

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL HOUSING FINANCE AGENCY,
AS CONSERVATOR FOR THE FEDERAL
NATIONAL MORTGAGE ASSOCIATION
AND THE FEDERAL HOME LOAN
MORTGAGE CORPORATION,

Plaintiff,

-against-

CREDIT SUISSE HOLDINGS (USA), INC.,
CREDIT SUISSE (USA), INC., CREDIT
SUISSE SECURITIES (USA) LLC, DLJ
MORTGAGE CAPITAL, INC., CREDIT
SUISSE FIRST BOSTON MORTGAGE
SECURITIES CORPORATION, ASSET
BACKED SECURITIES CORPORATION,
CREDIT SUISSE FIRST BOSTON
MORTGAGE ACCEPTANCE
CORPORATION, ANDREW A. KIMURA,
JEFFREY A. ALTABEF, EVELYN
ECHEVARRIA, MICHAEL A. MARRIOTT,
ZEV KINDLER, JOHN P. GRAHAM,
THOMAS E. SIEGLER, THOMAS
ZINGALLI, CARLOS ONIS, STEVEN L.
KANTOR, JOSEPH M. DONOVAN,
JULIANA JOHNSON, and GREG RICHTER,

Defendants.

___ CIV. ___ (___)

COMPLAINT

JURY TRIAL DEMANDED

TABLE OF CONTENTS

	<u>Page</u>
NATURE OF ACTION	1
PARTIES	9
<i>The Plaintiff and the GSEs</i>	9
<i>The Defendants</i>	9
<i>The Non-Party Originators</i>	13
JURISDICTION AND VENUE	13
FACTUAL ALLEGATIONS	14
I. THE SECURITIZATIONS.....	14
A. Residential Mortgage-Backed Securitizations In General	14
B. The Securitizations At Issue In This Case	16
C. The Securitization Process.....	20
1. DLJ Mortgage Capital Groups Mortgage Loans in Special Purpose Trusts.....	20
2. The Trusts Issue Securities Backed by the Loans.....	21
II. THE DEFENDANTS’ PARTICIPATION IN THE SECURITIZATION PROCESS	26
A. The Role of Each of the Defendants	26
1. DLJ Mortgage Capital.....	26
2. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance	28
3. CS Securities	28
4. CS USA.....	29
5. CS Holdings	29
6. The Individual Defendants.....	30

B.	The Defendants’ Failure To Conduct Proper Due Diligence.....	32
III.	THE REGISTRATION STATEMENTS AND THE PROSPECTUS SUPPLEMENTS.....	34
A.	Compliance With Underwriting Guidelines	34
B.	Statements Regarding Occupancy Status of Borrower.....	37
C.	Statements Regarding Loan-to-Value Ratios.....	40
D.	Statements Regarding Credit Ratings	43
IV.	FALSITY OF STATEMENTS IN THE REGISTRATION STATEMENTS AND PROSPECTUS SUPPLEMENTS.....	45
A.	The Statistical Data Provided in the Prospectus Supplements Concerning Owner Occupancy and LTV Ratios Was Materially False.....	45
1.	Owner Occupancy Data Was Materially False.....	46
2.	Loan-to-Value Data Was Materially False	48
B.	The Originators of the Underlying Mortgage Loans Systematically Disregarded Their Underwriting Guidelines	52
1.	A Forensic Review of Loan Files Has Revealed Pervasive Failure to Adhere to Underwriting Guidelines.....	53
(a)	Stated Income Was Not Reasonable.....	55
(b)	Evidence of Occupancy Misrepresentations.....	57
(c)	Debts Incorrectly Calculated.....	58
(d)	Credit Inquiries That Indicated Misrepresentation of Debt	59
2.	Government Investigations and Other Evidence Have Confirmed That the Originators of the Loans in the Securitizations Systematically Failed to Adhere to Their Underwriting Guidelines	61
3.	Credit Suisse Routinely Included in Securitizations Mortgage Loans That Failed to Meet Underwriting Standards.....	70
4.	Credit Suisse’s Own Insurers Have Found That Loan Groups Securitized by Credit Suisse Are Full of Loans Originated in Violation of Underwriting Guidelines	72

5.	The Collapse of the Certificates’ Credit Ratings Further Indicates That the Mortgage Loans Were Not Originated in Adherence to the Stated Underwriting Guidelines.....	75
6.	The Surge in Mortgage Delinquency and Default Further Demonstrates That the Mortgage Loans Were Not Originated in Adherence to the Stated Underwriting Guidelines	77
V.	FANNIE MAE’S AND FREDDIE MAC’S PURCHASES OF THE GSE CERTIFICATES AND THE RESULTING DAMAGES	80
	FIRST CAUSE OF ACTION	83
	Violation of Section 11 of the Securities Act of 1933	83
	SECOND CAUSE OF ACTION	87
	Violation of Section 12(a)(2) of the Securities Act of 1933	87
	THIRD CAUSE OF ACTION	91
	Violation of Section 15 of the Securities Act of 1933	91
	FOURTH CAUSE OF ACTION	95
	Violation of Section 13.1-522(A)(ii) of the Virginia Code	95
	FIFTH CAUSE OF ACTION	99
	Violation of Section 13.1-522(C) of the Virginia Code	99
	SIXTH CAUSE OF ACTION	103
	Violation of Section 31-5606.05(a)(1)(B) of the District of Columbia Code.....	103
	SEVENTH CAUSE OF ACTION	107
	Violation of Section 31-5606.05(c) of the District of Columbia Code.....	107
	EIGHTH CAUSE OF ACTION	111
	Common Law Negligent Misrepresentation.....	111
	PRAYER FOR RELIEF	117
	JURY TRIAL DEMANDED	118

Plaintiff Federal Housing Finance Agency (“FHFA”), as conservator of The Federal National Mortgage Association (“Fannie Mae”) and The Federal Home Loan Mortgage Corporation (“Freddie Mac”), by its attorneys, Quinn Emanuel Urquhart & Sullivan, LLP, for its Complaint herein against Credit Suisse Holdings (USA), Inc. (“CS Holdings”); Credit Suisse (USA), Inc. (“CS USA”), Credit Suisse Securities (USA) LLC (“CS Securities”), DLJ Mortgage Capital, Inc. (“DLJ Mortgage Capital”), Credit Suisse First Boston Mortgage Securities Corporation (“CSFB Mortgage Securities”), Asset Backed Securities Corporation (“Asset Backed Securities”), Credit Suisse First Boston Mortgage Acceptance Corporation (“CSFB Mortgage Acceptance”) (collectively, “Credit Suisse” or the “Credit Suisse Defendants”), Andrew A. Kimura, Jeffrey A. Altabef, Evelyn Echevarria, Michael A. Marriott, Zev Kindler, John P. Graham, Thomas E. Siegler, Thomas Zingalli, Carlos Onis, Steven L. Kantor, Joseph M. Donovan, Juliana Johnson, and Greg Richter (the “Individual Defendants”) (together with the Credit Suisse Defendants, the “Defendants”) alleges as follows:

NATURE OF ACTION

1. This action arises out of Defendants’ actionable conduct in connection with the offer and sale of certain residential mortgage-backed securities to Fannie Mae and Freddie Mac (collectively, the “Government Sponsored Enterprises” or “GSEs”). These securities were sold pursuant to registration statements, including prospectuses and prospectus supplements that formed part of those registration statements, which contained materially false or misleading statements and omissions. Defendants falsely represented that the underlying mortgage loans complied with certain underwriting guidelines and standards, including representations that significantly overstated the ability of the borrowers to repay their mortgage loans. These representations were material to the GSEs, as reasonable investors, and their falsity violates Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, 15 U.S.C. § 77a *et seq.*, Sections

13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code, Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, and constitutes common law negligent misrepresentation.

2. Between September 28, 2005 and November 23, 2007, Fannie Mae and Freddie Mac purchased over \$14.1 billion in residential mortgage-backed securities (the “GSE Certificates”) issued in connection with 43 Credit Suisse-sponsored and/or Credit Suisse-underwritten securitizations.¹ The GSE Certificates purchased by Freddie Mac, along with date and amount of the purchases, are listed below in Table 11. The GSE Certificates purchased by Fannie Mae, along with date and amount of the purchases, are listed below in Table 12. The 43 securitizations at issue are:

- i. American Home Mortgage Assets Trust Mortgage-Backed Pass-Through Certificates, Series 2005-1 (“AHMA 2005-1”);
- ii. Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates, Series 2005-R8 (“AMSI 2005-R8”);
- iii. Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates, Series 2005-R11 (“AMSI 2005-R11”);
- iv. Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates, Series 2006-R2 (“AMSI 2006-R2”);
- v. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series NC 2005-HE8 (“ABSHE 2005-HE8”);
- vi. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series AEG 2006-HE1 (“ABSHE 2006-HE1”);
- vii. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series NC 2006-HE2 (“ABSHE 2006-HE2”);

¹ For purposes of this Complaint, the securities issued under the Registration Statements (as defined in note 3 below) are referred to as “Certificates,” while the particular Certificates that Fannie Mae and Freddie Mac purchased are referred to as the “GSE Certificates.” Holders of Certificates are referred to as “Certificateholders.”

- viii. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series OOMC 2006-HE3 (“ABSHE 2006-HE3”);
- ix. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series NC 2006-HE4 (“ABSHE 2006-HE4”);
- x. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series OOMC 2006-HE5 (“ABSHE 2006-HE5”);
- xi. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series MO 2006-HE6 (“ABSHE 2006-HE6”);
- xii. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series AMQ 2006-HE7 (“ABSHE 2006-HE7”);
- xiii. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series RFC 2007-HE1 (“ABSHE 2007-HE1”);
- xiv. Asset Backed Securities Corporation Home Equity Loan Trust Asset Backed Pass-Through Certificates, Series AMQ 2007-HE2 (“ABSHE 2007-HE2”);
- xv. Adjustable Rate Mortgage Trust Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2005-10 (“ARMT 2005-10”);
- xvi. Adjustable Rate Mortgage Trust Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2005-11 (“ARMT 2005-11”);
- xvii. Adjustable Rate Mortgage Trust Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2005-12 (“ARMT 2005-12”);
- xviii. Adjustable Rate Mortgage Trust Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2006-1 (“ARMT 2006-1”);
- xix. CSFB Mortgage-Backed Trust Mortgage-Backed Pass-Through Certificates, Series 2005-11 (“CSFB 2005-11”);
- xx. CSFB Mortgage-Backed Trust Mortgage-Backed Pass-Through Certificates, Series 2005-12 (“CSFB 2005-12”);
- xxi. CSMC Mortgage-Backed Trust Mortgage-Backed Pass-Through Certificates, Series 2006-1 (“CSMC 2006-1”);
- xxii. CSMC Asset-Backed Trust Asset-Backed Pass-Through Certificates, Series 2007-NC1 OSI (“CSMC 2007-NC1”);

- xxiii. Fieldstone Mortgage Investment Trust Mortgage-Backed Notes, Series 2005-3 (“FMIC 2005-3”);
- xxiv. Fieldstone Mortgage Investment Trust Mortgage-Backed Notes, Series 2007-1 (“FMIC 2007-1”);
- xxv. Fremont Home Loan Trust Mortgage-Backed Certificates, Series 2005-E (“FHLT 2005-E”);
- xxvi. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2005-7 (“HEAT 2005-7”);
- xxvii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2005-8 (“HEAT 2005-8”);
- xxviii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2005-9 (“HEAT 2005-9”);
- xxix. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-1 (“HEAT 2006-1”);
- xxx. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-3 (“HEAT 2006-3”);
- xxxi. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-4 (“HEAT 2006-4”);
- xxxii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-5 (“HEAT 2006-5”);
- xxxiii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-6 (“HEAT 2006-6”);
- xxxiv. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-7 (“HEAT 2006-7”);
- xxxv. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2006-8 (“HEAT 2006-8”);
- xxxvi. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2007-1 (“HEAT 2007-1”);
- xxxvii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2007-2 (“HEAT 2007-2”);

- xxxviii. Home Equity Asset Trust Home Equity Pass-Through Certificates, Series 2007-3 (“HEAT 2007-3”);
- xxxix. Home Equity Mortgage Trust Home Equity Mortgage Pass-Through Certificates, Series 2006-6 (“HEMT 2006-6”);
- xl. Home Equity Mortgage Loan Asset-Backed Certificates, Series INABS 2006-B (“INABS 2006-B”);
- xli. Home Equity Mortgage Loan Asset-Backed Certificates, Series INABS 2006-C (“INABS 2006-C”);
- xlii. Home Equity Mortgage Loan Asset-Backed Certificates, Series INABS 2006-E (“INABS 2006-E”);
- xliii. New Century Home Equity Trust Asset Backed Notes, Series 2006-1 (“NCHET 2006-1”);

(collectively, the “Securitizations”).

3. Each Certificate was offered for sale pursuant to one of seventeen shelf registration statements (the “Shelf Registration Statements”) filed with the Securities and Exchange Commission (the “SEC”). CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance filed eight of the Shelf Registration Statements that pertained to 32 of the Securitizations at issue.² Those eight Shelf Registration Statements, and the amendments thereto, were signed by or on behalf of the Individual Defendants. With respect to all 43 of the Securitizations, CS Securities was the lead or co-lead underwriter, and with respect to all but two of the Securitizations, CS Securities was also the underwriter who sold the Certificates to the GSEs.

² The remaining nine Shelf Registration Statements, accounting for the remaining eleven Securitizations, were filed and signed by non-parties. CS Securities was one of the lead underwriters for all nine of the remaining Shelf Registration Statements (pertaining to eleven securitizations). It served as the seller underwriter for seven of the Shelf Registration Statements (pertaining to nine securitizations).

4. For each Securitization, a prospectus (“Prospectus”) and prospectus supplement (“Prospectus Supplement”) were filed with the SEC as part of the Registration Statement³ for that Securitization. The GSE Certificates were marketed and sold to Fannie Mae and Freddie Mac pursuant to the Registration Statements, including the Shelf Registration Statements and the corresponding Prospectuses and Prospectus Supplements.

5. The Registration Statements contained statements about the characteristics and credit quality of the mortgage loans underlying the Securitizations, the creditworthiness of the borrowers of those underlying mortgage loans, and the origination and underwriting practices used to make and approve the loans. Such statements were material to a reasonable investor’s decision to invest in mortgage-backed securities by purchasing the Certificates. Unbeknownst to Fannie Mae and Freddie Mac, these statements were materially false, as significant percentages of the underlying mortgage loans were not originated in accordance with the represented underwriting standards and origination practices, and had materially poorer credit quality than what was represented in the Registration Statements.

6. For example, a forensic review of nearly 2,000 loan files for the supporting loan groups of two Securitizations—HEAT 2007-1 and HEAT 2007-2—has revealed that for a majority of the loans in those Securitizations, there were numerous breaches of the originators’ underwriting guidelines, such as failure to evaluate the reasonableness of the borrower’s stated income or to correctly account for the borrower’s debt, both key factors bearing on eligibility for a mortgage loan. Adherence to underwriting guidelines, particularly on key criteria bearing on loan eligibility, is a material consideration to reasonable investors.

³ The term “Registration Statement” as used herein incorporates the Shelf Registration Statement, the Prospectus and the Prospectus Supplement for each referenced Securitization, except where otherwise indicated.

7. Registration Statements also contained statistical summaries of the groups of mortgage loans in each Securitization, such as the percentage of loans secured by owner-occupied properties and percentage of the loan group's aggregate principal balance with loan-to-value ratios within specified ranges. This information was also material to reasonable investors. However, a loan level analysis of a sample of loans for each Securitization—a review that encompassed thousands of mortgages across all of the Securitizations—has revealed that these statistics were also false and omitted material facts due to widespread misstatement of borrowers' incomes and debts, inflated property values, and misrepresentations of other key characteristics of the mortgage loans.

8. For example, the percentage of owner-occupied properties is a material risk factor to the purchasers of Certificates, such as Fannie Mae and Freddie Mac, since a borrower who lives in a mortgaged property is generally less likely to stop paying his or her mortgage and more likely to take better care of the property. The loan level review reveals that the true percentage of owner-occupied properties for the loans supporting the GSE Certificates was materially lower than what was stated in the Prospectus Supplements. Likewise, the Prospectus Supplements misrepresented other material factors, including the true value of the mortgaged properties relative to the amount of the underlying loans, and the actual ability of the individual mortgage borrowers to satisfy their debts.

9. Defendants CS Securities (an underwriter), CSFB Mortgage Securities (a depositor), Asset Backed Securities (a depositor), CSFB Mortgage Acceptance (a depositor), and the Individual Defendants are directly responsible for the misstatements and omissions of material fact contained in the Registration Statements because they prepared, signed, filed and/or used these documents to market and sell the Certificates to Fannie Mae and Freddie Mac.

10. Defendants CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants are also responsible for the misstatements and omissions of material fact contained in the Registration Statements by virtue of their direction and control over Defendants CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. CS Holdings and CS USA directly participated in and exercised dominion and control over the business operations of CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. DLJ Mortgage Capital (the sponsor) directly participated in and exercised dominion and control over the business operations of Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance (collectively, “Depositor Defendants”).

11. Fannie Mae and Freddie Mac purchased over \$14.1 billion of the Certificates pursuant to the Registration Statements filed with the SEC. These documents contained misstatements and omissions of material facts concerning the quality of the underlying mortgage loans, the creditworthiness of the borrowers, and the practices used to originate such loans. As a result of Defendants’ misstatements and omissions of material fact, Fannie Mae and Freddie Mac have suffered substantial losses as the value of their holdings has significantly deteriorated.

12. FHFA, as Conservator of Fannie Mae and Freddie Mac, brings this action against the Defendants for violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, 15 U.S.C. §§ 77k, 77l(a)(2), 77o, Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code, Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, and for common law negligent misrepresentation.

PARTIES

The Plaintiff and the GSEs

13. The Federal Housing Finance Agency is a federal agency located at 1700 G Street, NW in Washington, D.C. FHFA was created on July 30, 2008 pursuant to the Housing and Economic Recovery Act of 2008 (“HERA”), Pub. L. No. 110-289, 122 Stat. 2654 (2008) (codified at 12 U.S.C. § 4617), to oversee Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. On September 6, 2008, under HERA, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorship and appointed FHFA as conservator. In that capacity, FHFA has the authority to exercise all rights and remedies of the GSEs, including but not limited to, the authority to bring suits on behalf of and/or for the benefit of Fannie Mae and Freddie Mac. 12 U.S.C. § 4617(b)(2).

14. Fannie Mae and Freddie Mac are government-sponsored enterprises chartered by Congress with a mission to provide liquidity, stability and affordability to the United States housing and mortgage markets. As part of this mission, Fannie Mae and Freddie Mac invested in residential mortgage-backed securities. Fannie Mae is located at 3900 Wisconsin Avenue, NW in Washington, D.C. Freddie Mac is located at 8200 Jones Branch Drive in McLean, Virginia.

The Defendants

15. Defendant CS Holdings is a Delaware corporation with its principal place of business in New York, New York. It is the direct parent corporation of CS USA and the indirect parent of CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance.

16. Defendant CS USA, formerly known as Credit Suisse First Boston (USA), Inc., is a Delaware corporation with its principal place of business in New York, New York. It is

primarily engaged in the business of investment banking and is the direct subsidiary of CS Holdings and parent of CS Securities.

17. Defendant CS Securities, formerly known as Credit Suisse First Boston LLC (“CSFB”), is a Delaware limited liability company with its principal place of business in New York, New York. It is an SEC-registered broker-dealer primarily engaged in the business of investment banking and is a wholly owned subsidiary of CS USA. It, or its predecessor, acted as the lead or co-lead underwriter for the Certificates at issue here. Fannie Mae and Freddie Mac purchased the GSE Certificates for 41 of the 43 Securitizations from CS Securities in its capacity as underwriter of the Securitizations.

