified loan and continue making payments. It also can help reduce blight by making it easier for a homeowner to sell the property.

4. Financing for affordable rental housing

Deutsche Bank may receive credit for financing arrangements provided at a loss to the Bank in order to facilitate the construction, rehabilitation, or preservation of affordable low-income rental, and low or moderate income for-sale, housing developments.

Certain of these Menu Items allow the Bank to receive additional credit depending on the timing of the relief provided. For example, if the Bank offers or completes principal forgiveness by April 1, 2018, one year after the start date for crediting under the Settlement Agreement, then, rather than receive \$1 of credit for \$1 of forgiveness, the Bank is entitled to Enhanced Early Incentive Credit of 150%, or \$1.50 of credit for \$1 of forgiveness. Similarly, if the Bank were to offer or complete principal forgiveness by September 1, 2018, it would be entitled to receive Early Incentive Credit of 115%, or \$1.15 of credit for \$1 of forgiveness.

The Monitor will discuss the Menu Items in more detail in future reports when the Bank submits credit for validation under a particular Item. For all of the Menu Items, no credit may be earned for relief implemented through a policy that violates the Fair Housing Act, the Equal Credit Opportunity Act, or any other federal or state law. The Fair Housing Act prohibits housing providers from discriminating against consumers on the basis of race, color, national origin, religion, sex, familial status, or disability. Examples of prohibited conduct include refusing to provide information on loans or imposing different terms or conditions on loans offered to consumers based on one of the factors noted above. Similarly, the Equal Credit Opportunity Act prohibits discrimination on the basis of race, color, religion, national origin, sex, marital status, or age in connection with a credit transaction.

The Settlement Agreement also provides that, subject to very limited exceptions, no consumer relief may be conditioned on a waiver or release by a borrower of his or her rights. The Settlement Agreement further states that Deutsche Bank shall not be responsible for any tax consequences to borrowers who receive consumer relief,

but that Deutsche Bank must clearly disclose to borrowers the potential tax consequences of the relief offered or provided and recommend that borrowers seek appropriate counsel to understand the tax consequences of any consumer relief transaction.

Deutsche Bank must satisfy its consumer relief obligation by March 31, 2022. If the Bank does not meet this requirement by March 31, 2022, the balance due of the \$4.1 billion consumer relief obligation will increase at a rate of 5% per year, ending when Deutsche Bank fully satisfies its outstanding consumer relief obligation as determined by the Monitor.

Deutsche Bank's Required Consumer Outreach

In addition to providing certain forms of financial relief to consumers, Deutsche Bank is required under the Settlement Agreement to engage in consumer outreach activities.

For example, Deutsche Bank has prepared a short, plain-language document (translated into Spanish, French/Creole, Chinese, Tagalog, Vietnamese, and Korean) that is available on its website and explains the forms of relief available under the Settlement Agreement.

https://www.db.com/newsroom_news/settlement-statement-with-translations.pdf

Further, Deutsche Bank is required to hold or sponsor three consumer outreach events each year in geographically dispersed locations. In preparation for each event, Deutsche Bank must conduct targeted borrower outreach through personalized invitational letters, emails, and/or phone calls to eligible borrowers describing the consumer relief options that the Bank can facilitate or provide. These events will involve a presentation informing attendees about Deutsche Bank's efforts and obligations under the Settlement Agreement.

The outreach must be conducted in English and Spanish, and where possible, other languages. Multilingual translation and interpretation services for Spanish will be offered and available to consumers requesting such support; the Bank will make efforts to offer translation and interpretation for consumers who speak other languages.

Deutsche Bank is in the process of selecting one or more partners to help it conduct these events. At this time, the Bank has not finalized any sponsorship arrangements or scheduled any outreach events. Once these events are scheduled, the dates and locations will be posted on the Monitor's website. The Monitor will provide updates on consumer outreach events in future reports.

THE MONITOR'S ROLE AND WORK TO DATE

The Monitor's role under the Settlement Agreement is to oversee Deutsche Bank's satisfaction of its consumer relief obligations under the Settlement Agreement. Over the past several months, the Monitor has met regularly with Deutsche Bank – including weekly phone calls and frequent in-person meetings – to discuss the Bank's plans for and progress in providing consumer relief. The Monitor also has met with consumer advocates and spoken to numerous individual borrowers about the Settlement Agreement and the available relief.

In addition, the Monitor has (a) established a website to provide information to the public; (b) engaged a consulting firm to help the Monitor develop the testing and validation framework needed to review and assess Deutsche Bank's requests for credit and discussed these issues with the Bank; (c) reviewed and discussed with the Bank its internal governance and compliance structure; (d) worked with the Bank to set up an Internal Review Group, a group within the Bank that is independent from the business unit that will be responsible for providing consumer relief under the Settlement Agreement, and that ultimately will certify to the Monitor that the Bank's submissions for credit are accurate; (e) interviewed Bank personnel, including members of its Management Board; (f) requested the Bank to establish a hotline for consumers to call with questions about the Settlement Agreement and designate a single point of contact within the Bank responsible for homeowner inquiries; and (g) performed due diligence on counterparties that Deutsche Bank is considering to help it provide consumer relief. This work is discussed in greater detail below.

Establishment of a Monitor Website

The Monitor has launched a website to provide updates to the public on the Bank's progress in meeting its consumer relief efforts. The website, which may be viewed at www.deutschebankmortgagemonitor.com, currently includes the following information:

- Information on the Settlement Agreement;
- Information on the Monitor;
- Information for consumers, including a “Frequently Asked Questions” (“FAQ”) page, and other information for homeowners; and
- Contact information for Deutsche Bank for consumers that have additional questions.

The Monitor will update the website periodically with additional information, including copies of all reports issued by the Monitor. In addition, the Monitor anticipates presenting information about the Bank's consumer outreach events and statistics on the number of consumers who have received consumer relief under the

Settlement Agreement and geographic data illustrating where relief has been provided.

Hiring of Consultant

The Monitor has retained Control Risks Group, LLC (“Control Risks”), a consulting firm with compliance and anti-fraud expertise, to assist in reviewing and verifying that any Deutsche Bank requests for credit satisfy the eligibility requirements and other applicable conditions set forth in the Consumer Relief Annex. The Monitor confirmed that Control Risks does not have any material conflicts that would compromise its objectivity in providing these services. Control Risks, under the direction of the Monitor, will help to develop the processes to ensure the integrity of the information submitted by Deutsche Bank, test and validate the data submitted by Deutsche Bank in connection with requests for credit, verify that such requests are eligible for credit, and calculate the amount of such credit awarded for such requests. Additional information on these processes will be provided in future Monitor reports that review specific Deutsche Bank requests for credit.

Review of Internal Governance Process & Creation of Internal Review Group

Unlike many of the other banks that entered into RMBS settlements with the Department of Justice, Deutsche Bank, with limited exceptions, does not currently own, originate, or service U.S. residential mortgages. Consequently, prior to the Settlement Agreement, the Bank did not have an internal management structure in place to oversee and govern a loan modification and origination program of this scale. As described below, the Bank has addressed this, in part, by allocating significant resources to its consumer relief effort and implementing management, operational, and governance frameworks to oversee and execute the requirements of the Consumer Relief Annex. The Monitor was consulted by the Bank throughout this process, encouraged certain changes to the leadership and substance of the Bank’s governance framework (which the Bank accepted), and ultimately expressed his consent to the structure.

In particular, Deutsche Bank’s Management Board – the leadership responsible for managing the Bank – has established an oversight body, the Consumer Relief Forum (“Forum”), to oversee the Bank’s consumer relief obligations under the Settlement Agreement and to report internally on the Bank’s consumer relief efforts. Forum members include senior executives and managers of Deutsche Bank’s Americas group, including the Chief Operating Officer, General Counsel, Chief Financial Officer, Chief Risk Officer, and Head of Compliance; it is co-led by the Bank’s head of Global Markets Americas and the co-head of Global Credit Trading.

The Forum has delegated day-to-day responsibility for execution of the Bank’s consumer relief obligation to a new, specially designated business unit, the

Consumer Relief Group (“Group”). The Group is responsible for consideration and evaluation of the Menu Items available under the Settlement Agreement, identifying and examining prospective counterparties, negotiating contract terms with counterparties, addressing consumer inquiries, and implementing the public outreach requirements of the Settlement Agreement. The Group is comprised of ten full-time employees with a variety of backgrounds and experience. It is supported by employees from across the Bank with experience in areas including mortgages, compliance, legal, tax, audit, and finance.