18. Defendant DLJ Mortgage Capital is a Delaware corporation with its principal place of business in New York, New York. It is a wholly owned subsidiary of CS Holdings, an affiliate of CS Securities and the Depositor Defendants, and is primarily engaged in the purchase of mortgage loans. DLJ Mortgage Capital acted as the sponsor for 33 of the 43 Securitizations. It also originated some of the Mortgage Loans underlying the HEMT 2006-6 Securitization, and acquired other Mortgage Loans underlying the Certificates from third-party originators.

19. Defendant CSFB Mortgage Securities is a Delaware corporation with its principal place of business in New York, New York. It is a wholly owned subsidiary of CS Holdings and an affiliate of CS Securities and the other Depositor Defendants. CSFB Mortgage Securities acted as depositor in nineteen of the Securitizations. As depositor, it was also responsible for preparing and filing reports required under the Securities Exchange Act of 1934.

20. Defendant Asset Backed Securities is a Delaware corporation with its principal place of business in New York, New York. It is a wholly owned subsidiary of CS Holdings and an affiliate of CS Securities and the other Depositor Defendants. Asset Backed Securities acted

as depositor in ten of the Securitizations. As depositor, it was also responsible for preparing and filing reports required under the Securities Exchange Act of 1934.

21. Defendant CSFB Mortgage Acceptance is a Delaware corporation with its principal place of business in New York, New York. It is a wholly owned subsidiary of CS Holdings and an affiliate of CS Securities and the other Depositor Defendants. CSFB Mortgage Acceptance acted as depositor in three Securitizations. As depositor, it was also responsible for preparing and filing reports required under the Securities Exchange Act of 1934.

22. Defendant Andrew A. Kimura is an individual residing in Irvington, New York. He served as President and Director of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Mr. Kimura signed six of the Shelf Registration Statements and the amendments thereto.

23. Defendant Jeffrey A. Altabef is an individual residing in Chappaqua, New York. He served as Vice President and Director of CSFB Mortgage Securities. Mr. Altabef signed five of the Shelf Registration Statements and the amendments thereto.

24. Defendant Evelyn Echevarria is an individual residing in Charlotte, North Carolina. Ms. Echevarria served as Director of CSFB Mortgage Securities. Ms. Echevarria signed five of the Shelf Registration Statements and the amendments thereto.

25. Defendant Michael A. Marriott is an individual residing in New York, New York. Mr. Marriott served as Director of CSFB Mortgage Securities. Mr. Marriott signed five of the Shelf Registration Statements and the amendments thereto.

26. Defendant Zev Kindler is an individual residing in Brooklyn, New York. Mr. Kindler served as Treasurer of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Mr. Kindler signed two of the Shelf Registration Statements and the amendments thereto.

27. Defendant John P. Graham is an individual residing in New York, New York. Mr. Graham served as Vice President of CSFB Mortgage Acceptance. Mr. Graham signed one of the Shelf Registration Statements and the amendment thereto.
28. Defendant Thomas E. Siegler served as Director of CSFB Mortgage Acceptance. Mr. Siegler signed one of the Shelf Registration Statements and the amendment thereto.
29. Defendant Thomas Zingalli is an individual residing in Garden City, New York. Mr. Zingalli served as Principal Accounting Officer and Comptroller of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Mr. Zingalli also served as Vice President and Controller for Asset Backed Securities. Mr. Zingalli signed eight of the Shelf Registration Statements and the amendments thereto.
30. Defendant Carlos Onis served as a Director of CSFB Mortgage Securities. Mr. Onis also served as Vice President and Director of Asset Backed Securities. Mr. Onis signed three of the Shelf Registration Statements and the amendments thereto.
31. Defendant Steven L. Kantor is an individual residing in New York, New York. Mr. Kantor served as a Director of CSFB Mortgage Acceptance. He signed one of the Shelf Registration Statements and the amendment thereto.
32. Defendant Joseph M. Donovan is an individual residing in Armonk, New York. Mr. Donovan served as President and Director of Asset Backed Securities. He signed two of the Shelf Registration Statements and the amendments thereto.
33. Defendant Juliana Johnson is an individual residing in Charlotte, North Carolina. Ms. Johnson served as Director of Asset Backed Securities. Ms. Johnson signed two of the Shelf Registration Statements and the amendments thereto.

34. Defendant Greg Richter is an individual residing in Bronxville, New York. Mr. Richter served as Vice President of Asset Backed Securities. Mr. Richter signed two of the Shelf Registration Statements and the amendments thereto.

The Non-Party Originators

35. The loans underlying the Certificates were acquired by the sponsor for each Securitization from non-party mortgage originators,⁴ with the exception of 47.18 percent of the loans underlying the HEMT 2006-6 Securitization, which were originated by Defendant DLJ Mortgage Capital. The non-party originators responsible for the loans underlying the Certificates include Option One Mortgage Corporation (“Option One”), New Century Mortgage Corp. (“New Century”), Wells Fargo Bank, N.A. (“Wells Fargo”), and Ownit Mortgage Solutions, Inc. (“Ownit”), among others.

JURISDICTION AND VENUE

36. Jurisdiction of this Court is founded upon 28 U.S.C. § 1345, which gives federal courts original jurisdiction over claims brought by FHFA in its capacity as conservator of Fannie Mae and Freddie Mac.

37. Jurisdiction of this Court is also founded upon 28 U.S.C. § 1331 because the Securities Act claims asserted herein arise under Sections 11, 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2), 77o. This Court further has jurisdiction over the Securities Act claims pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v.

⁴ Defendant DLJ Mortgage Capital was the sponsor or co-sponsor for 33 of the 43 Securitizations. The remaining ten Securitizations were sponsored by non-parties. In particular, Ameriquest Mortgage Company, Fremont Investment and Loan, Fieldstone Investment Corporation, IndyMac Bank F.S.B., and New Century Mortgage Corporation each sponsored one or more of those ten Securitizations.

38. This Court has jurisdiction over the statutory claims of violations of Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code and Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code, pursuant to this Court’s supplemental jurisdiction under 28 U.S.C. § 1367(a). This Court also has jurisdiction over the common law claim of negligent misrepresentation pursuant to this Court’s supplemental jurisdiction under 28 U.S.C. § 1367(a).

39. Venue is proper in this district pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. § 1391(b). All of the Credit Suisse Defendants are principally located in this district, several of the Individual Defendants reside in this district, and many of the acts and transactions alleged herein, including the preparation and dissemination of the Registration Statements, occurred in substantial part within this district. Defendants are also subject to personal jurisdiction in this district.

FACTUAL ALLEGATIONS

I. THE SECURITIZATIONS

A. Residential Mortgage-Backed Securitizations In General

40. Asset-backed securitization distributes risk by pooling cash-producing financial assets and issuing securities backed by those pools of assets. In residential mortgage-backed securitizations, the cash-producing financial assets are residential mortgage loans.

41. The most common form of securitization of mortgage loans involves a sponsor – the entity that acquires or originates the mortgage loans and initiates the securitization – and the creation of a trust, to which the sponsor directly or indirectly transfers a portfolio of mortgage loans. The trust is established pursuant to a Pooling and Servicing Agreement entered into by, among others, the “depositor” for that securitization. In many instances, the transfer of assets to a trust “is a two-step process: the financial assets are transferred by the sponsor first to an

intermediate entity, often a limited purpose entity created by the sponsor . . . and commonly called a depositor, and then the depositor will transfer the assets to the [trust] for the particular asset-backed transactions.” Asset-Backed Securities, Securities Act Release No. 33-8518, Exchange Act Release No. 34-50905, 84 SEC Docket 1624 (Dec. 22, 2004).

42. Residential mortgage-backed securities are backed by the underlying mortgage loans. Some residential mortgage-backed securitizations are created from more than one cohort of loans called collateral groups, in which case the trust issues securities backed by different groups. For example, a securitization may involve two groups of mortgages, with some securities backed primarily by the first group, and others primarily by the second group. Purchasers of the securities acquire an ownership interest in the assets of the trust, which in turn owns the loans. Within this framework, the purchasers of the securities acquire rights to the cash-flows from the designated mortgage group, such as homeowners’ payments of principal and interest on the mortgage loans held by the related trust.

43. Residential mortgage-backed securities are issued pursuant to registration statements filed with the SEC. These registration statements include prospectuses, which explain the general structure of the investment, and prospectus supplements, which contain detailed descriptions of the mortgage groups underlying the certificates. Certificates are issued by the trust pursuant to the registration statement and the prospectus and prospectus supplement. Underwriters sell the certificates to investors.

44. A mortgage servicer is necessary to manage the collection of proceeds from the mortgage loans. The servicer is responsible for collecting homeowners’ mortgage loan payments, which the servicer remits to the trustee after deducting a monthly servicing fee. The servicer’s duties include making collection efforts on delinquent loans, initiating foreclosure

proceedings, and determining when to charge off a loan by writing down its balance. The servicer is required to report key information about the loans to the trustee. The trustee (or trust administrator) administers the trust’s funds and delivers payments due each month on the certificates to the investors.

B. The Securitizations At Issue In This Case

45. This case involves the 43 Securitizations listed in Table 1 below. CS Securities served as lead or co-lead underwriter for all 43 of the Securitizations and sold the GSE Certificates to the GSEs for 41 of the Securitizations. In 33 of the Securitizations, DLJ Mortgage Capital served as the sponsor, and in 32 of those Securitizations, CSFB Mortgage Securities, Asset Backed Securities, or CSFB Mortgage Acceptance was the depositor and therefore the issuer and offeror of the Certificates. For each of the 43 Securitizations, the table below identifies (1) the sponsor, (2) the depositor, (3) the lead underwriter, (4) the principal amount issued for the tranches⁵ purchased by the GSEs, (5) the date of issuance, and (6) the loan group or groups backing the GSE Certificate for that Securitization (referred to as the “Supporting Loan Groups”).

Table 1

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued (\$)	Date of Issuance	Supporting Loan Group(s)
ABSHE 2005-HE8	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities ⁶	185,074,000	10/28/2005	Group 1
	A1A	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	32,660,000	10/28/2005	Group 1

⁵ A tranche is one of a series of certificates or interests created and issued as part of the same transaction.

⁶ In this table, “CS Securities” refers to either CS Securities or its predecessor, CSFB.

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued (\$)	Date of Issuance	Supporting Loan Group(s)
	A2	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	218,002,000	10/28/2005	Group 2
ABSHE 2006-HE1	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	396,315,000	2/6/2006	Group 1
ABSHE 2006-HE2	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	298,145,000	3/24/2006	Group 1
ABSHE 2006-HE3	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	192,683,000	4/17/2006	Group 1
	A2	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	187,698,000	4/17/2006	Group 2
ABSHE 2006-HE4	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	153,485,000	4/28/2006	Group 1
	A2	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	173,090,000	4/28/2006	Group 2
ABSHE 2006-HE5	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	296,485,000	7/18/2006	Group 1
ABSHE 2006-HE6	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	178,248,000	11/30/2006	Group 1
ABSHE 2006-HE7	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	295,597,000	11/30/2006	Group 1
ABSHE 2007-HE1	A1A	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	71,333,000	2/6/2007	Group 1
	A1B	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	71,333,000	2/6/2007	Group 1
ABSHE 2007-HE2	A1	DLJ Mortgage Capital	Asset Backed Securities	CS Securities	107,228,000	5/31/2007	Group 1
AHMA 2005-1	3A21	DLJ Mortgage Capital	American Home Mortgage Assets LLC	CS Securities	100,470,000	10/31/2005	Group 3B
AMSI 2005-R8	A1	Ameriquest Mortgage Company	Ameriquest Mortgage Securities Inc.	CS Securities (co-lead with Barclay Capital)	779,011,000	9/28/2005	Group 1
AMSI 2005-R11	A1	Ameriquest Mortgage Company	Ameriquest Mortgage Securities Inc.	CS Securities (co-lead with Deutsche Bank Securities Inc.)	1,099,278,000	12/20/2005	Group 1

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued (\$)	Date of Issuance	Supporting Loan Group(s)
AMSI 2006-R2	A1	Ameriquest Mortgage Company	Ameriquest Mortgage Securities Inc.	CS Securities (co-lead with Morgan Stanley & Co. Inc.)	525,819,000	3/29/2006	Group 1
ARMT 2005-10	4A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	90,470,000	9/30/2005	Group 4
ARMT 2005-11	4A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	312,635,000	10/31/2005	Group 4
ARMT 2005-12	4A1	DLJ Mortgage Capital	CSFB Mortgage Acceptance	CS Securities	112,160,000	11/30/2005	Group 4
ARMT 2006-1	5A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	148,572,000	2/28/2006	Group 5
CSFB 2005-11	2A1	DLJ Mortgage Capital	CSFB Mortgage Acceptance	CS Securities	76,116,357	11/29/2005	Group 2
	7A1	DLJ Mortgage Capital	CSFB Mortgage Acceptance	CS Securities	68,243,000	11/29/2005	Group 7
CSFB 2005-12	2A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	100,153,573	12/29/2005	Group 2
	4A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	225,636,009	12/29/2005	Group 4
	5A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	104,000,000	12/29/2005	Group 5
CSMC 2006-1	5A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	180,586,800	1/30/2006	Group 5
	5A2	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	20,065,200	1/30/2006	Group 5
CSMC 2007-NC1	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	286,133,341	8/31/2007	Group 1
FHLT 2005-E	1A1	Fremont Investment and Loan	Fremont Mortgage Securities Corp.	CS Securities	728,502,000	12/20/2005	Group 1
FMIC 2005-3	1A	Fieldstone Investment Corp.	Fieldstone Mortgage Investment Corp.	CS Securities	316,989,000	11/23/2005	Group 1
FMIC 2007-1	1A	Fieldstone Investment Corp.	Fieldstone Mortgage Investment Corp.	CS Securities	124,711,000	4/12/2007	Group 1
HEAT 2005-7	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	250,000,000	10/3/2005	Group 1

Transaction	Tranche	Sponsor	Depositor	Lead Underwriter(s)	Principal Amount Issued (\$)	Date of Issuance	Supporting Loan Group(s)
HEAT 2005-8	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	500,000,000	11/01/2005	Group 1
HEAT 2005-9	1A1	DLJ Mortgage Capital	CSFB Mortgage Acceptance	CS Securities	240,000,000	12/1/2005	Group 1
HEAT 2006-1	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	255,000,000	1/3/2006	Group 1
HEAT 2006-3	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	525,000,000	3/30/2006	Group 1
HEAT 2006-4	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	500,000,000	5/1/2006	Group 1
HEAT 2006-5	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	300,000,000	7/5/2006	Group 1
HEAT 2006-6	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	307,500,000	8/1/2006	Group 1
HEAT 2006-7	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	340,000,000	10/3/2006	Group 1
HEAT 2006-8	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	385,000,000	12/1/2006	Group 1
HEAT 2007-1	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	350,000,000	2/1/2007	Group 1
HEAT 2007-2	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	460,000,000	4/2/2007	Group 1
HEAT 2007-3	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	212,250,000	5/1/2007	Group 1
HEMT 2006-6	1A1	DLJ Mortgage Capital	CSFB Mortgage Securities	CS Securities	27,000,000	12/29/2006	Group 1
INABS 2006-B	1A1	IndyMac Bank, FSB	IndyMac ABS Inc.	CS Securities (co-lead with Lehman Brothers Inc.)	152,932,000	3/14/2006	Group 1
	1A2	IndyMac Bank, FSB	IndyMac ABS Inc.	CS Securities (co-lead with Lehman Brothers Inc.)	152,932,000	3/14/2006	Group 1
INABS 2006-C	2A	IndyMac Bank, FSB	IndyMac ABS Inc.	CS Securities	153,334,000	6/15/2006	Group 2
INABS 2006-E	1A1	IndyMac Bank, FSB	IndyMac ABS Inc.	CS Securities (co-lead with Lehman Brothers Inc.)	192,789,000	12/8/2006	Group 1
	1A2	IndyMac Bank, FSB	IndyMac ABS Inc.	CS Securities (co-lead with Lehman Brothers Inc.)	192,789,000	12/8/2006	Group 1
NCHET 2006-1	A1	New Century Mortgage Corp.	New Century Mortgage Securities LLC	CS Securities (co-lead with Deutsche Bank Securities Inc.)	456,811,000	3/30/2006	Group 1

C. The Securitization Process

1. DLJ Mortgage Capital Groups Mortgage Loans in Special Purpose Trusts

46. As the sponsor for 33 of the 43 Securitizations, Defendant DLJ Mortgage Capital originated and purchased the mortgage loans underlying the Certificates for those 33 Securitizations after the loans were originated, either directly from the originators or through affiliates of the originators.⁷

47. DLJ Mortgage Capital⁸ then sold or co-sold the mortgage loans for 32 of the 33 Securitizations to one of the three Depositor Defendants: CSFB Mortgage Securities, Asset Backed Securities, or CSFB Mortgage Acceptance. With respect to one Securitization that DLJ Mortgage Capital sponsored, it sold the mortgage loan to a non-party depositor. With respect to the remaining ten Securitizations, non-party sponsors sold the mortgage loans to non-party depositors, as reflected in Table 1 at paragraph 45 above. Defendant CS Securities was the lead or co-lead underwriter for all eleven Securitizations in which the depositor is a non-party and the selling underwriter for nine of those eleven Securitizations.

48. The depositors for 32 of the Securitizations, Depositor Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance were wholly owned, limited-purpose financial subsidiaries of CS Holdings and affiliates of DLJ Mortgage Capital and CS Securities. The sole purpose of the Depositor Defendants was to act as a conduit

⁷ Non-party sponsors Ameriquest Mortgage Company, Fremont Investment and Loan, Fieldstone Investment Corporation, IndyMac Bank F.S.B., and New Century Mortgage Corporation were each a sponsor of one or more of the remaining ten Securitizations. The sponsor for each Securitization is identified in Table 1 at paragraph 45 above.

⁸ For the CSFB 2005-12 and CSMC 2006-1 Securitizations, GreenPoint Mortgage was the co-seller.

through which loans originated and acquired by DLJ Mortgage Capital could be securitized and sold to investors.

49. As part of each Securitization, DLJ Mortgage Capital or a non-party sponsor sold the relevant mortgage loans to the depositor pursuant to a Mortgage Loan Purchase Agreement, Assignment and Assumption Agreement, or Pooling and Servicing Agreement that contained various representations and warranties regarding the mortgage loans. The depositor then conveyed the loans to a trust the depositor had established.

50. As part of each Securitization, the trustee, on behalf of the Certificateholders, executed a Pooling and Servicing Agreement (“PSA”) with the relevant depositor and the parties responsible for monitoring and servicing the mortgage loans in that Securitization. The trust, administered by the trustee, held the mortgage loans pursuant to the related PSA and issued Certificates, including the GSE Certificates, backed by such loans. The GSEs purchased the GSE Certificates, through which they obtained an ownership interest in the assets of the trust, including the mortgage loans.

2. The Trusts Issue Securities Backed by the Loans

51. Once the mortgage loans were transferred to the trusts in accordance with the PSAs, each trust issued Certificates backed by the underlying mortgage loans. The Certificates were then sold to investors like Fannie Mae and Freddie Mac, which thereby acquired an ownership interest in the assets of the corresponding trust. Each Certificate entitles its holder to a specified portion of the cashflows from the underlying mortgages in the Supporting Loan Group. The level of risk inherent in the Certificates was a function of the capital structure of the related transaction and the credit quality of the underlying mortgages.

52. The Certificates were issued pursuant to one of seventeen Shelf Registration Statements, filed with the SEC on Form S-3. The Shelf Registration Statements were amended

by one or more Forms S-3/A filed with the SEC. Each Individual Defendant signed one or more of the eight Shelf Registration Statements, including any amendments thereto, which were filed by the Depositor Defendants. The SEC filing number, registrants, signatories and filing dates for the seventeen Shelf Registration Statements and amendments thereto, as well as the Certificates covered by each Shelf Registration Statement, are reflected in Table 2 below.

Table 2

SEC Filing No.	Date of Filing	Date(s) Amended	Registrant	Covered Certificates	Signatories of Registration Statement and Amendment(s)
333-120966	12/3/2004	1/5/2005	CSFB Mortgage Securities	ARMT 2005-10 ARMT 2005-11 HEAT 2005-7 HEAT 2005-8 HEAT 2006-3	Andrew A. Kimura Jeffrey A. Altabef Evelyn Echevarria Michael A. Marriott Zev Kindler Thomas Zingalli
333-120962	12/3/2004	1/5/2005	CSFB Mortgage Acceptance	ARMT 2005-12 CSFB 2005-11 HEAT 2005-9	John P. Graham Carlos Onis Steven L. Kantor Thomas E. Siegler Andrew A. Kimura Zev Kindler Thomas Zingalli
333-121781	12/30/2004	N/A	Ameriquest Mortgage Securities Inc.	AMSI 2005-R8 AMSI 2005-R11	John P. Grazer Adam J. Bass Andrew L. Stidd
333-125587	6/7/2005	N/A	Fremont Mortgage Securities Corp.	FHLT 2005-E	Murray L. Zoota Louis J. Rampino Wayne Bailey Thomas Hayes Patrick Lamb
333-125741	6/10/2005	7/29/2005	American Home Mortgage Assets LLC	AHMA 2005-1	Michael Strauss Stephen Hozie Thomas McDonagh Alan Horn
333-125910	6/17/2005	7/1/2005	Fieldstone Mortgage Investment Corp.	FMIC 2005-3 FMIC 2007-1	John C. Kendall Michael J. Sonnenfeld Teresa McDermott
333-127230	8/5/2005	8/23/2005	Asset Backed Securities	ABSHE 2005-HE8 ABSHE 2006-HE1 ABSHE 2006-HE2	Greg Richter Joseph M. Donovan Thomas Zingalli Carlos Onis Juliana Johnson

SEC Filing No.	Date of Filing	Date(s) Amended	Registrant	Covered Certificates	Signatories of Registration Statement and Amendment(s)
333-127237	8/5/2005	N/A	New Century Mortgage Securities LLC	NCHET 2006-1	Brad A. Morrice Patrick J. Flanagan Patti Dodge
333-127617	8/17/2005	N/A	IndyMac ABS Inc.	INABS 2006-B	S. Blair Abernathy John Olinski Samir Grover Lynette Antosh Victor Woodworth
333-127872	8/26/2005	12/7/2005	CSFB Mortgage Securities	ARMT 2006-1 CSFB 2005-12 CSMC 2006-1 HEAT 2006-1 HEAT 2006-4	Andrew A. Kimura Jeffrey A. Altabef Evelyn Echevarria Michael A. Marriott Thomas Zingalli
333-130884	1/6/2006	2/17/2006	CSFB Mortgage Securities	HEAT 2006-5 HEAT 2006-6	Andrew A. Kimura Jeffrey A. Altabef Evelyn Echevarria Michael A. Marriott Thomas Zingalli
333-131465	2/1/2006	3/15/2006 4/3/2006	Asset Backed Securities	ABSHE 2006-HE3 ABSHE 2006-HE4 ABSHE 2006-HE5 ABSHE 2006-HE6 ABSHE 2006-HE7 ABSHE 2007-HE1 ABSHE 2007-HE2	Greg Richter Joseph M. Donovan Thomas Zingalli Carlos Onis Juliana Johnson
333-131452	2/1/2006	N/A	Ameritrust Mortgage Securities Inc.	AMSI 2006-R2	John P. Grazer Adam J. Bass Andrew L. Stidd
333-132042	2/24/2006	3/29/2006 4/13/2006 6/05/2007	Indy Mac MBS Inc.	INABS 2006-C	John Olinski S. Blair Abernathy Raphael Bostic Samir Grover Victor Woodworth Simon Heyrick ⁹
333-134691	6/2/2006	8/23/2006 10/10/2006	IndyMac ABS Inc.	INABS 2006-E	S. Blair Abernathy John Olinski Raphael Bostic Simon Heyrick Victor Woodworth
333-135481	6/30/2006	7/14/2006	CSFB Mortgage Securities	HEAT 2006-7 HEAT 2006-8 HEAT 2007-1 HEAT 2007-2 HEMT 2006-6	Andrew A. Kimura Jeffrey A. Altabef Evelyn Echevarria Michael A. Marriott Thomas Zingalli

⁹ For this Shelf Registration Statement, Samir Grover did not sign any of the amendments, and Simon Heyrick did not sign the Registration Statement.

SEC Filing No.	Date of Filing	Date(s) Amended	Registrant	Covered Certificates	Signatories of Registration Statement and Amendment(s)
333-140945	2/28/2007	4/16/2007	CSFB Mortgage Securities	CSMC 2007-NC1 HEAT 2007-3	Andrew A. Kimura Jeffrey A. Altabef Evelyn Echevarria Michael A. Marriott Thomas Zingalli

53. The Prospectus Supplement for each Securitization describes the underwriting guidelines that purportedly were used in connection with the origination of the underlying mortgage loans. In addition, the Prospectus Supplements purport to provide accurate statistics regarding the mortgage loans in each group, including the ranges of and weighted average FICO credit scores of the borrowers, the ranges of and weighted average loan-to-value ratios of the loans, the ranges of and weighted average outstanding principal balances of the loans, the debt-to-income ratios, the geographic distribution of the loans, the extent to which the loans were for purchase or refinance purposes, information concerning whether the loans were secured by a property to be used as a primary residence, second home, or investment property, and information concerning whether the loans were delinquent.

54. The Prospectus Supplements associated with each Securitization were filed with the SEC as part of the Registration Statements. In the case of each Securitization, the Form 8-K attaching the PSA associated with the Securitization was also filed with the SEC.¹⁰ The date on which the Prospectus Supplement and Form 8-K were filed for each Securitization, as well as the filing number of the Shelf Registration Statement related to each, are set forth in Table 3 below.

¹⁰ In the case of four Securitizations—ABSHE 2005-HE8, CSFB 2005-12, FMIC 2005-3, and FMIC 2007-1—the Form 8-K filing was not accompanied by the PSA.

Table 3

Transaction	Date Prospectus Supplement Filed	Date of Form 8-K Attaching PSA	Filing No. of Related Registration Statement
ABSHE 2005-HE8	10/28/2005	No PSA attached	333-127230
ABSHE 2006-HE1	2/7/2006	2/21/2006	333-127230
ABSHE 2006-HE2	3/23/2006	4/7/06	333-127230
ABSHE 2006-HE3	4/14/2006	5/3/2006	333-131465
ABSHE 2006-HE4	5/1/2006	5/12/2006	333-131465
ABSHE 2006-HE5	7/18/2006	8/2/2006	333-131465
ABSHE 2006-HE6	12/1/2006	12/15/2006	333-131465
ABSHE 2006-HE7	12/1/2006	12/20/2006	333-131465
ABSHE 2007-HE1	2/6/2007	2/21/2007	333-131465
ABSHE 2007-HE2	6/4/2007	6/15/2007	333-131465
AHMA 2005-1	10/31/2005	11/15/2005	333-125741
AMSI 2005-R8	9/28/2005	10/13/2005	333-121781
AMSI 2005-R11	12/19/2005	1/5/2006	333-121781
AMSI 2006-R2	3/23/2006	3/23/2006	333-131452
ARMT 2005-10	9/30/2005	10/14/2005	333-120966
ARMT 2005-11	10/28/2005	11/15/2005	333-120966
ARMT 2005-12	11/29/2005	12/15/2005	333-120962
ARMT 2006-1	3/2/2006	3/15/2006	333-127872
CSFB 2005-11	12/2/2005	12/23/2005	333-120962
CSFB 2005-12	1/5/2006	No PSA attached	333-127872
CSMC 2006-1	2/1/2006	2/14/2006	333-127872
CSMC 2007-NC1	9/4/2007	9/7/2007	333-140945
FHLT 2005-E	12/20/2005	1/4/2006	333-125587
FMIC 2005-3	11/17/2005	No PSA attached	333-125910
FMIC 2007-1	4/12/2007	No PSA attached	333-125910
HEAT 2005-7	10/3/2005	10/18/2005	333-120966
HEAT 2005-8	11/2/2005	11/22/2005	333-120966
HEAT 2005-9	12/2/2005	12/19/2005	333-120962
HEAT 2006-1	1/4/2006	1/18/2006	333-127872
HEAT 2006-3	3/30/2006	4/14/2006	333-120966
HEAT 2006-4	5/1/2006	5/16/2006	333-130884
HEAT 2006-5	7/6/2006	7/20/2006	333-130884
HEAT 2006-6	8/1/2006	8/16/2006	333-130884
HEAT 2006-7	10/3/2006	10/18/2006	333-135481
HEAT 2006-8	12/4/2006	12/18/2006	333-135481
HEAT 2007-1	2/1/2007	2/16/2007	333-135481
HEAT 2007-2	4/2/2007	4/17/2007	333-135481
HEAT 2007-3	5/2/2007	5/16/2007	333-140945
HEMT 2006-6	12/29/2006	1/12/2006	333-135481
INABS 2006-B	3/14/2006	3/29/2006	333-127617
INABS 2006-C	6/15/2006	6/29/2006	333-132042
INABS 2006-E	12/7/2006	2/26/2007	333-134691
NCHET 2006-1	3/29/2006	4/10/2006	333-127237

55. The Certificates were issued pursuant to the PSAs, and Defendant CS Securities (or its predecessor CSFB) offered the GSE Certificates to Fannie Mae and Freddie Mac pursuant

to the Registration Statements, which, as noted previously, included the Prospectuses and Prospectus Supplements.¹¹ In the case of 41 of the 43 Securitizations, Defendant CS Securities also sold the GSE Certificates to Fannie Mae and Freddie Mac.

II. THE DEFENDANTS' PARTICIPATION IN THE SECURITIZATION PROCESS

A. The Role of Each of the Defendants

56. Each of the Defendants, including the Individual Defendants, had a role in the securitization process and the marketing for most or all of the Certificates, which included purchasing the mortgage loans from the originators, arranging the Securitizations, selling the mortgage loans to the depositor, transferring the mortgage loans to the trustee on behalf of the Certificateholders, underwriting the public offering of the Certificates, structuring and issuing the Certificates, and marketing and selling the Certificates to investors such as Fannie Mae and Freddie Mac.

57. With respect to each Securitization, the depositor, underwriters, and Individual Defendants who signed the Registration Statement, as well as the Defendants who exercised control over their activities, are liable, jointly and severally, as participants in the registration, issuance and offering of the Certificates, including issuing, causing, or making materially misleading statements in the Registration Statement, and omitting material facts required to be stated therein or necessary to make the statements contained therein not misleading.

1. DLJ Mortgage Capital

58. Defendant DLJ Mortgage Capital has been involved in securitizations of various assets since 1988 and was at all relevant times to this Complaint a leading sponsor of mortgage-

¹¹ For the remaining two Securitizations, the selling underwriter was non-party Lehman Brothers. The selling underwriter for each Securitization is reflected at Tables 11 and 12 at paragraphs 179 and 180 below.

backed securities. As stated in the Prospectus Supplements, from 2003 to 2005, at the beginning of the period relevant to this Complaint, DLJ Mortgage Capital and its affiliates reported that they nearly doubled the value of residential mortgage loans they securitized, from more than \$27 billion to approximately \$50 billion.

59. Defendant DLJ Mortgage Capital acted as the sponsor of 33 of the 43 Securitizations. In that capacity, DLJ Mortgage Capital determined the structure of the Securitizations, initiated the Securitizations, originated and purchased the mortgage loans to be securitized, determined distribution of principal and interest, and provided data to the credit rating agencies to secure investment grade ratings for the GSE Certificates. For 32 of the 33 Securitizations, DLJ Mortgage Capital selected one of the Depositor Defendants—CSFB Mortgage Securities, Asset Backed Securities, or CSFB Mortgage Acceptance—as the special purpose vehicle that would be used to transfer the mortgage loans from DLJ Mortgage Capital to the trust.¹² For each of the 33 of the Securitizations in which it acted as sponsor, DLJ Mortgage Capital selected CS Securities as the lead underwriter for the Securitizations. In its role as sponsor, DLJ Mortgage Capital knew and intended that the mortgage loans it purchased would be sold in connection with the securitization process, and that certificates representing such loans would be issued by the relevant trusts.

60. Defendant DLJ Mortgage Capital also conveyed the mortgage loans to the Depositor Defendants pursuant to a Mortgage Loan Purchase Agreement or Assignment and Assumption Agreement. In these agreements, DLJ Mortgage Capital made certain representations and warranties to the Depositor Defendants regarding the groups of loans

¹² The sole exception is AHMA 2005-1, for which the depositor was American Home Mortgage.

collateralizing the Certificates. These representations and warranties were assigned by the Depositor Defendants to the trustees for the benefit of the Certificateholders.

2. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance

61. Each of the Depositor Defendants was a special purpose entity formed solely for the purpose of purchasing mortgage loans, filing registration statements with the SEC, forming issuing trusts, assigning mortgage loans and all of its rights and interests in such mortgage loans to the trustee for the benefit of the certificateholders, and depositing the underlying mortgage loans into the issuing trusts.

62. The Depositor Defendants were the depositors for 32 of the 43 Securitizations, as identified in Table 1 at paragraph 45 above. In their capacity as depositors, each Depositor Defendant purchased mortgage loans from DLJ Mortgage Capital (as sponsor) pursuant to a Mortgage Loan Purchase Agreement or Assignment and Assumption Agreement, as applicable. Each Depositor Defendant then sold, transferred, or otherwise conveyed the mortgage loans to be securitized to the trust. The Depositor Defendants, along with the other Defendants, were also responsible for preparing and filing the Registration Statements pursuant to which the Certificates were offered for sale. The trusts in turn held the mortgage loans for the benefit of the Certificateholders, and issued the Certificates in public offerings for sale to investors such as Fannie Mae and Freddie Mac.

3. CS Securities

63. Defendant CS Securities is an investment bank, and was, at all relevant times, a registered broker/dealer and one of the leading underwriters of mortgage and other asset-backed securities in the United States.

64. Defendant CS Securities (or its predecessor CSFB) was the lead or co-lead underwriter for each of the 43 Securitizations. In that role, it was responsible for underwriting and managing the offer and sale of the Certificates to Fannie Mae and Freddie Mac and other investors. CS Securities was also obligated to conduct meaningful due diligence to ensure that the Registration Statements did not contain any material misstatements or omissions, including as to the manner in which the underlying mortgage loans were originated, transferred, and underwritten.

4. CS USA

65. Defendant CS USA employed its wholly owned subsidiaries and affiliates CS Securities, DLJ Mortgage Capital, and each of the Depositor Defendants, in the key steps of the securitization process. Unlike typical arms' length securitizations, three-quarters of the Securitizations here involved various CS USA subsidiaries and affiliates at virtually each step in the chain—the sponsor was DLJ Mortgage Capital, the depositors were CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In each Securitization, the lead or co-lead underwriter was CS Securities.

66. As the corporate parent or affiliate of CS Securities, DLJ Mortgage Capital, and the Depositor Defendants, CS USA had the practical ability to direct and control these Defendants' actions related to the Securitizations, and in fact exercised such direction and control over their activities related to the issuance and sale of the Certificates.

5. CS Holdings

67. Defendant CS Holdings wholly owns CS USA and is the ultimate U.S. parent of CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. As detailed above, the Securitizations involved Credit Suisse entities, including the aforementioned subsidiaries of CS Holdings, at virtually every step in the

process. CS Holdings profited substantially from this vertically integrated approach to mortgage-backed securitization. Furthermore, CS Holdings shares, and upon information and belief, shared, overlapping management with CS Securities.

6. The Individual Defendants

68. Defendant Andrew A. Kimura was President and a Director of CSFB Mortgage Capital and CSFB Mortgage Acceptance. In those capacities, Mr. Kimura signed five Shelf Registration Statements filed by CSFB Mortgage Securities and one Shelf Registration Statement filed by CSFB Mortgage Acceptance and the amendments thereto. These Shelf Registration Statements are applicable to 22 of the 43 Securitizations.

69. Defendant Jeffrey A. Altabef served as a Vice President and Director of CSFB Mortgage Securities. In that capacity, Mr. Altabef signed five Shelf Registration Statements filed by CSFB Mortgage Securities and the amendments thereto. These Shelf Registration Statements are applicable to nineteen of the 43 Securitizations.

70. Defendant Evelyn Echevarria served as a Director of CSFB Mortgage Securities. In that capacity, Ms. Echevarria signed five Shelf Registration Statements filed by CSFB Mortgage Securities and the amendments thereto. These Shelf Registration Statements are applicable to nineteen of the 43 Securitizations.

71. Defendant Michael A. Marriott served as Director of CSFB Mortgage Securities. In that capacity, Mr. Marriott signed five Shelf Registration Statements filed by CSFB Mortgage Securities and the amendments thereto. These Shelf Registration Statements are applicable to nineteen of the 43 Securitizations.

72. Defendant Zev Kindler served as Treasurer of CSFB Mortgage Securities and CSFB Mortgage Acceptance. In those capacities, Mr. Kindler signed one Shelf Registration Statement filed by CSFB Mortgage Securities and one Shelf Registration Statement filed by

CSFB Mortgage Acceptance and the amendments thereto. These Shelf Registration Statements are applicable to eight of the 43 Securitizations.

73. Defendant John P. Graham served as Vice President of CSFB Mortgage Acceptance. In that capacity, Mr. Graham signed one Shelf Registration Statement filed by CSFB Mortgage Acceptance and the amendment thereto, applicable to three of the 43 Securitizations.

74. Defendant Thomas E. Siegler served as Director at CSFB Mortgage Acceptance. In that capacity, Mr. Siegler signed one Shelf Registration Statement and the amendment thereto, applicable to three of the 43 Securitizations.

75. Defendant Thomas Zingalli served as Principal Accounting Officer and Comptroller of CSFB Mortgage Securities and CSFB Mortgage Acceptance and also as Vice President and Controller for Asset Backed Securities. In those capacities, Mr. Zingalli signed five Shelf Registration Statements filed by CSFB Mortgage Securities, two filed by Asset Backed Securities, and one filed by CSFB Mortgage Acceptance and the amendments thereto. These Shelf Registration Statements are applicable to 32 of the 43 Securitizations.

76. Defendant Carlos Onis served as a Director of CSFB Mortgage Securities and also as Vice President and Director of Asset Backed Securities. In those capacities, Mr. Onis signed one Shelf Registration Statement filed by CSFB Mortgage Securities and two Shelf Registration Statements filed by Asset Backed Securities and the amendments thereto. These Shelf Registration Statements are applicable to thirteen of the 43 Securitizations.

77. Defendant Steven L. Kantor served as a Director of CSFB Mortgage Acceptance. In that capacity, Mr. Kantor signed one Shelf Registration Statement filed by CSFB Mortgage Acceptance and the amendment thereto, applicable to three of the 43 Securitizations.

78. Defendant Joseph M. Donovan served as President and Director of Asset Backed Securities. In that capacity, Mr. Donovan signed two Shelf Registration Statements filed by Asset Backed Securities and the amendments thereto, applicable to ten of the 43 Securitizations.