The Group reports to the Forum, and the Forum approves decisions on all significant aspects of the Group’s activities, including overall consumer relief strategy and agreements with individual counterparties and transactions. The Forum, in turn, ultimately reports to the Management Board.

In addition, the Monitor requested the Bank, and the Bank agreed, to form an Internal Review Group (“IRG”), to serve as an independent body that will review the Bank’s requests for consumer relief credit, certify and submit them to the Monitor for validation, and respond to any questions the Monitor may have regarding the submissions. The Monitor and Control Risks currently are working with the IRG and CRG to establish processes to facilitate the Bank’s assessment of whether individual loans are eligible for credit, and how best to submit this information to the Monitor. This process also includes monitoring the creation of a new system of record (“SOR”) designed to receive and store documents from the Bank’s counterparties that will be used to validate the Bank’s credit submissions. Additional information on the IRG, the credit validation process, and the SOR will be provided in a subsequent Monitor report.

Interviews

Over the last few months, the Monitor has conducted over 30 interviews of the members of the Forum, the Group, the IRG, and others supporting the Bank’s consumer relief efforts. The Monitor also met with key members of the Bank’s Management Board, including Deutsche Bank’s Chief Executive Officer, Chief Regulatory Officer, and Chief Risk Officer. The purpose of these interviews was for the Monitor to learn about each individual’s anticipated role in the Bank’s consumer relief efforts, verify that the members of the IRG are independent from the Bank’s business operations that will engage counterparties to provide the required relief, ensure that the individuals involved possess the requisite experience and are otherwise qualified for the job, and confirm that they understand and are committed to following the relevant consumer protection laws and regulations related to the consumer relief options and their plans for doing so. Another purpose of the Monitor’s interviews was to verify that the Management Board’s oversight of the Bank’s consumer relief effort is rigorous and real and not just “on paper.” In that regard, Deutsche Bank’s leadership appears to have set the correct tone from the top: they receive regular updates regarding the consumer relief efforts, and

expressed a commitment to ensuring that the Bank satisfies its obligations in accordance with the law. The Monitor will continue to oversee the Bank's internal oversight and management of this consumer relief effort.

Monitoring of Deutsche Bank's Consumer Outreach and Inquiry Process

The Monitor has asked for and received updates about Deutsche Bank's ongoing efforts to comply with its consumer outreach obligations. Again, the Bank is required to hold or sponsor three outreach events each year during which it explains its consumer relief obligations under the Settlement Agreement and the various forms of relief available under the Menu Items, and discusses what it has been doing to satisfy them. To date, the Bank has not scheduled any outreach events, although it has met with several potential third parties through which it can sponsor an event.

The Bank also has posted, in consultation with the Monitor, a plain language document on its website explaining the Settlement Agreement and available relief, as further required by the Settlement Agreement.

https://www.db.com/newsroom_news/settlement-statement-with-translations.pdf.

In addition, the Monitor requested that the Bank establish a hotline for homeowners to call with questions about the Settlement Agreement and whether they might be entitled to relief. As part of this process, the Monitor encouraged Deutsche Bank to establish a single point of contact within the Bank responsible for responding to homeowners that contact the Bank with questions about available relief. The Deutsche Bank Consumer Relief Group Point of Contact may be reached as follows:

Deutsche Bank - Consumer Relief Group
60 Wall Street
New York, NY 10005
800-356-2539 (toll free)
212-250-9911

The Monitor will continue to assess the Bank's consumer outreach and inquiry process and will report on these activities in future reports, as appropriate.

Counterparty Due Diligence

As explained above, the Settlement Agreement authorizes Deutsche Bank to earn consumer relief credit by providing financing to counterparties to modify or originate loans in accordance with the Settlement Agreement's requirements, provided that the loans serve as collateral and the counterparties are not otherwise subject to a FIRREA settlement involving a consumer relief schedule with the Department of Justice.

Over the past several months, Deutsche Bank has been discussing possible financing arrangements with many different counterparties to assist the Bank in providing consumer relief, such as loan modifications and originations, under the Settlement Agreement. The Monitor has met regularly with Deutsche Bank to discuss these counterparties and the Bank's due diligence of them. As part of this process, Deutsche Bank has provided the Monitor – and the Monitor has reviewed – information regarding Deutsche Bank's due diligence of these counterparties (including, for example, documents that the Bank requested from the counterparties and the Bank's due diligence reports, prepared by the Bank's outside law firm, which describe its complete diligence process, including on-site visits and interviews). These documents indicate that Deutsche Bank reviews counterparties for corporate, financial, regulatory, and legal issues, and also reviews their mortgage origination and servicing platforms. The Bank also has made its outside law firm available to the Monitor to answer questions the Monitor may have about that law firm's diligence and its subsequent reports.