79. Defendant Juliana Johnson served as Director of Asset Backed Securities. In that capacity, Ms. Johnson signed two Shelf Registration Statements filed by Asset Backed Securities and the amendments thereto, applicable to ten of the 43 Securitizations.

80. Defendant Greg Richter served as Vice President of Asset Backed Securities. In that capacity, Mr. Richter signed two Shelf Registration Statements filed by Asset Backed Securities, and the amendments thereto, applicable to ten of the 43 Securitizations.

B. The Defendants' Failure To Conduct Proper Due Diligence

81. The Defendants failed to conduct adequate and sufficient due diligence to ensure that the mortgage loans underlying the Securitizations complied with the representations in the Registration Statements.

82. During the time period in which the Certificates were issued—approximately 2005 through 2007—Credit Suisse's involvement in the mortgage-backed securitization market was rapidly expanding. The Defendants had enormous financial incentives to complete as many offerings as quickly as possible without regard to ensuring the accuracy or completeness of the Registration Statements, or conducting adequate and reasonable due diligence. For example, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, as the depositors, were paid a percentage of the total dollar amount of the offerings upon completion of the Securitizations, and CS Securities, as the underwriter, was paid a commission based on the amount it received from the sale of the Certificates to the public.

83. The push to securitize large volumes of mortgage loans contributed to the absence of controls needed to prevent the inclusion of untrue statements of material facts and omissions

of material facts in the Registration Statements. In particular, Defendants failed to conduct adequate diligence or otherwise to ensure the accuracy of the statements in the Registrations Statements pertaining to the Securitizations.

84. For instance, Credit Suisse retained third-parties, including Clayton Holdings, Inc. (“Clayton”), to analyze the loans it was considering placing in its securitizations, but waived a significant number of loans into the Securitizations that these firms had recommended for exclusion, and did so without taking adequate steps to ensure that these loans had in fact been underwritten in accordance with applicable guidelines or had compensating factors that excused the loans’ non-compliance with those guidelines. On January 27, 2008, Clayton revealed that it had entered into an agreement with the New York Attorney General (the “NYAG”) to provide documents and testimony regarding its due diligence reports, including copies of the actual reports provided to its clients. According to *The New York Times*, as reported on January 27, 2008, Clayton told the NYAG “that starting in 2005, it saw a significant deterioration of lending standards and a parallel jump in lending expectations” and “some investment banks directed Clayton to halve the sample of loans it evaluated in each portfolio.” Just weeks after *The New York Times* reported on the shoddy lending standards of investment banks, on February 19, 2008, Credit Suisse announced write-downs of \$2.8 billion in positions related to mortgage-backed securities and collateralized debt obligations.

85. Credit Suisse was negligent in allowing into the Securitizations a substantial number of mortgage loans that, as reported to Credit Suisse by third-party due diligence firms, did not conform to the underwriting standards stated in the Registration Statements, including the Prospectuses and Prospectus Supplements. Even upon learning from the third-party due diligence firms that there were high percentages of defective or at least questionable loans in the

sample of loans reviewed by the third-party due diligence firms, Credit Suisse failed to take any additional steps to verify that the population of loans in the Securitizations did not include a similar percentage of defective and/or questionable loans.

86. Clayton's trending reports revealed that in the period from the first quarter of 2006 to the second quarter of 2007, 32 percent of the mortgage loans Credit Suisse submitted to Clayton to review in residential mortgage-backed securities groups were rejected by Clayton as falling outside the applicable underwriting guidelines. Of the mortgage loans that Clayton found defective, one-third of the loans were subsequently waived in by Credit Suisse without proper consideration and analysis of compensating factors and included in securitizations such as the ones in which Fannie Mae and Freddie Mac invested here. *See Clayton Trending Reports*, available at <http://fcic.law.stanford.edu/hearings/testimony/the-impact-of-the-financial-crisis-sacramento#documents>.

III. THE REGISTRATION STATEMENTS AND THE PROSPECTUS SUPPLEMENTS

A. Compliance With Underwriting Guidelines

87. The Prospectus Supplements for each Securitization describe the mortgage loan underwriting guidelines pursuant to which the mortgage loans underlying the related Securitizations were to have been originated. These guidelines were intended to assess the creditworthiness of the borrower, the ability of the borrower to repay the loan, and the adequacy of the mortgaged property as security for the loan.

88. The statements made in the Prospectus Supplements, which, as discussed, formed part of the Registration Statement for each Securitization, were material to a reasonable investor's decision to purchase and invest in the Certificates because the failure to originate a mortgage loan in accordance with the applicable guidelines creates a higher risk of delinquency

and default by the borrower, as well as a risk that losses upon liquidation will be higher, thus resulting in a greater economic risk to an investor.

89. The Prospectus Supplements for the Securitizations contained several key statements with respect to the underwriting standards of the entities that originated the loans in the Securitizations. For example, the Prospectus Supplement for the HEAT 2007-1 Securitization, for which DLJ Mortgage Capital was the sponsor and CSFB Mortgage Securities was the depositor, stated that the “mortgage loans were originated or acquired generally in accordance with the underwriting guidelines described in this prospectus.” The underwriting guidelines referenced were those of Ownit, which originated 25.4 percent of the loans in the HEAT 2007-1 Securitization, as well as other originators who originated lesser percentages of the loans in the group, including EquiFirst Corporation (“EquiFirst”), Lime Financial Services Ltd., and AEGIS Mortgage Corporation.

90. The underwriting guidelines of Ownit, as described in the Prospectus Supplement, in turn stated that they “were designed to be used as a guide in determining the credit worthiness of the borrower and his/her ability to repay.”

91. The Prospectus Supplement for the HEAT 2007-1 Securitization conditioned the approval of any loan as an exception to the underwriting guidelines on the existence of compensating factors. It stated that: “[e]xceptions to the guidelines were made if the loan met the primary criteria of the RightLoan [a proprietary loan product of Ownit] and offered supporting compensating factors when a deviation occurred. In all cases, the exception(s) and compensating factor(s) were clearly documented in the file”

92. The Prospectus Supplement stated that in order to make this loan-by-loan determination of the borrower’s ability to repay, the underwriter must have collected and utilized

specified information, including the credit report, loan application, asset verifications, appraisal and other documents relevant to determining credit worthiness and risk. The guidelines required the originator to have analyzed the borrower's "capacity, credit and collateral," where "capacity" meant "a proven, historical cash flow, which would support the requested loan amount"; "credit" was the "borrower's willingness to repay his or her debts," as demonstrated primarily by the borrower's credit score; and "collateral" was "the asset pledged by the borrower to the lender," as determined by an appraisal of the underlying property. The originator was required to conclude that "the collateral was sufficient to secure the mortgage," in the event that the borrower's "primary source of repayment," his or her cash flow, turned out to be insufficient.

93. The Prospectus and Prospectus Supplement for each of the Securitizations had similar representations to those quoted above. The relevant representations in the Prospectus and Prospectus Supplement pertaining to originating entity underwriting standards for each Securitization are reflected in Appendix A to this Complaint. As discussed below at paragraphs 121 through 178, in fact, the originators of the mortgage loans in the Supporting Loan Group for the Securitizations did not adhere to their stated underwriting guidelines, thus rendering the description of those guidelines in the Prospectuses and Prospectus Supplements false and misleading.

94. Further, for most of the Securitizations, the Prospectuses and Prospectus Supplements described additional representations and warranties concerning the mortgage loans backing the Securitizations. Such representations and warranties, which are described more fully for each Securitization in Appendix A, included: (i) the mortgage loans were underwritten in accordance with the originator's underwriting guidelines in effect at the time of origination,

subject to only limited exceptions; and (ii) any and all requirements of any federal, state or local law applicable to the origination and servicing of the mortgage loans had been complied with.

95. The inclusion of these representations in the Prospectuses and Prospectus Supplements had the purpose and effect of providing additional assurances to investors regarding the quality of the mortgage collateral underlying the Securitizations and the compliance of that collateral with the underwriting guidelines described in the Prospectuses and Prospectus Supplements. These representations were material to a reasonable investor's decision to purchase the Certificates.

B. Statements Regarding Occupancy Status of Borrower

96. The Prospectus Supplements contained collateral group-level information about the occupancy status of the borrowers of the loans in the Securitizations. Occupancy status refers to whether the property securing a mortgage is to be the primary residence of the borrower, a second home, or an investment property. The Prospectus Supplements for each of the Securitizations presented this information in tabular form, usually in a table entitled "Occupancy Status of the Mortgage Loans." This table divided all the loans in the collateral group by occupancy status, *e.g.*, into the following categories: (i) "Primary," or "Owner Occupied"; (ii) "Second Home," or "Secondary"; and (iii) "Investment" or "Non-Owner." For each category, the table stated the number of loans in that category. Occupancy statistics for the Supporting Loan Groups for each Securitization were reported in the Prospectus Supplements as follows:¹³

¹³ Each Prospectus Supplement provides the total number of loans and the number of loans in the following categories: owner occupied, second home, and investor. These numbers have been converted to percentages.

Table 4

Transaction	Supporting Loan Group	Primary or Owner Occupied	Second Home/ Secondary	Investor
ABSHE 2005-HE8	Group 1	89.19	2.96	7.85
	Group 2	91.04	1.85	7.11
ABSHE 2006-HE1	Group 1	95.17	0.75	4.09
ABSHE 2006-HE2	Group 1	88.45	4.03	7.52
ABSHE 2006-HE3	Group 1	90.31	1.60	8.08
	Group 2	88.81	2.05	9.14
ABSHE 2006-HE4	Group 1	90.74	3.91	5.34
	Group 2	88.44	3.10	8.46
ABSHE 2006-HE5	Group 1	92.86	1.55	5.59
ABSHE 2006-HE6	Group 1	82.42	1.50	16.08
ABSHE 2006-HE7	Group 1	86.38	0.74	12.88
ABSHE 2007-HE1	Group 1	93.74	2.70	3.56
ABSHE 2007-HE2	Group 1	96.23	0.26	3.51
AHMA 2005-1	Group 3B	68.51	3.32	28.16
AMSI 2005-R8	Group 1	97.21	0.61	2.18
AMSI 2005-R11	Group 1	95.57	0.82	3.61
AMSI 2006-R2	Group 1	95.15	0.42	4.43
ARMT 2005-10	Group 4	73.08	3.93	22.99
ARMT 2005-11	Group 4	84.37	7.60	8.03
ARMT 2005-12	Group 4	64.43	8.03	27.54
ARMT 2006-1	Group 5	69.12	4.41	26.47
CSFB 2005-11	Group 2	0.00	7.59	92.41
	Group 7	86.99	1.49	11.51
CSFB 2005-12	Group 2	100.00	0.00	0.00
	Group 4	83.98	2.51	13.51
	Group 5	63.58	3.20	33.22
CSMC 2006-1	Group 5	62.54	3.78	33.68
CSMC 2007-NC1	Group 1	86.18	4.69	9.13
FHLT 2005-E	Group 1	84.47	1.07	14.47
FMIC 2005-3	Group 1	95.26	0.00	4.74
FMIC 2007-1	Group 1	94.82	0.00	5.18
HEAT 2005-7	Group 1	94.88	0.72	4.40
HEAT 2005-8	Group 1	94.51	0.57	4.92
HEAT 2005-9	Group 1	89.94	1.06	9.00
HEAT 2006-1	Group 1	95.28	0.58	4.13
HEAT 2006-3	Group 1	95.62	0.60	3.78
HEAT 2006-4	Group 1	90.84	1.01	8.15
HEAT 2006-5	Group 1	86.19	1.02	12.78
HEAT 2006-6	Group 1	93.39	0.54	6.07

Transaction	Supporting Loan Group	Primary or Owner Occupied	Second Home/ Secondary	Investor
HEAT 2006-7	Group 1	94.12	0.63	5.26
HEAT 2006-8	Group 1	94.75	0.81	4.44
HEAT 2007-1	Group 1	94.01	0.44	5.55
HEAT 2007-2	Group 1	91.67	0.74	7.58
HEAT 2007-3	Group 1	94.01	0.82	5.17
HEMT 2006-6	Group 1	100.00	0.00	0.00
INABS 2006-B	Group 1	88.09	1.37	10.54
INABS 2006-C	Group 2	90.60	1.04	8.37
INABS 2006-E	Group 1	90.70	0.95	8.35
NCHET 2006-1	Group 1	85.31	3.82	10.87

97. As Table 4 makes clear, the Prospectus Supplements for each Securitization reported that an overwhelming majority of the mortgage loans in the Supporting Loan Groups were owner occupied, while a small percentage were reported to be non-owner occupied (*i.e.*, a second home or investor home).¹⁴

98. The statements about occupancy status were material to a reasonable investor's decision to invest in the Certificates. Information about occupancy status is an important factor in determining the credit risk associated with a mortgage loan and, therefore, the securitization that it collateralizes. Because borrowers who reside in mortgaged properties are less likely to default and are more likely to care for their primary residence than borrowers who purchase homes as second homes or investments and live elsewhere, the percentage of loans in the collateral group of a securitization that are secured by mortgage loans on owner-occupied residences is an important measure of the risk of the certificates sold in that securitization.

99. Other things being equal, the higher the percentage of loans not secured by owner-occupied residences, the greater the risk of loss to the certificateholders. Even small differences in the percentages of primary/owner-occupied, second home/secondary, and

¹⁴ The only exception is the mortgage loans in the Supporting Loan Group for tranche 2A1 of the CSFB 2005-11 Securitization, which contains 92.41 percent investor homes.

investment properties in the collateral group of a securitization can have a significant effect on the risk of each certificate sold in that securitization, and thus, are important to the decision of a reasonable investor whether to purchase any such certificate. As discussed below at paragraphs 111 to 114, the Registration Statement for each Securitization materially overstated the percentage of loans in the Supporting Loan Groups that were owner occupied, thereby misrepresenting the degree of risk of the GSE Certificates.

C. Statements Regarding Loan-to-Value Ratios

100. The loan-to-value ratio of a mortgage loan, or LTV ratio, is the ratio of the balance of the mortgage loan to the value of the mortgaged property when the loan is made.

101. The denominator in the LTV ratio is the value of the mortgaged property, and is generally the lower of the purchase price or the appraised value of the property. In a refinancing or home-equity loan, there is no purchase price to use as the denominator, so the denominator is often equal to the appraised value at the time of the origination of the refinanced loan. Accordingly, an accurate appraisal is essential to an accurate LTV ratio. In particular, an inflated appraisal will understate, sometimes greatly, the credit risk associated with a given loan.

102. The Prospectus Supplements for each Securitization also contained group-level information about the LTV ratio for the underlying group of loans as a whole. The percentage of loans with an LTV ratio at or less than 80 percent and the percentage of loans with an LTV ratio greater than 100 percent as reported in the Prospectus Supplements for the Supporting Loan Groups are reflected in Table 5 below.¹⁵

¹⁵ As used in this Complaint, “LTV” refers to the original loan-to-value ratio for first lien mortgages and for properties with second liens that are subordinate to the lien that was included in the securitization (i.e., only the securitized lien is included in the numerator of the LTV calculation). However, for second lien mortgages, where the securitized lien is junior to another loan, the more senior lien has been added to the securitized one to determine the numerator in the

Table 5

Transaction	Supporting Loan Group	Percentage of loans, by aggregate principal balance, with LTV less than or equal to 80%	Percentage of loans, by aggregate principal balance, with LTV greater than 100%
ABSHE 2005-HE8	Group 1	54.01	0.00
	Group 2	55.71	0.00
ABSHE 2006-HE1	Group 1	66.36	0.00
ABSHE 2006-HE2	Group 1	61.42	0.00
ABSHE 2006-HE3	Group 1	60.97	0.00
	Group 2	60.34	0.00
ABSHE 2006-HE4	Group 1	61.60	0.00
	Group 2	49.61	0.00
ABSHE 2006-HE5	Group 1	60.05	0.00
ABSHE 2006-HE6	Group 1	46.25	0.00
ABSHE 2006-HE7	Group 1	32.68	0.00
ABSHE 2007-HE1	Group 1	51.19	0.00
ABSHE 2007-HE2	Group 1	48.73	0.00
AHMA 2005-1	Group 3B	96.52	0.00
AMSI 2005-R8	Group 1	50.50	0.00
AMSI 2005-R11	Group 1	51.51	0.00
AMSI 2006-R2	Group 1	53.00	0.00
ARMT 2005-10	Group 4	94.88	0.00
ARMT 2005-11	Group 4	88.24	0.00
ARMT 2005-12	Group 4	97.50	0.00
ARMT 2006-1	Group 5	97.12	0.00
CSFB 2005-11	Group 2	93.92	0.00
	Group 7	96.24	0.00
CSFB 2005-12	Group 2	94.77	0.00
	Group 4	94.55	0.00
	Group 5	95.55	0.00
CSMC 2006-1	Group 5	94.68	0.00
CSMC 2007-NC1	Group 1	54.44	0.00
FHLT 2005-E	Group 1	66.54	0.00
FMIC 2005-3	Group 1	61.48	0.00
FMIC 2007-1	Group 1	31.82	0.00
HEAT 2005-7	Group 1	55.34	0.00
HEAT 2005-8	Group 1	70.46	0.00
HEAT 2005-9	Group 1	70.85	0.00
HEAT 2006-1	Group 1	60.60	0.00

LTV calculation (this latter calculation is sometimes referred to as the combined-loan-to-value ratio, or “CLTV”).

Transaction	Supporting Loan Group	Percentage of loans, by aggregate principal balance, with LTV less than or equal to 80%	Percentage of loans, by aggregate principal balance, with LTV greater than 100%
HEAT 2006-3	Group 1	55.66	0.00
HEAT 2006-4	Group 1	58.61	0.00
HEAT 2006-5	Group 1	66.70	0.00
HEAT 2006-6	Group 1	67.62	0.00
HEAT 2006-7	Group 1	61.27	0.00
HEAT 2006-8	Group 1	59.78	0.00
HEAT 2007-1	Group 1	57.97	0.00
HEAT 2007-2	Group 1	54.70	0.00
HEAT 2007-3	Group 1	58.09	0.00
HEMT 2006-6	Group 1	8.76	0.00
INABS 2006-B	Group 1	57.37	0.00
INABS 2006-C	Group 2	59.54	0.00
INABS 2006-E	Group 1	41.80	0.00
NCHET 2006-1	Group 1	56.28	0.00

103. As Table 5 makes clear, the Prospectus Supplement for nearly all of the Securitizations reported that many or most of the mortgage loans in the Supporting Loan Groups had an LTV ratio of 80 percent or less,¹⁶ and the Prospectus Supplements for all of the Securitizations reported that *zero* mortgage loans in the Supporting Loan Group had an LTV ratio over 100 percent.

104. The LTV ratio is among the most important measures of the risk of a mortgage loan, and thus, it is one of the most important indicators of the default risk of the mortgage loans underlying the Certificates. The lower the ratio, the less likely that a decline in the value of the property will wipe out an owner's equity, and thereby give an owner an incentive to stop making mortgage payments and abandon the property. This ratio also predicts the severity of loss in the

¹⁶ The only exceptions are the ABSHE 2006-HE4 (Group 2), ABSHE 2006-HE6, ABSHE 2006-HE7, ABSHE 2007-HE2, FMIC 2007-1, HEMT 2006-6, and INABS 2006-E Securitizations, for which more than half of the mortgages were reported as having an LTV ratio greater than 80 percent and below 100 percent.

event of default. The lower the LTV, the greater the “equity cushion,” so the greater the likelihood that the proceeds of foreclosure will cover the unpaid balance of the mortgage loan.

105. Thus, LTV ratio is a material consideration to a reasonable investor in deciding whether to purchase a certificate in a securitization of mortgage loans. Even small differences in the LTV ratios of the mortgage loans in the collateral group of a securitization have a significant effect on the likelihood that the collateral groups will generate sufficient funds to pay certificateholders in that securitization, and thus are material to the decision of a reasonable investor whether to purchase any such certificate. As discussed below at paragraphs 115 through 120, the Registration Statements for the Securitizations materially *overstated* the percentage of loans in the Supporting Loan Groups with an LTV ratio at or less than 80 percent, and materially *understated* the percentage of loans in the Supporting Loan Groups with an LTV ratio over 100 percent, thereby misrepresenting the degree of risk of the GSE Certificates.¹⁷

D. Statements Regarding Credit Ratings

106. Credit ratings are assigned to the tranches of mortgage-backed securitizations by the credit rating agencies, including Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings. Each credit rating agency uses its own scale with letter designations to describe various levels of risk. In general, AAA or its equivalent ratings are at the top of the credit rating scale and are intended to designate the safest investments. C and D ratings are at the bottom of the scale and refer to investments that are currently in default and exhibit little or no prospect for recovery. At the time the GSEs purchased the GSE Certificates, investments with AAA or its equivalent ratings historically experienced a loss rate of less than .05 percent. Investments with

¹⁷ The lone exception is HEMT 2006-6, for which the Registration Statement understated the percentage of loans with an LTV ratio above 100 percent by 40 percent, but did not overstate the percentage of loans with an LTV ratio at or less than 80 percent.

a BBB rating, or its equivalent, historically experienced a loss rate of less than one percent. As a result, securities with credit ratings between AAA or its equivalent through BBB- or its equivalent were generally referred to as “investment grade.”

107. Rating agencies determine the credit rating for each tranche of a mortgage-backed securitization by comparing the likelihood of contractual principal and interest repayment to the “credit enhancements” available to protect investors. Rating agencies determine the likelihood of repayment by estimating cashflows based on the quality of the underlying mortgages by using sponsor provided loan level data. Credit enhancements, such as subordination, represent the amount of “cushion” or protection from loss incorporated into a given securitization.¹⁸ This cushion is intended to improve the likelihood that holders of highly rated certificates receive the interest and principal to which they are contractually entitled. The level of credit enhancement offered is based on the make-up of the loans in the underlying collateral group and entire securitization. Riskier loans underlying the securitization necessitate higher levels of credit enhancement to insure payment to senior certificate holders. If the collateral within the deal is of a higher quality, then rating agencies require less credit enhancement for AAA or its equivalent rating.

108. Credit ratings have been an important tool to gauge risk when making investment decisions. For almost a hundred years, investors like pension funds, municipalities, insurance companies, and university endowments have relied heavily on credit ratings to assist them in distinguishing between safe and risky investments. Fannie Mae and Freddie Mac’s respective

¹⁸ “Subordination” refers to the fact that the certificates for a mortgage-backed securitization are issued in a hierarchical structure, from senior to junior. The junior certificates are “subordinate” to the senior certificates in that, should the underlying mortgage loans become delinquent or default, the junior certificates suffer losses first. These subordinate certificates thus provide a degree of protection to the senior certificates from losses on the underlying loans.

internal policies limited their purchases of private label residential mortgage-backed securities to those rated AAA (or its equivalent), and in very limited instances, AA of A bonds (or its equivalent).

109. Each tranche of the Securitizations received a credit rating upon issuance, which purported to describe the riskiness of that tranche. The Defendants reported the credit ratings for each tranche in the Prospectus Supplements. The credit rating provided for each of the GSE Certificates was “investment grade,” almost always AAA or its equivalent. The accuracy of these ratings was material to a reasonable investor’s decision to purchase the GSE Certificates. As set forth in Table 9, at paragraph 174 below, the ratings for the Securitizations were inflated as a result of Defendants’ provision of incorrect data concerning the attributes of the underlying mortgage collateral to the ratings agencies, and, as a result, Defendants sold and marketed the GSE Certificates as AAA (or its equivalent) when, in fact, they were not.

IV. FALSITY OF STATEMENTS IN THE REGISTRATION STATEMENTS AND PROSPECTUS SUPPLEMENTS

A. The Statistical Data Provided in the Prospectus Supplements Concerning Owner Occupancy and LTV Ratios Was Materially False

110. A review of loan-level data was conducted in order to assess whether the statistical information provided in the Prospectus Supplements was true and accurate. For each Securitization, the sample consisted of 1,000 randomly selected loans per Supporting Loan Group, or all of the loans in the group if there were fewer than 1,000 loans in the Supporting Loan Group. The sample data confirms, on a statistically-significant basis, material misrepresentations of underwriting standards and of certain key characteristics of the mortgage loans across the Securitizations. The data review demonstrates that the data concerning owner occupancy and LTV ratios was materially false and misleading.

1. Owner Occupancy Data Was Materially False

111. The data review has revealed that the owner occupancy statistics reported in the Prospectus Supplements were materially false and inflated. In fact, far fewer underlying properties were occupied by their owners than disclosed in the Prospectus Supplements, and more correspondingly were held as second homes or investment properties.

112. To determine whether a given borrower actually occupied the property as claimed, a number of tests were conducted, including, *inter alia*, whether, months after the loan closed, the borrower's tax bill was being mailed to the property or to a different address; whether the borrower had claimed a tax exemption on the property; and whether the mailing address of the property was reflected in the borrower's credit reports, tax records, or lien records. Failing two or more of these tests is a strong indication that the borrower did not live at the mortgaged property and instead used it as a second home or an investment property, both of which make it much more likely that a borrower will not repay the loan.

113. A significant number of the loans failed two or more of these tests, indicating that the owner occupancy statistics provided to Certificateholders, like Fannie Mae and Freddie Mac, were materially false and misleading. For example, for the HEAT 2007-1 Securitization, which was sponsored by DLJ Mortgage Capital and underwritten by CS Securities, the Prospectus Supplement stated that 5.99 percent of the underlying properties by loan count in the Supporting Loan Group were not owner-occupied. But the data review revealed that, for 13.54 percent of the properties represented as owner-occupied, the owners lived elsewhere, indicating that the true percentage of non-owner occupied properties was 18.72 percent, more than triple the percentage reported in the Prospectus Supplement.¹⁹

¹⁹ This conclusion is arrived at by summing: (a) the stated non-owner-occupied percentage in the Prospectus Supplement (here, 5.99 percent) and (b) the product of (i) the stated

114. The data review revealed that for each Securitization, the Prospectus Supplement misrepresented the percentage of non-owner occupied properties. (The sole exception is CSFB 2005-11(Group 2), which involved a loan group described in the Prospectus Supplement as constituted of 100 percent non-owner occupied properties.) The true percentage of non-owner occupied properties, as determined by the data review, versus the percentage stated in the Prospectus Supplement for each Securitization is reflected in Table 6 below. Table 6 demonstrates that the Prospectus Supplements for each Securitization, with the sole exception of CSFB 2005-11(Group 2), understated the percentage of non-owner occupied properties by at least 4.85 percent, and for more than half of the Supporting Loan Groups by 10 percent or more.

Table 6

Transaction	Supporting Loan Group	Reported Percentage of Non-Owner Occupied Properties	Percentage of Properties Reported as Owner-Occupied With Strong Indication of Non-Owner Occupancy ²⁰	Actual Percentage of Non-Owner Occupied Properties	Prospectus Understatement of Non-Owner Occupied Properties
ABSHE 2005-HE8	Group 1	10.81	10.57	20.23	9.42
	Group 2	8.96	11.24	19.20	10.24
ABSHE 2006-HE1	Group 1	4.83	10.47	14.79	9.96
ABSHE 2006-HE2	Group 1	11.55	13.55	23.53	11.98
ABSHE 2006-HE3	Group 1	9.69	9.35	18.13	8.44
	Group 2	11.19	9.48	19.61	8.42
ABSHE 2006-HE4	Group 1	9.26	11.80	19.96	10.70
	Group 2	11.56	10.29	20.66	9.10
ABSHE 2006-HE5	Group 1	7.14	11.15	17.50	10.36
ABSHE 2006-HE6	Group 1	17.58	10.97	26.62	9.04
ABSHE 2006-HE7	Group 1	13.62	11.52	23.57	9.95
ABSHE 2007-HE1	Group 1	6.26	9.72	15.38	9.12
ABSHE 2007-HE2	Group 1	3.77	10.90	14.25	10.49
AHMA 2005-1	Group 3B	31.49	17.55	43.51	12.02
AMSI 2005-R8	Group 1	2.79	9.99	12.50	9.71
AMSI 2005-R11	Group 1	4.43	9.42	13.42	9.00
AMSI 2006-R2	Group 1	4.85	9.32	13.72	8.87

owner-occupied percentage (here, 94.01 percent) and (ii) the percentage of the properties represented as owner-occupied in the sample that showed strong indications that their owners in fact lived elsewhere (here, 13.54 percent).

²⁰ As described more fully in paragraph 112, failing two or more tests of owner-occupancy is a strong indication that the borrower did not live at the mortgaged property and instead used it as a second home or an investment property.

Transaction	Supporting Loan Group	Reported Percentage of Non-Owner Occupied Properties	Percentage of Properties Reported as Owner-Occupied With Strong Indication of Non-Owner Occupancy ²⁰	Actual Percentage of Non-Owner Occupied Properties	Prospectus Understatement of Non-Owner Occupied Properties
ARMT 2005-10	Group 4	26.92	16.77	39.17	12.25
ARMT 2005-11	Group 4	15.63	17.27	30.20	14.57
ARMT 2005-12	Group 4	35.57	12.50	43.63	8.06
ARMT 2006-1	Group 5	30.88	15.27	41.44	10.56
CSFB 2005-11	Group 2	100	0.00	100.00	0.00
	Group 7	13.01	16.47	27.33	14.33
CSFB 2005-12	Group 2	0.00	17.46	17.46	17.46
	Group 4	16.02	11.06	25.31	9.29
	Group 5	36.42	16.97	47.21	10.79
CSMC 2006-1	Group 5	37.46	17.92	48.67	11.21
CSMC 2007-NC1	Group 1	13.82	9.62	22.11	8.29
FHLT 2005-E	Group 1	15.53	14.99	28.20	12.66
FMIC 2005-3	Group 1	4.74	12.77	16.90	12.16
FMIC 2007-1	Group 1	5.18	11.00	15.61	10.43
HEAT 2005-7	Group 1	5.12	11.26	15.80	10.68
HEAT 2005-8	Group 1	5.49	10.40	15.32	9.83
HEAT 2005-9	Group 1	10.06	11.62	20.51	10.45
HEAT 2006-1	Group 1	4.72	10.75	14.96	10.24
HEAT 2006-3	Group 1	4.38	11.89	15.74	11.37
HEAT 2006-4	Group 1	9.16	11.71	19.80	10.64
HEAT 2006-5	Group 1	13.81	9.28	21.80	8.00
HEAT 2006-6	Group 1	6.61	11.41	17.26	10.65
HEAT 2006-7	Group 1	5.88	13.85	18.92	13.04
HEAT 2006-8	Group 1	5.25	10.98	15.65	10.40
HEAT 2007-1	Group 1	5.99	13.54	18.72	12.73
HEAT 2007-2	Group 1	8.33	11.81	19.15	10.82
HEAT 2007-3	Group 1	5.99	10.26	15.63	9.65
HEMT 2006-6	Group 1	0.00	4.85	4.85	4.85
INABS 2006-B	Group 1	11.91	14.27	24.48	12.57
INABS 2006-C	Group 2	9.40	10.50	18.92	9.52
INABS 2006-E	Group 1	9.30	12.07	20.25	10.95
NCHET 2006-1	Group 1	14.69	12.90	25.69	11.00

2. Loan-to-Value Data Was Materially False

115. The data review has further revealed that the LTV ratios disclosed in the Prospectus Supplements were materially false and understated, as more specifically set out below. For each of the sampled loans, an industry standard automated valuation model (“AVM”) was used to calculate the value of the underlying property at the time the mortgage loan was originated. AVMs are routinely used in the industry as a way of valuing properties during prequalification, origination, portfolio review and servicing. AVMs rely upon similar data as appraisers—primarily county assessor records, tax rolls, and data on comparable

properties. AVMs produce independent, statistically-derived valuation estimates by applying modeling techniques to this data.

116. Applying the AVM to the available data for the properties securing the sampled loans shows that the appraised value given to such properties was significantly higher than the actual value of such properties. The result of this overstatement of property values is a material understatement of LTV ratio. That is, if a property's true value is significantly less than the value used in the loan underwriting, then the loan represents a significantly higher percentage of the property's value. This, of course, increases the risk a borrower will not repay the loan and the risk of greater losses in the event of a default. As stated in the Prospectus Supplement for ABS 2005-HE8: "Mortgage loans with high loan-to-value ratios may present a greater risk of loss than mortgage loans with lower loan-to-value ratios."

117. For example, for the HEAT 2007-1 Securitization, which was sponsored by DLJ Mortgage Capital and underwritten by CS Securities, the Prospectus Supplement stated that no loans in the Supporting Loan Group had LTV ratios above 100 percent. In fact, 19.21 percent of the sample of loans included in the data review, based on total principal balance, had LTV ratios above 100 percent. In addition, the Prospectus Supplement stated that 57.97 percent of the loans had LTV ratios at or below 80 percent. The data review indicated that only 36.90 percent of the loans had LTV ratios at or below 80 percent.

118. The data review revealed that for each Securitization, the Prospectus Supplement misrepresented the percentage of loans with an LTV ratio that were above 100 percent, as well the percentage of loans that had an LTV ratio at or below 80 percent. Table 7 reflects: (i) the true percentage of mortgages in the Supporting Loan Group with LTV ratios above 100 percent, versus the percentage reported in the Prospectus Supplement; and (ii) the true percentage of

mortgages in the Supporting Loan Group with LTV ratios at or below 80 percent, versus the percentage reported in the Prospectus Supplement. The percentages listed in Table 7 were calculated by aggregated principal balance.

Table 7

		PROSPECTUS	DATA REVIEW	PROSPECTUS	DATA REVIEW
Transaction	Supporting Loan Group	Percentage of Loans Reported to Have LTV Ratio At Or Less Than 80%	True Percentage of Loans With LTV Ratio At Or Less Than 80%	Percentage of Loans Reported to Have LTV Ratio Over 100%	True Percentage of Loans With LTV Ratio Over 100%
ABSHE 2005-HE8	Group 1	54.01	40.83	0.00	16.14
	Group 2	55.71	44.62	0.00	12.71
ABSHE 2006-HE1	Group 1	66.36	43.77	0.00	14.43
ABSHE 2006-HE2	Group 1	61.42	36.41	0.00	17.49
ABSHE 2006-HE3	Group 1	60.97	44.98	0.00	17.45
	Group 2	60.34	42.76	0.00	15.39
ABSHE 2006-HE4	Group 1	61.60	42.70	0.00	16.53
	Group 2	49.61	33.40	0.00	17.85
ABSHE 2006-HE5	Group 1	60.05	43.07	0.00	13.72
ABSHE 2006-HE6	Group 1	46.25	32.45	0.00	20.71
ABSHE 2006-HE7	Group 1	32.68	22.96	0.00	27.03
ABSHE 2007-HE1	Group 1	51.19	34.42	0.00	21.22
ABSHE 2007-HE2	Group 1	48.73	29.13	0.00	30.33
AHMA 2005-1	Group 3B	96.52	76.11	0.00	3.36
AMSI 2005-R8	Group 1	50.50	42.03	0.00	13.61
AMSI 2005-R11	Group 1	51.51	41.26	0.00	14.05
AMSI 2006-R2	Group 1	53.00	41.38	0.00	16.19
ARMT 2005-10	Group 4	94.88	59.67	0.00	7.48
ARMT 2005-11	Group 4	88.24	51.62	0.00	8.14
ARMT 2005-12	Group 4	97.50	54.97	0.00	7.16
ARMT 2006-1	Group 5	97.12	55.66	0.00	7.45
CSFB 2005-11	Group 2	93.92	76.05	0.00	4.15
	Group 7	96.24	67.22	0.00	6.68
CSFB 2005-12	Group 2	94.77	51.91	0.00	10.20
	Group 4	94.55	59.38	0.00	5.58
	Group 5	95.55	84.04	0.00	2.25
CSMC 2006-1	Group 5	94.68	66.47	0.00	5.44
CSMC 2007-NC1	Group 1	54.44	30.49	0.00	20.02
FHLT 2005-E	Group 1	66.54	41.75	0.00	16.16
FMIC 2005-3	Group 1	61.48	38.30	0.00	12.10
FMIC 2007-1	Group 1	31.82	24.75	0.00	19.39
HEAT 2005-7	Group 1	55.34	40.64	0.00	11.83
HEAT 2005-8	Group 1	70.46	40.11	0.00	13.77
HEAT 2005-9	Group 1	70.85	47.81	0.00	12.46
HEAT 2006-1	Group 1	60.60	45.65	0.00	13.23
HEAT 2006-3	Group 1	55.66	37.65	0.00	16.27
HEAT 2006-4	Group 1	58.61	42.88	0.00	15.09
HEAT 2006-5	Group 1	66.70	40.53	0.00	16.47
HEAT 2006-6	Group 1	67.62	44.13	0.00	14.22

		PROSPECTUS	DATA REVIEW	PROSPECTUS	DATA REVIEW
Transaction	Supporting Loan Group	Percentage of Loans Reported to Have LTV Ratio At Or Less Than 80%	True Percentage of Loans With LTV Ratio At Or Less Than 80%	Percentage of Loans Reported to Have LTV Ratio Over 100%	True Percentage of Loans With LTV Ratio Over 100%
HEAT 2006-7	Group 1	61.27	38.89	0.00	16.82
HEAT 2006-8	Group 1	59.78	36.53	0.00	17.78
HEAT 2007-1	Group 1	57.97	36.90	0.00	19.21
HEAT 2007-2	Group 1	54.70	30.94	0.00	26.79
HEAT 2007-3	Group 1	58.09	34.09	0.00	20.48
HEMT 2006-6	Group 1	8.76	9.06	0.00	40.52
INABS 2006-B	Group 1	57.37	39.83	0.00	14.47
INABS 2006-C	Group 2	59.54	45.35	0.00	13.90
INABS 2006-E	Group 1	41.80	21.78	0.00	25.06
NCHET 2006-1	Group 1	56.28	43.04	0.00	14.87

119. As Table 7 demonstrates, the Prospectus Supplements for all of the Securitizations reported that *none* of the mortgage loans in the Supporting Loan Groups had an LTV ratio over 100 percent. In contrast, the data review revealed that at least 2.25 percent of the mortgage loans for each Securitization had an LTV ratio over 100 percent, and for most Securitizations this figure was much larger. Indeed, for 39 of the Supporting Loan Groups, the data review revealed that more than 10 percent of the mortgages in the Supporting Loan Group had a true LTV ratio over 100 percent. For nine of the Supporting Loan Groups, the data review revealed that more than 20 percent of the mortgages in the Supporting Loan Group had a true LTV ratio over 100 percent. For one Supporting Loan Group, HEMT 2006-6 (Group 1), the data review revealed that more than 40 percent of the mortgages in the Supporting Loan Group had a true LTV ratio over 100 percent.