In addition to reviewing Deutsche Bank's due diligence, the Monitor has been performing his own due diligence of proposed counterparties. For example, the Monitor has reviewed proposed counterparties' compliance policies and procedures and other relevant documents and, when necessary, requested additional documents. He also has met with them on-site to observe their operations and ask questions that were not answerable from the documents alone. In addition, the Monitor has evaluated proposed financing arrangements in order to ensure they are designed to result in the type of consumer relief referred to in the Settlement Agreement.

In all cases, the Monitor's diligence is limited to publicly available information or information available from the counterparties, and may not constitute a complete review of all potential legal or regulatory compliance risks or issues. The Monitor's diligence of any counterparty does not constitute a legal opinion and may not be relied upon as such by any third parties.

Given the important role that counterparties will perform in the consumer relief process, the Monitor will continue to review them carefully. Additional information on individual counterparties, and the diligence process for each, will be provided in future reports in connection with the Monitor's evaluation of Deutsche Bank's specific requests for credit under the Settlement Agreement.

Loan Originator Counterparty

As of the date of this Report, Deutsche Bank has entered into an agreement with a counterparty ("Counterparty Agreement 1") to originate residential mortgage loans that may entitle the Bank to credit under Menu Item 2.B. Counterparty Agreement 1 is structured as a "repurchase agreement," which, in the mortgage context, is a

common mechanism for funding loan originations and is typically viewed as similar to a warehouse line of credit.

Pursuant to a repurchase agreement, a buyer agrees to purchase certain mortgage loans at the time of, or within a short period of time after, origination. This provides liquidity to the originator to fund loan originations. The originator, in turn, agrees that it will repurchase these mortgage loans from the buyer within a certain period of time, after which it either can continue to hold and service the loans, or arrange for final disposition of the loans through securitization or sale to the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”), or to a private entity. To receive credit, Deutsche Bank must demonstrate that the loans originated in connection with a repurchase agreement were made in accordance with the requirements of the Settlement Agreement.

Although to date the Bank has not submitted any loans originated through Counterparty Agreement 1 to the Monitor for credit, the Bank reports that the originator already has originated a significant number of loans pursuant to its agreement, and the Bank expects to submit to the Monitor its first 100 loans for credit in time to be included in the Monitor’s next report.

Notably, the Settlement Agreement authorizes the Monitor to deny Deutsche Bank credit for a portion of a consumer relief commitment if the Monitor reasonably determines that the specific portion of consumer relief has been provided by Deutsche Bank, or a Deutsche Bank counterparty, in violation of law. The Settlement Agreement, however, provides a “safe harbor” for Deutsche Bank where credit will not be denied if, in advance of retaining or contracting with a counterparty, Deutsche Bank does appropriate due diligence of the counterparty and receives prior consent of the Monitor, and the Monitor’s consent is not withdrawn before the particular consumer relief is provided. With respect to this particular counterparty, Deutsche Bank did not seek, and the Monitor did not provide, prior consent under the Settlement Agreement’s “safe harbor” provision before the Bank entered into Counterparty Agreement 1.

The Monitor’s due diligence review of this counterparty is ongoing. Thus, Deutsche Bank currently is proceeding with Counterparty Agreement 1, and financing the origination of loans in connection with it, without the protection afforded by the Settlement Agreement’s safe harbor provision.

The Monitor will provide in a subsequent report more specific information about this counterparty, Counterparty Agreement 1, the due diligence the Monitor performed and the results of that diligence, and whether or not the Monitor provided his consent under the Settlement Agreement.

CONCLUSION AND TIMELINE

In the coming months, the Monitor expects Deutsche Bank to submit requests for credit for loan originations, and potentially for other forms of relief authorized under the Settlement Agreement. The Monitor will continue to oversee this process and report on Deutsche Bank's progress towards fulfilling its obligation to provide \$4.1 billion in consumer relief to consumers.

At this time, however, the Bank has received no credit.

The Monitor's next report is expected to be published in October 2017.

If you have questions about this report, please contact the Monitor at:

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