120. These inaccuracies with respect to reported LTV ratios also indicate that the representations in the Registration Statements relating to appraisal practices were false, and that the appraisers themselves, in many instances, furnished appraisals that they understood were inaccurate and that they knew bore no reasonable relationship to the actual value of the underlying properties. Indeed, independent appraisers following proper practices, and providing

genuine estimates as to valuation, would not systematically generate appraisals that deviate so significantly (and so consistently upward) from the true values of the appraised properties. This conclusion is further confirmed by the findings of the Financial Crisis Inquiry Commission (the “FCIC”), which identified “inflated appraisals” as a pervasive problem during the period of the Securitizations, and determined through its investigation that appraisers were often pressured by mortgage originators, among others, to produce inflated results. *See* Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States (2011) (the “FCIC Report”).

B. The Originators of the Underlying Mortgage Loans Systematically Disregarded Their Underwriting Guidelines

121. The Registration Statements contained material misstatements and omissions regarding compliance with underwriting guidelines. Indeed, the originators for the loans underlying the Securitizations systematically disregarded their respective underwriting guidelines in order to increase production and profits derived from their mortgage lending businesses. This is confirmed by the systematically misreported owner occupancy and LTV statistics, discussed above, and by: (1) a forensic review of nearly 2,000 loan files in the underlying loan groups of the HEAT 2007-1 and HEAT 2007-2 Securitizations; (2) government and other investigations into the originators’ underwriting practices, which revealed widespread abandonment of originators’ reported underwriting guidelines during the relevant period; (3) findings from the FCIC and others that Credit Suisse routinely included in securitizations loans that did not meet underwriting standards; (4) investigations by other plaintiffs who have sued Defendants for making misrepresentations in connection with other, similar securitizations that mortgage loans were originated in compliance with underwriting guidelines; (5) the collapse of

the Certificates' credit ratings; and (6) the surge in delinquency and default in the mortgages in the Securitizations.

1. A Forensic Review of Loan Files Has Revealed Pervasive Failure to Adhere to Underwriting Guidelines

122. A forensic review of 453 loans from the HEAT 2007-1 Securitization and 1,489 loans from the HEAT 2007-2 Securitization, for which DLJ Mortgage Capital served as the sponsor, CSFB Mortgage Securities as the depositor, and CS Securities as lead underwriter, has revealed that approximately 67 percent and 73 percent of the reviewed loans, respectively, were not underwritten in accordance with the underwriting guidelines. The forensic review consisted of an analysis of the loan file for each loan, including the documents submitted by the individual borrowers in support of their loan applications, as well as an analysis of information extrinsic to each loan file, such as the borrower's filings in bankruptcy proceedings or the borrower's motor vehicle registration or other documentation with pertinent information indicating a borrower's assets or residence.

123. The mortgage loans in the HEAT 2007-1 and HEAT 2007-2 Securitizations were originated by Ownit, EquiFirst, Lime Financial Services, ResMAE Mortgage Corp. ("ResMAE"), among others. The Prospectus Supplements for the HEAT 2007-1 and HEAT 2007-2 Securitizations stated that the mortgage loans underlying the Securitizations were originated generally in accordance with the originator's underwriting guidelines. The results of the forensic review demonstrate, however, that the disclosures in the Registration Statements, stating that the mortgage loans were underwritten in accordance with the guidelines described in the Prospectus Supplements, were materially false.

124. The Prospectus Supplements for HEAT 2007-1 and HEAT 2007-2 Securitizations stated that the originator's underwriting guidelines were primarily intended to assess the

likelihood that a borrower would be able to repay the loan based on an analysis of the applicant's source of income and cash flow, a review of the applicant's credit history and the asset or property pledged. Thus, the underwriting guidelines that were breached were designed to assess the likelihood a borrower would be able to repay the loan. The forensic review revealed breaches including the following types:

- failure to test the reasonableness of the borrower's stated income contributing to material misrepresentations of income;
- failure to investigate properly the borrower's intention to occupy the subject properties when red flags surfaced in the origination process that should have alerted the underwriter that the property was not intended as a primary residence;
- failure to calculate properly the borrower's outstanding debt causing the debt-to-income ratio ("DTI") to exceed the maximum allowed under the underwriting guidelines; and
- failure to investigate properly red flags on the borrower's credit reports that should have alerted the underwriter to potential misrepresentations of outstanding debt.

125. The results of the forensic review demonstrate that the disclosures in the Registration Statements, stating the mortgage loans were underwritten in accordance with applicable underwriting guidelines described in the Prospectus Supplements, were materially false. Moreover, although the Prospectus Supplements state that there may be compensating factors to warrant an exception to the applicable guidelines on a case-by-case basis, none of the loan files reflecting a breach of underwriting guidelines evidenced sufficient compensating factors to justify or support such an exception. In any event, breach rates of 67 percent and 73 percent for each of two Securitizations, respectively, could not possibly be explained by the proper application of any such exceptions.

126. The below examples from the forensic review of the HEAT 2007-1 and HEAT 2007-2 Securitizations illustrate the types of breaches discussed above that pervade the loan

groups for the Securitizations. These are examples of violations of the underwriting guidelines and are not a complete list of all the findings.

(a) Stated Income Was Not Reasonable

127. It is standard in the industry for underwriting guidelines to require a verification of employment or reasonableness of stated income in the loan application. For example, as stated in the Prospectus Supplement for the HEAT 2007-1 and HEAT 2007-2 Securitizations, EquiFirst's underwriting guidelines require underwriters "[to] verify the income of each applicant" and in the case of stated income loans to determine that the "income stated [is] reasonable and customary for the applicant's line of work." The Prospectus Supplement for the HEAT 2007-2 Securitization stated that ResMAE's underwriting guidelines required that, "[u]nder all programs, the income stated must be reasonable and customary for the applicant's line of work." The originator Ownit, according to the Prospectus Supplement for the HEAT 2007-1 Securitization, required verification of employment for all loan programs.

128. The following examples from the forensic review of the HEAT 2007-1 and HEAT 2007-2 Securitizations reveal instances where there was no evidence that the underwriter of the mortgages tested the reasonableness of the borrower's stated income for the employment listed on the application as required by the recognized industry standard guidelines. Additionally, the forensic review verified the borrower actually misrepresented his or her income on the loan application. This misrepresentation resulted in a miscalculation of the borrower's DTI. Had the loan underwriter performed a reasonableness test as required by the recognized industry standard guidelines, the unreasonableness of the borrower's stated income would have been evident.

- A loan that closed in December 2006, in the principal amount of \$366,300, was originated as a stated income loan. The final loan application stated that the borrower was employed as an estimating manager for an auto repair business and earned \$7,840 monthly. The initial loan application, however, specified the borrower's monthly income to be \$5,000. The borrower's 2006 W-2 Form

provided after closing verified that the borrower actually earned \$49,452 per year, or \$4,120 per month. The DTI at that salary would have been 90.56%, rather than 47.04%, and would have exceeded the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$207,209, which is over 56% of the original loan amount.

- A loan that closed in September 2006, in the principal amount of \$303,600, was originated as a stated income loan. The application stated that the borrower was making \$7,900 per month as a fork lift driver in California. According to Payscale.com, the average monthly salary at the 75th percentile for this same position in the same geographic region was \$2,905. In addition, the borrower submitted 2006 income tax documents after closing that established his monthly income to be \$3,172. A recalculation of DTI based on monthly verified income of \$3,172 yields a DTI of 125.08%, which grossly exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$113,849, which is over 37% of the original loan amount.
- A loan that closed in January 2007, in the principal amount of \$348,000, was approved as a stated income loan. As reported in the loan application, the borrower was employed as a restaurant manager for eight years earning \$7,955 per month. The file contained no evidence that the underwriter assessed the reasonableness of the stated income. Salary.com reported the monthly salary at the 75th percentile for this position in the same geographic region as \$5,395. The borrower's recalculated DTI using the more reasonable income is 73.53%, instead of 48.89%, and exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$346,637, which is over 99% of the original loan amount.
- A loan that closed in October 2006, in the principal amount of \$175,900, was approved as a stated income loan. The borrower stated on her loan application that she was a cashier with monthly income of \$3,500. Research conducted through CBSalary.com revealed the average monthly salary at the 75th percentile for a cashier in the same geographic region as the borrower was \$2,060. The borrower subsequently declared bankruptcy and in her bankruptcy filings stated that her monthly income in 2006 was \$2,278. A recalculation of DTI based on the borrower's true income yields an increase in the DTI from 46.06% to 70.75%, which exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$118,733, which is over 67% of the original loan amount.

129. The results of the forensic review demonstrate that the statements in the Registration Statements concerning the reasonableness of the borrower's stated income were

materially false and misleading. In particular, a significant number of mortgage loans were made on the basis of “stated incomes” that were patently unreasonable.

(b) Evidence of Occupancy Misrepresentations

130. The following examples from the forensic review are instances where the loan underwriters did not adequately question the borrower’s intended occupancy of the subject property. Although the Prospectus Supplements for the HEAT 2007-1 and HEAT 2007-2 Securitizations reported that 94.01 percent and 91.67 percent, respectively, of the loans in the Supporting Loan Group were for owner-occupied properties, a significant number of the loan files that were reviewed indicated facts or circumstances that would have put a reasonable loan underwriter on notice of potential occupancy misrepresentations. The lack of compliance with the underwriting process in this regard materially increased the credit risk of the loan and the portfolio as investment and second home properties generally have a higher rate of default and higher loss severities than an owner-occupied primary residence.

- A loan that closed in December 2006 as a cash-out refinance, in the principal amount of \$385,000, was originated under a full documentation loan program. The property was represented to be owner occupied. However, income and asset documentation, including paystubs, W-2 forms, and rental income reflect an address other than the subject property as the current address. The origination credit report also associated the borrower to a property other than the subject property. The borrower provided an electric bill prior to closing to support occupancy; however, the electric usage was a minimal bill and did not support occupancy. No evidence in the file indicates that the underwriting process addressed these inconsistencies. The loan defaulted, and the property is in the process of being liquidated in foreclosure proceedings.
- A loan that closed in August 2006, in the principal amount of \$71,600, was originated under a no ratio loan program. The property was represented to be owner occupied. The subject property was located in Jacksonville, FL; however, at the time of origination, the loan file contained bank statements, a payoff letter from the previous mortgage holder, and the Articles of Incorporation for the borrower’s business, all of which indicated the borrower’s mailing address was in Coral Springs, FL. No evidence in the file indicates that the underwriter addressed these inconsistencies. The loan defaulted and the property was liquidated in a foreclosure sale, resulting in a loss of \$70,912, which is 99% of the original loan amount.

- A loan that closed in December 2006, in the principal amount of \$220,000, was originated as a full documentation income loan. The property was represented to be owner occupied. However, the hazard insurance binder in the loan file reflected rental loss coverage, a red flag that the property was instead an investment property. Utility records obtained through Accurint associated the borrowers to another address from April 1997 to January 2011. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$184,033, which is over 83% of the original loan amount.

131. The results of the forensic review demonstrate that the statements in the Registration Statements concerning the borrowers' occupancy status were materially false. In particular, the Prospectus Supplements materially understated the proportion of loans secured by non-owner occupied properties.

(c) Debts Incorrectly Calculated

132. Failure to incorporate all of a borrower's monthly obligations precludes the lender from properly evaluating the borrower's ability to repay the loan. The HEAT 2007-1 Prospectus Supplement specified that originator Ownit applied maximum DTI ratios of "45% or 50% depending on credit score, LTV, documentation type and if the borrower was a first time home buyer." The same Ownit guidelines set forth that the DTI limit could be increased, but in no event to greater than 55 percent, where the borrower met a "minimum disposable income requirement."

133. The following are examples of instances in which it was confirmed through the forensic review that the underwriting process failed to incorporate all of the borrower's debt. When properly calculated, the borrower's actual DTI ratio exceeded the 55 percent limit stated in the Prospectus Supplements. The failure to properly calculate debt led to material misstatements regarding the credit risk of the securitized loans:

- A loan that closed in July 2006, in the principal amount of \$244,500, was originated under a full documentation loan program. The origination credit report dated July 5, 2006 revealed a first mortgage in the amount of \$165,600 and a second mortgage of \$41,400, neither of which had been taken into account in calculating the borrower's

DTI. An Accurant search confirmed that the borrower purchased the property on May 26, 2006, prior to the closing of the subject loan. Recalculating the borrower's DTI based on the undisclosed monthly payments of \$1,505 increases the DTI from 49.30% to 70.83%, a figure that exceeds the 55% guideline maximum. The loan defaulted and the property was liquidated in a foreclosure sale, resulting in a loss of \$228,088.79, which is over 93% of the original loan amount.

- A loan that closed in December 2006, in the principal amount of \$102,600 was originated under a full documentation loan program. Per public records, there was an undisclosed mortgage on the subject property opened on September 30, 2006 in the amount of \$207,000, with a monthly payment of \$2,043. Also, according to the origination credit report, on October 6, 2006, the borrower purchased a commercial property in the amount of \$89,425 with a monthly payment of \$1,013 that had not been included in the initial DTI calculation. A recalculation of DTI resulted in an increase from 53.29% to 74.43%, which exceeds the guideline maximum of 55%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$56,062, which is over 54% of the original loan amount.

(d) Credit Inquiries That Indicated Misrepresentation of Debt

134. It is a standard underwriting requirement that where several recent credit inquiries are listed on the credit report obtained by the loan underwriter as part of evaluating the loan application, the underwriter should confirm that the inquiries were not the result of additional undisclosed debt. The following are examples of some of the instances where the borrowers' credit reports indicated numerous credit inquiries that should have put the loan underwriters on notice for potential misrepresentations of debt obligations to be included in the borrowers' DTI. In each case, there was no evidence in the origination loan file that the loan underwriter researched these credit inquiries or took any action to verify that such inquiries were not indicative of undisclosed liabilities of the borrower.

- A loan that closed in November 2006, in the principal amount of \$84,000, was originated under a full documentation loan program. There was no evidence in the file that the originator requested or obtained an explanation from the borrower for the eight inquiries the borrower made from September 11, 2006 through November 7, 2006. A search of public records revealed three undisclosed mortgages securing two properties and obtained in the month prior to the subject transaction. On October 12, 2006, an unidentified lender closed a loan for the borrower in the amount of \$71,250.00. In addition, on October 27, 2006, the borrower obtained two mortgages totaling \$173,000. The recalculated DTI is

79.02%, instead of 40.85%, and exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$82,466.62, which is over 98% of the original loan amount.

- A loan that closed in December 2006, in the principal amount of \$35,440, was originated under a full documentation loan program. There was no evidence in the file that the originator requested or obtained an explanation from the borrowers for the thirteen inquiries from November 7, 2006 through December 27, 2006 that were listed on the origination credit reports dated December 27, 2006. A review of the servicer's credit report revealed that an undisclosed property was purchased on the same date as the subject closing, December 28, 2006. The recalculated DTI is 57.32%, instead of 42.67%, and exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$35,146, which is over 99% of the original loan amount.
- A loan that closed in November 2006, in the principal amount of \$252,000, was originated as a stated income loan. There was no evidence in the file that the underwriter requested or obtained an explanation from the borrower for the four inquiries, dated from September 6, 2006 through October 11, 2006, listed on the origination credit report dated October 11, 2006. Had this red flag been investigated, the underwriter would have discovered that the borrower financed the purchase of another property on August 7, 2006 with a \$178,200 first mortgage and a \$44,600 second mortgage. The recalculated DTI is 148.73%, not 35.21%, and exceeds the guideline maximum of 50%. The loan defaulted, and the property was liquidated in a foreclosure sale, resulting in a loss of \$223,901, which is over 88% of the original loan amount.

135. Had the loan underwriting for each of these loans been conducted properly, as well as for the other loans in the Supporting Loan Group with these same fatal flaws, the credit inquiries would have been identified and the undisclosed liabilities would have been discovered. In each example, moreover, a recalculation of DTI based on the borrower's undisclosed debt yielded a DTI that exceeded the applicable underwriting guideline maximum. Failure to investigate these issues prevented the loan underwriting process from appropriately qualifying the loan and evaluating the borrower's "ability to repay."

2. Government Investigations and Other Evidence Have Confirmed That the Originators of the Loans in the Securitizations Systematically Failed to Adhere to Their Underwriting Guidelines

136. The abandonment of underwriting guidelines is further confirmed by government and other reporting that have described rampant underwriting failures throughout the period of the Securitizations and, more specifically, underwriting failures by the very originators whose loans were included by the Defendants in the Securitizations.

137. For instance, in November 2008, the Office of the Comptroller of the Currency (“OCC”), an office within the United States Department of the Treasury, issued a report identifying the “Worst Ten” mortgage originators in the “Worst Ten” metropolitan areas. *See* OCC Press Release, “Worst Ten in the Worst Ten,” Nov. 13, 2008. The worst originators were defined as those with the largest number of non-prime mortgage foreclosures for 2005-2007 originations. The following entities that originated loans underlying the Securitizations, according to information made available in the Prospectus Supplements, are all on the “Worst Ten” list in at least one of the metropolitan areas identified in the report:

Table 8

Originator	Securitizations for which loans were originated²¹
Aegis Mortgage Corp.	ABSHE 2006-HE1 ABSHE 2007-HE1 HEAT 2006-4 HEAT 2007-1
American Home Mortgage	CSMC 2006-1 AHMA 2005-1
Ameriquest Mortgage Company	ABSHE 2006-HE6 ABSHE 2006-HE7 ABSHE 2007-HE2 AMSI 2005-R8 AMSI 2005-R11 AMSI 2006-R2

²¹ Some Securitizations had more than one originator.

Originator	Securitizations for which loans were originated²¹
Argent Mortgage Company LLC	ABSHE 2006-HE6 ABSHE 2006-HE7 ABSHE 2007-HE2
Countrywide Home Loans, Inc.	ARMT 2006-1
Decision One Mortgage Company, LLC	HEAT 2006-3 HEAT 2006-6 HEAT 2006-8 HEAT 2007-3
Fieldstone Mortgage Company	FMIC 2005-3 FMIC 2007-1
Fremont Investment and Loan	FHLT 2005-E
IndyMac Bank F.S.B.	INABS 2006-B INABS 2006-C INABS 2006-E
New Century Mortgage Corp.	ABSHE 2005-HE8 ABSHE 2006-HE2 ABSHE 2006-HE4 CSMC 2007-NC1 NCHET 2006-1
Option One Mortgage Corp.	ABSHE 2006-HE3 ABSHE 2006-HE5
Ownit Mortgage Solutions, Inc.	HEAT 2006-5 HEAT 2006-6 HEAT 2006-7 HEAT 2006-8 HEAT 2007-1
People's Choice Financial Corp.	ABSHE 2007-HE1
ResMAE Mortgage Corp.	HEAT 2007-2
Wells Fargo Bank, N.A.	CSMC 2006-1 HEAT 2006-3 HEAT 2006-4

138. As far as can be discerned from the Prospectus Supplements, four prominent originators of loans in the Loan Groups supporting the Certificates are Ownit, New Century, Option One, and Wells Fargo.²²

139. Ownit, which originated loans for at least five of the Securitizations, was a mortgage lender based in Agoura Hills, California. In September 2005, the investment bank

²² The Prospectus Supplements do not often identify all of the originators of the mortgage loans in the groups, or even the most significant originators.

Merrill Lynch & Co. (“Merrill Lynch”) acquired a 20 percent stake in the company. According to Ownit’s founder and chief executive, William D. Dallas, after Merrill Lynch acquired that stake, it instructed Ownit to loosen underwriting standards and originate more stated income loans. Andrews, Edmund L., *Busted: Life Inside the Great Mortgage Meltdown*, W.W. Norton & Company, New York: 2009, at 158. As a result, the number of stated income loans jumped from near zero to over 30 percent. *Id.* at 155, 162. Ownit also lowered the credit scores it required from borrowers. *Id.* at 162. Ownit thus abandoned its underwriting standards in order to originate more loans.

140. New Century originated all of the loans for at least another five Securitizations. As stated in the Prospectus Supplement for the ABSHE 2006-HE4 Securitization, “[f]or the year ending December 31, 2005, New Century Financial Corporation originated \$56.1 billion in mortgage loans.” By the end of 2006, New Century Financial Corp., the parent of New Century, was the third largest subprime mortgage loan originator in the United States, with a loan production volume that year of \$51.6 billion. And before its collapse in the first half of 2007, New Century Financial Corp. was one of the largest subprime lenders in the country.

141. In 2010, the OCC identified New Century as *the* worst subprime lender in the country based on the delinquency rates of the mortgages it originated in the ten metropolitan areas between 2005 and 2007 with the highest rates of delinquency. *See* OCC Press Release, “Worst Ten in the Worst Ten: Update,” March 22, 2010. Further, in January 2011, the FCIC issued its final report, which detailed, among other things, the collapse of mortgage underwriting standards and subsequent collapse of the mortgage market and wider economy. The FCIC Report singled out New Century Financial Corp. for its role:

New Century—once the nation’s second-largest subprime lender—ignored early warnings that its own loan quality was deteriorating and stripped power from two

risk-control departments that had noted the evidence. In a June 2004 presentation, the Quality Assurance staff reported they had found severe underwriting errors, including evidence of predatory lending, federal and state violations, and credit issues, in 25% of the loans they audited in November and December 2003. In 2004, Chief Operating Officer and later CEO Brad Morrice recommended these results be removed from the statistical tools used to track loan performance, and in 2005, the department was dissolved and its personnel terminated. The same year, the Internal Audit department identified numerous deficiencies in loan files; out of nine reviews it conducted in 2005, it gave the company's loan production department "unsatisfactory" ratings seven times. Patrick Flanagan, president of New Century's mortgage-originating subsidiary, cut the department's budget, saying in a memo that the "group was out of control and tries to dictate business practices instead of audit."

FCIC Report at 157.

142. On February 29, 2008, after an extensive document review and conducting over 100 interviews, Michael J. Missal, the Bankruptcy Court Examiner for New Century Financial Corp., issued a detailed report on the various deficiencies at the company, including lax mortgage standards and a failure to follow its own underwriting guidelines. Among his findings, the Examiner reported:

- "New Century had a brazen obsession with increasing loan originations, without due regard to the risks associated with that business strategy.... Although a primary goal of any mortgage banking company is to make more loans, New Century did so in an aggressive manner that elevated the risks to dangerous and ultimately fatal levels."
- New Century also made frequent exceptions to its underwriting guidelines for borrowers who might not otherwise qualify for a particular loan. A senior officer of New Century warned in 2004 that the "number one issue is exceptions to the guidelines." Moreover, many of the appraisals used to value the homes that secured the mortgages had deficiencies.
- "New Century ... layered the risks of loan products upon the risks of loose underwriting standards in its loan originations to high risk borrowers."

Final Report of Michael J. Missal, Bankruptcy Examiner, *In re New Century TRS Holdings, Inc.*,

No. 07-10416 (KJC) (Bankr. Del. Feb. 29, 2008), *available at*

http://graphics8.nytimes.com/packages/pdf/business/Final_Report_New_Century.pdf.

143. On December 9, 2009, the SEC charged three of New Century Financial Corp.'s top officers with violations of federal securities laws. The SEC's complaint details how New Century Financial Corp.'s representations regarding its underwriting guidelines, *e.g.*, that it was committed to "adher[ing] to high origination standards in order to sell [its] loan products in the secondary market" and "only approv[ing] subprime loan applications that evidence a borrower's ability to repay the loan," were blatantly false. *See* Complaint, *S.E.C. v. Morrice et al.*, No. SACV 09-01426 (C.D. Cal. Dec. 9, 2009).

144. Patricia Lindsay, a former Vice President of Corporate Risk at New Century Financial Corp., testified before the FCIC in April 2010 that, beginning in 2004, underwriting guidelines had been all but abandoned at New Century. Ms. Lindsay further testified that New Century systematically approved loans with 100 percent financing to borrowers with extremely low credit scores and no supporting proof of income. *See* Written Testimony of Patricia Lindsay for the FCIC Hearing, April 7, 2010 ("Lindsay Testimony"), <http://fcic-static.law.stanford.edu/cdn-media/fcic.testimony/2010-0407-Lindsay.pdf>, at 3.

145. Option One originated all of the 2,704 mortgage loans in the Supporting Loan Groups in the ABSHE 2006-HE3 Securitization and all of the 2,058 mortgage loans in the ABSHE 2006-HE5 Securitization. Option One has also been identified through multiple reports and investigations for its faulty underwriting. On June 3, 2008, for instance, the Attorney General for the Commonwealth of Massachusetts filed an action against Option One (the "Option One Complaint"), and its past and present parent companies, for their unfair and deceptive origination and servicing of mortgage loans. *See* Complaint, *Commonwealth v. H&R Block, Inc.*, CV NO. 08-2474-BLS (Mass. Super. Ct. June 3, 2008). According to the Massachusetts Attorney General, since 2004, Option One had "increasingly disregarded

underwriting standards ... and originated thousands of loans that [Option One] knew or should have known the borrowers would be unable to pay, all in an effort to increase loan origination volume so as to profit from the practice of packaging and selling the vast majority of [Option One's] residential subprime loans to the secondary market.” *See* Option One Complaint.

146. The Massachusetts Attorney General alleged that Option One's agents and brokers “frequently overstated an applicant's income and/or ability to pay, and inflated the appraised value of the applicant's home,” and that Option One “avoided implementing reasonable measures that would have prevented or limited these fraudulent practices.” Option One's “origination policies ... employed from 2004 through 2007 have resulted in an explosion of foreclosures.” *Id.* at 1.

147. On November 24, 2008, the Superior Court of Massachusetts granted a preliminary injunction that prevented Option One from foreclosing on thousands of its loans issued to Massachusetts residents. *Commonwealth v. H&R Block, Inc.*, No. 08-2474-BLS1, 2008 WL 5970550 (Mass. Super. Ct. Nov. 24, 2008). On October 29, 2009, the Appeals Court of Massachusetts affirmed the preliminary injunction. *See Commonwealth v. Option One Mortgage Co.*, No. 09-P-134, 2009 WL 3460373 (Mass. App. Ct. Oct. 29, 2009).

148. On August 9, 2011, the Massachusetts Attorney General announced that H&R Block, Inc., Option One's parent company, had agreed to settle the suit for approximately \$125 million. *See* Massachusetts Attorney General Press Release, “H&R Block Mortgage Company Will Provide \$125 Million in Loan Modifications and Restitutions,” Aug. 9, 2011. Media reports noted that the suit was being settled amidst ongoing discussions among multiple states' attorneys general, federal authorities, and five major mortgage servicers, aimed at resolving investigations of the lenders' foreclosure and mortgage-servicing practices. The Massachusetts

Attorney General released a statement saying that no settlement should include a release for conduct relating to the lenders' packaging of mortgages into securitizations. *See, e.g.*, Bloomberg.com, H&R Block, "Massachusetts Reach \$125 Million Accord in State Mortgage Suit," Aug. 9, 2011.

149. Wells Fargo originated 44.5 percent, 32.9 percent, and 21.9 percent of the loans underlying the HEAT 2006-3, HEAT 2006-4, and CSMC 2006-1 Securitizations, respectively. Admissions, government investigations, and statements provided by insiders confirm that Wells Fargo was routinely approving loans that failed to meet its underwriting standards.

150. In March 2009, residential mortgage-backed securities investors filed suit against Wells Fargo, alleging that it had misrepresented its underwriting guidelines and loan quality. *See In re Wells Fargo Mortgage-Backed Certificates Litig.*, No. 09-CV-01376 (N.D. Cal. 2009). In denying in part a motion to dismiss, the court found that plaintiffs had adequately pled that "variance from the stated [underwriting] standards was essentially [Wells Fargo's] norm" and that this conduct "infected the entire underwriting process." *In re Wells Fargo Mortgage-Backed Certificates Litig.*, 712 F. Supp. 2d 958, 972 (N.D. Cal. 2010). Wells Fargo agreed to settle the investors' claims.

151. Further, a number of government actors have announced investigations of Wells Fargo's lending practices. In July 2009, the Attorney General of Illinois filed a lawsuit, *People v. Wells Fargo & Co.*, No. 09-CH-26434 (Ill. Cir. Ct. 2009), alleging that Wells Fargo "engaged in deceptive practices by misleading Illinois borrowers about their mortgage terms." The complaint details that borrowers were placed into loans that were "unaffordable and unsuitable," and that Wells Fargo "failed to maintain proper controls."

152. In April 2010, the City of Memphis filed its First Amended Complaint in *Memphis v. Wells Fargo Bank*, No. 09-CV-02857 (W.D. Tenn. 2009), alleging that Wells Fargo “failed to underwrite African-American borrowers properly.” A similar lawsuit was filed by the City of Baltimore, *Mayor and City Council of Baltimore v. Wells Fargo Bank, N.A.*, No. 08-CV-00062 (D. Md. 2008). The *City of Memphis* and *City of Baltimore* complaints include sworn declarations from many former Wells Fargo employees, which provide evidence of predatory lending and abandonment of underwriting guidelines.

153. For instance, Camille Thomas, a loan processor at Wells Fargo from January 2004 to January 2008, stated under oath that loans were granted based on inflated appraisals, which allowed borrowers to get larger loans than they could afford due to the impact on the LTV calculation and some loans were even granted based on falsified income documents. Similarly, another affidavit by Doris Dancy, a credit manager at Wells Fargo from July 2007 to January 2008, stated that managers put pressure on employees to convince people to apply for loans, even if the person could not afford the loan or did not qualify for it. She was also aware that loan applications contained false data, used to get customers to qualify for loans.

154. The FCIC interviewed Darcy Parmer, a former employee of Wells Fargo, who worked as an underwriter and a quality assurance analyst from 2001 until 2007. Ms. Parmer confirmed that, during her tenure, Wells Fargo’s underwriting standards were loosening, adding that they were being applied “on the fly” and that “[p]eople were making it up as they went.” She also told the FCIC that 99 percent of the loans she would review in a day would get approved, and that, even though she later became a “fraud analyst,” she never received any training in detecting fraud. The FCIC Report described how “hundreds and hundreds and hundreds of fraud cases” that Ms. Palmer knew were identified within Wells Fargo’s home

equity loan division were not reported to FinCEN.²³ In addition, according to Ms. Palmer, at least half the loans she flagged for fraud were nevertheless funded, over her objections.

155. In July 2011, the Federal Reserve Board issued a consent cease and desist order and assessed an \$85 million civil money penalty against Wells Fargo & Co. and Wells Fargo Financial, Inc. According to the Federal Reserve's press release, the order addressed in part allegations that "Wells Fargo Financial sales personnel falsified information about borrowers' incomes to make it appear that the borrowers qualified for loans when they would not have qualified based on their actual incomes." The Federal Reserve Board also found that the poor practices of Wells Fargo were fostered by Wells Fargo Financial's incentive compensation and sales quota programs, and the lack of adequate controls to manage the risks resulting from these programs.

156. The originators of the mortgage loans underlying the Securitizations also went beyond the systematic disregard of their own underwriting guidelines. The FCIC "reviewed millions of pages of documents, interviewed more than 700 witnesses, and held 19 days of public hearings in New York, Washington, D.C., and communities across the country," as a means of examining the "causes of the current financial and economic crisis in the United States." FCIC Report at xi. The FCIC confirmed that mortgage originators throughout the industry pressured appraisers, during the period of the Securitizations, to issue inflated appraisals that met or exceeded the amount needed for the subject loans to be approved, regardless of the accuracy of such appraisals, and especially when the originators aimed at putting the mortgages into a package of mortgages that would be sold for securitization. This resulted in lower LTV ratios, discussed above, which in turn made the loans appear to the investors less risky than they were.

²³ FinCEN is the Financial Crimes Enforcement Network, a bureau within the Treasury Department that collects and analyzes information regarding financial fraud.

157. As described by Patricia Lindsay, the former wholesale lender who testified before the FCIC in April 2010, appraisers “fear[ed]” for their “livelihoods,” and therefore cherry-picked data “that would help support the needed value rather than finding the best comparables to come up with the most accurate value.” *See* Lindsay Test. at 5. Likewise, Jim Amorin, President of the Appraisal Institute, confirmed in his testimony that “[i]n many cases, appraisers are ordered or severely pressured to doctor their reports and to convey a particular, higher value for a property, or else never see work from those parties again [T]oo often state licensed and certified appraisers are forced into making a ‘Hobson’s Choice.’” *See* Testimony of Jim Amorin to the FCIC, available at www.appraisalinstitute.org/newsadvocacy/downloads/ltrs_tstmny/2009/AI-ASA-ASFMRA-NAIFATestimonyonMortgageReform042309final.pdf. Faced with this choice, appraisers systematically abandoned applicable guidelines and over-valued properties in order to facilitate the issuance of mortgages that could then be collateralized into mortgage-backed securitizations.

3. Credit Suisse Routinely Included in Securitizations Mortgage Loans That Failed to Meet Underwriting Standards

158. Credit Suisse itself has also been the subject of government investigations and reports that have described and documented Credit Suisse’s failure to ensure that the mortgage loans it securitized were originated in compliance with applicable underwriting guidelines.

159. MBIA Insurance Corp. (“MBIA”), which has sued Credit Suisse Securities and DLJ Mortgage Capital for breach of contract and fraud in connection with residential mortgage-backed securities securitizations for which MBIA provided financial guaranty insurance, reported at the end of April 2011 that the SEC has commenced an investigation of Credit Suisse and has subpoenaed from Credit Suisse documentation relating to the standards under which

loans securitized by Credit Suisse were originated. *See* Bloomberg.com, “SEC Subpoenas Credit Suisse Over Mortgages, MBIA Says,” May 5, 2011.

160. The Clayton trending reports described at paragraph 86 above, and summarized by the FCIC, have also documented that Credit Suisse routinely “waived” into loan groups mortgage loans that did not comply with underwriting guidelines and without adequate consideration of compensating factors. The FCIC regarded Clayton, the firm Credit Suisse retained to analyze loans it placed in its securitizations, to have a “unique inside view of the underwriting standards that originators were actually applying” because of the volume of loans it examined “during the housing boom.” FCIC Report at 166, 167.

161. Clayton gave loans one of three grades – Grade 3 loans “failed to meet guidelines and were not approved,” while Grade 1 loans “met guidelines.” *Id.* at 166. Clayton also “critically” analyzed whether, to the extent a loan was deficient, any “compensating factors” existed. *Id.* Tellingly, only 54 percent of the nearly one-million loans reviewed by Clayton “met guidelines,” a number that its former president indicated signified “there [was] a quality control issue in the factory” for mortgage-backed securities. *Id.*

162. As related at paragraph 86 above, internal Clayton documents show that, contrary to Defendants’ representations, a startlingly high percentage of loans reviewed by Clayton for Credit Suisse were defective, but were nonetheless included by the Defendants in loan groups sold to investors. According to a trending report made public in September 2010, Clayton found that 32 percent of the 56,300 loans that it reviewed for Defendants received the worst possible grade, *i.e.*, they failed to conform to standards. *Id.* at 167. Credit Suisse “waived” into its groups one-third of those toxic loans that Clayton had identified as being outside the guidelines.

163. The FCIC concluded that the “waiver” of rejected loans that were not subject to any compensating factors rendered Defendants’ disclosures regarding their underwriting and due diligence processes even more misleading. The report concluded:

[M]any prospectuses indicated that the loans in the pool either met guidelines outright or had compensating factors, even though Clayton’s records show that only a portion of the loans were sampled, and that of those that were sampled, a substantial percentage of Grade 3 loans were waived in.

....

[O]ne could reasonably expect [the untested loans] to have many of the same deficiencies, at the same rate, as the sampled loans. **Prospectuses for the ultimate investors in the mortgage-backed securities did not contain this information, or information on how few of the loans were reviewed, raising the question of whether the disclosures were materially misleading, in violation of the securities laws.**

FCIC Report at 167, 170 (emphasis added).

4. Credit Suisse’s Own Insurers Have Found That Loan Groups Securitized by Credit Suisse Are Full of Loans Originated in Violation of Underwriting Guidelines

164. MBIA and Ambac Assurance Corporation (“Ambac”) provided financial guaranty insurance on Credit Suisse’s securitizations in 2007. In connection with lawsuits they commenced against CS Securities and DLJ Mortgage Capital, MBIA and Ambac, who had contractual rights to obtain the loan files for the securitizations they insured, have disclosed the results of their own re-underwriting of loan files. The findings of these insurers reinforce the results of the forensic review conducted by Plaintiff FHFA of nearly 2,000 files relating to loans backing the HEAT 2007-1 and HEAT 2007-2 Securitizations. Specifically, they demonstrate that the essential characteristics of the mortgage loans underlying the Certificates sold to the GSEs were misrepresented and that the problems with the underwriting practices used to originate the mortgage loans were systemic.

165. MBIA and Ambac are monoline insurers that wrote financial guaranty insurance on HEMT 2007-2 and HEMT 2007-1, respectively. According to complaints filed in December 2009 and January 2010, MBIA and Ambac began investigating the quality of the underwriting used to originate the loans underlying the securitizations for which they provided insurance after the poor performance of the loans in the pools triggered their obligation to pay claims. The HEMT shelf is common to HEMT 2006-6, the offering from which Freddie Mac purchased Certificates. The parties, type of collateral, structure, timing, and disclosures made in connection with HEMT 2007-2 and 2007-1 were substantially similar to those present in the Securitizations.

166. As discussed in the complaint in the action entitled *MBIA v. Credit Suisse Sec. et al.*, No. 603751/09 (N.Y. Sup. Ct. Dec. 14, 2009), MBIA reviewed the loan origination files of 1,798 loans in the pool underlying HEMT 2007-2, of which 477 were selected at random. In its review, MBIA found that 85 percent of the loans contained breaches of DLJ Mortgage Capital's contractual representations and warranties to MBIA that the loans had been originated in compliance with underwriting guidelines. MBIA has alleged that these findings demonstrated "a complete abandonment of applicable guidelines and prudent practices such that the loans were (i) made to numerous borrowers who were not eligible for the reduced documentation loan programs through which their loans were made, and (ii) originated in a manner that systematically ignored the borrowers' inability to repay the loans."

167. MBIA also found "pervasive violations of the originators' actual underwriting standards, and prudent and customary origination and underwriting practices, including (i) qualifying borrowers under reduced documentation programs who were ineligible for those programs; (ii) systemic failure to conduct the required income-reasonableness analysis for stated income loans, resulting in the rampant origination of loans to borrowers who made unreasonable

claims as to their income; and (iii) lending to borrowers with debt-to-income and loan-to-value ratios above the allowed maximums.”

168. As described in the complaint in the action entitled *Ambac v. DLJ Mortgage Capital et al.*, No. 600070/2010 (N.Y. Sup. Ct. Jan. 22, 2010), Ambac reviewed the loan origination files of 1,134 loans in the pool underlying HEMT 2007-1, of which 390 were randomly selected. In its review, Ambac found that 80 percent of the loans breached DLJ Mortgage Capital’s contractual representations and warranties to Ambac that the loans had been originated in compliance with underwriting guidelines. Ambac’s findings as to the nature of the failure to comply with underwriting guidelines were similar to those of MBIA, described above.

169. MBIA has also recently filed briefing in which it states that Credit Suisse has produced internal emails that prove that as early as February 2006, Credit Suisse itself had become aware that the mortgage loans that it was pooling for securitizations had been originated in violation of the applicable underwriting guidelines. According to MBIA, when faced with alarming early payment default rates on loans that it planned to securitize, Credit Suisse employees sought to obtain “quality control” reports. Those reports showed that substantial percentages of the delinquencies had been caused by substandard underwriting, misstated incomes, and undisclosed debts. *See* Pl.’s Mem. in Further Supp. of Mot. to Compel at 9, *MBIA v. Credit Suisse Sec.*, No. 600070/2010 (N.Y. Sup. Ct. May 5, 2011) (Doc. No. 113).

170. The findings of MBIA and Ambac—including that over 80 percent of the loans in the pools underlying securitizations sponsored and underwritten by Credit Suisse entities were not originated in compliance with the applicable underwriting guidelines—fully corroborate FHFA’s analysis of the Securitizations, as described above in Sections IV.A and IV.B.1.

5. The Collapse of the Certificates' Credit Ratings Further Indicates That the Mortgage Loans Were Not Originated in Adherence to the Stated Underwriting Guidelines

171. The total collapse in the credit ratings of the GSE Certificates, typically from AAA or its equivalent to non-investment speculative grade, is further evidence of the originators' systematic disregard of underwriting guidelines, indicating that the GSE Certificates were impaired from the start.

172. The GSE Certificates that Fannie Mae and Freddie Mac purchased were originally assigned credit ratings of AAA or its equivalent, which purportedly reflected the description of the mortgage loan collateral and underwriting practices set forth in the Registration Statements. These ratings were artificially inflated, however, as a result of the very same misrepresentations that the Defendants made to investors in the Prospectus Supplements.

173. Credit Suisse provided loan-level information to the rating agencies that they relied upon in order to calculate the Certificates' assigned ratings, including the borrower's LTV ratio, debt-to-income ratio, owner occupancy status, and other loan-level information described in aggregation reports in the Prospectus Supplements. Because the information that Credit Suisse provided was false, the ratings were inflated and the level of subordination that the rating agencies required for the sale of AAA (or its equivalent) certificates was inadequate to provide investors with the level of protection that those ratings signified. As a result, the GSEs paid Defendants inflated prices for purported AAA (or its equivalent) Certificates, unaware that those Certificates actually carried a severe risk of loss and carried inadequate credit enhancement.

174. Since the issuance of the Certificates, the ratings agencies have dramatically downgraded their ratings to reflect the revelations regarding the true underwriting practices used

to originate the mortgage loans, and the true value and credit quality of the mortgage loans.

Table 9 details the extent of the downgrades.⁸

Table 9

Transaction	Tranche	Rating at Issuance (Moody's/S&P/Fitch)	Rating at July 31, 2011 (Moody's/S&P/Fitch)
ABSHE 2005-HE8	A1	Aaa/AAA/--	Aa2/AAA/--
	A1A	Aaa/AAA/--	Aa3/AAA/--
	A2	Aaa/AAA/--	A2/AAA/--
ABSHE 2006-HE1	A1	Aaa/AAA/AAA	Ba2/AAA/CCC
ABSHE 2006-HE2	A1	Aaa/AAA/AAA	Caa1/BBB/CCC
ABSHE 2006-HE3	A1	Aaa/AAA/AAA	B1/AAA/CCC
	A2	Aaa/AAA/AAA	B1/AAA/CCC
ABSHE 2006-HE4	A1	Aaa/AAA/AAA	Ba1/AAA/CCC
	A2	Aaa/AAA/AAA	B1/AAA/CC
ABSHE 2006-HE5	A1	Aaa/AAA/AAA	Ba1/A/CCC
ABSHE 2006-HE6	A1	Aaa/AAA/AAA	Ba3/CCC/CC
ABSHE 2006-HE7	A1	Aaa/AAA/AAA	Caa3/B-/C
ABSHE 2007-HE1	A1A	Aaa/AAA/AAA	Caa3/CCC/CC
	A1B	Aaa/AAA/AAA	Caa3/CCC/CC
ABSHE 2007-HE2	A1	Aaa/AAA/AAA	Caa3/B-/C
AHMA 2005-1	3A21	Aaa/AAA/AAA	Caa3/BB-/CCC
AMSI 2005-R8	A1	Aaa/AAA/AAA	Aa1/AAA/A
AMSI 2005-R11	A1	Aaa/AAA/AAA	A1/AAA/BB
AMSI 2006-R2	A1	Aaa/AAA/AAA	A3/AAA/B
ARMT 2005-10	4A1	Aaa/AAA/--	Caa3/CCC/--
ARMT 2005-11	4A1	Aaa/AAA/--	Ca/CCC/--
ARMT 2005-12	4A1	Aaa/AAA/--	Ca/CCC/--
ARMT 2006-1	5A1	Aaa/AAA/--	Ca/D/--
CSFB 2005-11	2A1	Aaa/AAA/--	Caa2/D/--
	7A1	Aaa/AAA/--	Caa3/CCC/--
CSFB 2005-12	2A1	Aaa/AAA/--	Ca/D/--
	4A1	Aaa/AAA/--	Caa3/D/--
	5A1	Aaa/AAA/--	B3/B/--
CSMC 2006-1	5A1	Aaa/AAA/AAA	Caa2/CC/C

⁸ Applicable ratings are shown in sequential order separated by forward slashes: Moody's/S&P/Fitch. A hyphen between forward slashes indicates that the relevant agency did not provide a rating at issuance.

Transaction	Tranche	Rating at Issuance (Moody's/S&P/Fitch)	Rating at July 31, 2011 (Moody's/S&P/Fitch)
	5A2	Aaa/AAA/AAA	C/CC/C
CSMC 2007-NC1	1A1	--/AAA/AAA	--/CCC/CCC
FHLT 2005-E	1A1	Aaa/AAA/AAA	Ba3/AA-/CCC
FMIC 2005-3	1A	Aaa/AAA/AAA	B1/A/B
FMIC 2007-1	1A	Aaa/AAA/--	Caa2/B+/--
HEAT 2005-7	1A1	Aaa/AAA/AAA	Aa2/AAA/A
HEAT 2005-8	1A1	Aaa/AAA/AAA	Baa2/AAA/BB
HEAT 2005-9	1A1	Aaa/AAA/AAA	A2/AAA/BBB
HEAT 2006-1	1A1	Aaa/AAA/AAA	Aa2/AAA/BB
HEAT 2006-3	1A1	Aaa/AAA/AAA	B3/AAA/CCC
HEAT 2006-4	1A1	Aaa/AAA/AAA	Caa2/B-/CC
HEAT 2006-5	1A1	Aaa/AAA/AAA	Caa3/B-/C
HEAT 2006-6	1A1	Aaa/AAA/AAA	Ca/B-/C
HEAT 2006-7	1A1	Aaa/AAA/AAA	Ca/CCC/C
HEAT 2006-8	1A1	Aaa/AAA/AAA	Ca/CCC/C
HEAT 2007-1	1A1	Aaa/AAA/AAA	Ca/CCC/C
HEAT 2007-2	1A1	Aaa/AAA/AAA	Ca/CCC/C
HEAT 2007-3	1A1	Aaa/AAA/AAA	Ca/CCC/C
HEMT 2006-6	1A1	Aaa/AAA/--	Ca/CC/--
INABS 2006-B	1A1	Aaa/AAA/AAA	Caa3/CCC/CC
	1A2	Aaa/AAA/AAA	Caa3/CCC/CC
INABS 2006-C	2A	Aaa/AAA/AAA	Caa3/CCC/C
INABS 2006-E	1A1	Aaa/AAA/AAA	Ca/CCC/C
	1A2	Aaa/AAA/AAA	Ca/CCC/C
NCHET 2006-1	A1	Aaa/AAA/AAA	Caa3/AAA/CC

175. According to a May 13, 2010 *Reuters* news article, the New York Attorney General is conducting “an investigation into whether eight banks, including [Credit Suisse], misled rating agencies with regard to mortgage-derivative deals.”

6. The Surge in Mortgage Delinquency and Default Further Demonstrates That the Mortgage Loans Were Not Originated in Adherence to the Stated Underwriting Guidelines

176. Even though the Certificates purchased by Fannie Mae and Freddie Mac were supposed to represent long-term, stable investments, a significant percentage of the mortgage

loans backing the Certificates have defaulted, have been foreclosed upon, or are delinquent, resulting in massive losses to the Certificateholders. The overall poor performance of the mortgage loans is a direct consequence of the fact that they were not underwritten in accordance with applicable underwriting guidelines as represented in the Registration Statements.

177. Loan groups that were properly underwritten and contained loans with the characteristics represented in the Registration Statements would have experienced substantially fewer payment problems and substantially lower percentages of defaults, foreclosures, and delinquencies than occurred here. Table 10 reflects the percentage of loans in the Supporting Loan Groups that are in default, have been foreclosed upon, or are delinquent as of July 2011.

Table 10

Transaction	Supporting Loan Group	Percentage of Delinquent/Defaulted/Foreclosed Loans
ABSHE 2005-HE8	Loan Group 1	32.2
	Loan Group 2	36.5
ABSHE 2006-HE1	Loan Group 1	37.2
ABSHE 2006-HE2	Loan Group 1	38.1
ABSHE 2006-HE3	Loan Group 1	37.5
	Loan Group 2	44.8
ABSHE 2006-HE4	Loan Group 1	37.6
	Loan Group 2	37.5
ABSHE 2006-HE5	Loan Group 1	45.2
ABSHE 2006-HE6	Loan Group 1	34.3
ABSHE 2006-HE7	Loan Group 1	32.7
ABSHE 2007-HE1	Loan Group 1	35.6
ABSHE 2007-HE2	Loan Group 1	45.0
AHMA 2005-1	Loan Group 3B	36.0
AMSI 2005-R8	Loan Group 1	37.1
AMSI 2005-R11	Loan Group 1	32.4
AMSI 2006-R2	Loan Group 1	37.0
ARMT 2005-10	Loan Group 4	22.0
ARMT 2005-11	Loan Group 4	46.9

Transaction	Supporting Loan Group	Percentage of Delinquent/Defaulted/Foreclosed Loans
ARMT 2005-12	Loan Group 4	31.7
ARMT 2006-1	Loan Group 5	47.9
CSFB 2005-11	Loan Group 2	15.9
	Loan Group 7	28.3
CSFB 2005-12	Loan Group 2	31.4
	Loan Group 4	32.4
	Loan Group 5	10.2
CSMC 2006-1	Loan Group 5	28.8
CSMC 2007-NC1	Loan Group 1	39.5
FHLT 2005-E	Loan Group 1	56.5
FMIC 2005-3	Loan Group 1	48.8
FMIC 2007-1	Loan Group 1	37.8
HEAT 2005-7	Loan Group 1	40.4
HEAT 2005-8	Loan Group 1	40.1
HEAT 2005-9	Loan Group 1	37.6
HEAT 2006-1	Loan Group 1	36.3
HEAT 2006-3	Loan Group 1	33.9
HEAT 2006-4	Loan Group 1	44.3
HEAT 2006-5	Loan Group 1	49.8
HEAT 2006-6	Loan Group 1	51.1
HEAT 2006-7	Loan Group 1	46.3
HEAT 2006-8	Loan Group 1	43.8
HEAT 2007-1	Loan Group 1	42.4
HEAT 2007-2	Loan Group 1	40.5
HEAT 2007-3	Loan Group 1	38.7
HEMT 2006-6	Loan Group 1	10.6
INABS 2006-B	Loan Group 1	48.7
INABS 2006-C	Loan Group 2	54.9
INABS 2006-E	Loan Group 1	49.9
NCHET 2006-1	Loan Group 1	44.3

178. The confirmed misstatements concerning owner occupancy and LTV ratios, the review of nearly 2,000 loan files for two of the Securitizations, the confirmed systematic underwriting failures by the originators responsible for the mortgage loans across the

Securitizations, the findings of the FCIC and others regarding Credit Suisse’s routine inclusion in securitizations of loans failing to conform to underwriting guidelines, the investigations, allegations of misconduct, and analyses of Credit Suisse by its own financial guaranty insurers, the extraordinary drop in credit ratings and rise in delinquencies across those Securitizations, all confirm that the mortgage loans in the Supporting Loan Groups, contrary to the representations in the Registration Statements, were not originated in accordance with the stated underwriting guidelines.

V. FANNIE MAE’S AND FREDDIE MAC’S PURCHASES OF THE GSE CERTIFICATES AND THE RESULTING DAMAGES

179. In total, between September 28, 2005 and November 23, 2007, Fannie Mae and Freddie Mac purchased over \$14.1 billion in residential mortgage-backed securities issued in connection with the Securitizations. Table 11 reflects each of Freddie Mac’s purchases of the Certificates.²⁴

Table 11

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Freddie Mac	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Freddie Mac
ABSHE 2005-HE8	A2	04541GUZ3	10/28/2005	218,002,000	100	CS Securities ²⁵
ABSHE 2006-HE1	A1	04541GVG4	2/6/2006	396,315,000	100	CS Securities
ABSHE 2006-HE3	A2	04541GWZ1	4/17/2006	187,698,000	100	CS Securities
ABSHE 2006-HE4	A2	04544GAC3	4/28/2006	173,090,000	100	CS Securities
ABSHE 2006-HE5	A1	04544PAA7	7/18/2006	296,485,000	100	CS Securities
ABSHE 2006-HE6	A1	04544NAA2	11/30/2006	178,248,000	100	CS Securities
ABSHE 2006-HE7	A1	04544QAA5	11/30/2006	295,597,000	100	CS Securities

²⁴ Purchased securities in Tables 11 and 12 are stated in terms of unpaid principal balance of the relevant Certificates. Purchase prices are stated in terms of percentage of par.

²⁵ In this table, “CS Securities” refers to either CS Securities or its predecessor, CSFB.

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Freddie Mac	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Freddie Mac
ABSHE 2007-HE1	A1A	04544RAR6	2/6/2007	71,333,000	100	CS Securities
ABSHE 2007-HE2	A1	04544TAA9	5/31/2007	107,228,000	100	CS Securities
AMSI 2005-R8	A1	03072SN43	9/28/2005	779,011,000	100	CS Securities
AMSI 2005-R11	A1	03072SU45	12/20/2005	1,099,278,000	100	CS Securities
AMSI 2006-R2	A1	03072SZ32	3/29/2006	525,819,000	100	CS Securities
CSFB 2005-11	7A1	2254W0PC3	12/1/2005	68,243,000	100.08	CS Securities
CSFB 2005-12	5A1	225470RW5	12/30/2005	104,000,000	96.57	CS Securities
CSMC 2006-1	5A1	225470WC3	1/31/2006	180,586,800	100.70	CS Securities
	5A2	225470WD1	1/31/2006	20,065,200	100.70	CS Securities
CSMC 2007-NC1	1A1	12638LAR9	11/23/2007	286,133,341.35	94.5	CS Securities
FHLT 2005-E	1A1	35729PMY3	12/20/2005	728,502,000	100	CS Securities
FMIC 2005-3	1A	31659TEE1	11/23/2005	316,989,000	100	CS Securities
FMIC 2007-1	1A	31659YAA2	4/12/2007	124,711,000	100	CS Securities
HEAT 2005-7	1A1	437084NT9	10/4/2005	250,000,000	100	CS Securities
HEAT 2005-8	1A1	437084PS9	11/2/2005	500,000,000	100	CS Securities
HEAT 2005-9	1A1	437084QR0	12/2/2005	240,000,000	100	CS Securities
HEAT 2006-1	1A1	437084RQ1	1/4/2006	255,000,000	100	CS Securities
HEAT 2006-3	1A1	437084UK0	3/30/2006	525,000,000	100	CS Securities
HEAT 2006-4	1A1	437084VJ2	5/1/2006	500,000,000	100	CS Securities
HEAT 2006-5	1A1	437096AA8	7/5/2006	300,000,000	100	CS Securities
HEAT 2006-6	1A1	437097AA6	8/1/2006	307,500,000	100	CS Securities
HEAT 2006-7	1A1	43709NAA1	10/3/2006	340,000,000	100	CS Securities
HEAT 2006-8	1A1	43709QAA4	12/1/2006	385,000,000	100	CS Securities
HEAT 2007-1	1A1	43710LAA2	2/1/2007	350,000,000	100	CS Securities
HEAT 2007-2	1A1	43710KAA4	4/2/2007	460,000,000	100	CS Securities
HEAT 2007-3	1A1	43710TAA5	5/1/2007	212,250,000	100.11	CS Securities
HEMT 2006-6	1A1	43709YAA7	12/29/2006	27,000,000	100	CS Securities
INABS 2006-B	1A2	456606KW1	3/14/2006	152,932,000	100	Lehman Brothers
INABS 2006-E	1A1	43709XAA9	12/8/2006	192,789,000	100	Lehman Brothers
NCHET 2006-1	A1	64352VQP9	3/30/2006	456,811,000	100	CS Securities

180. Table 12 reflects each of Fannie Mae's purchases of the Certificates.

Table 12

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Fannie Mae	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Fannie Mae
ABSHE 2005-HE8	A1	04541GUX8	10/28/2005	185,074,000	100	CS Securities ²⁶
	A1A	04541GUY6	10/28/2005	32,660,000	100	CS Securities

²⁶ In this table, "CS Securities" refers to either CS Securities or its predecessor, CSFB.

Transaction	Tranche	CUSIP	Settlement Date of Purchase by Fannie Mae	Initial Unpaid Principal Balance	Purchase Price (% of Par)	Seller to Fannie Mae
ABSHE 2006-HE2	A1	04541GWB4	3/24/2006	298,145,000	100	CS Securities
ABSHE 2006-HE3	A1	04541GWY4	4/17/2006	192,683,000	100	CS Securities
ABSHE 2006-HE4	A1	04544GAA7	4/28/2006	153,485,000	100	CS Securities
ABSHE 2007-HE1	A1B	04544RAS4	2/6/2007	71,333,000	100	CS Securities
AHMA 2005-1	3A21	02660VAG3	10/31/2005	100,470,000	100	CS Securities
ARMT 2005-10	4A1	007036TK2	9/30/2005	80,470,000	100.93	CS Securities
ARMT 2005-11	4A1	007036VG8	10/31/2005	312,635,000	100.52	CS Securities
ARMT 2005-12	4A1	2254W0MK8	11/30/2005	112,160,000	100.71	CS Securities
ARMT 2006-1	5A1	225470B77	2/28/2006	74,286,000	101.02	CS Securities
CSFB 2005-11	2A1	2254W0NF8	11/30/2005	76,116,357	100.75	CS Securities
CSFB 2005-12	2A1	225470RT2	12/30/2005	100,153,573	101.80	CS Securities
	4A1	225470RV7	12/30/2005	225,636,009	99.59	CS Securities
INABS 2006-B	1A1	456606KV3	3/14/2006	152,932,000	100	Lehman Brothers
INABS 2006-C	2A	43709BAB5	6/15/2006	153,334,000	100	CS Securities
INABS 2006-E	1A2	43709XAB7	12/8/2006	192,789,000	100	Lehman Brothers

181. The statements and assurances in the Registration Statements regarding the credit quality and characteristics of the mortgage loans underlying the GSE Certificates, and the origination and underwriting practices pursuant to which the mortgage loans were originated, which were summarized in such documents, were material to a reasonable investor's decision to purchase the GSE Certificates.

182. The false statements of material facts and omissions of material facts in the Registration Statements, including the Prospectuses and Prospectus Supplements, directly caused Fannie Mae and Freddie Mac to suffer billions of dollars in damages, including without limitation depreciation in the value of the securities. The mortgage loans underlying the GSE Certificates experienced defaults and delinquencies at a much higher rate than they would have had the loan originators adhered to the underwriting guidelines set forth in the Registration Statements, and the payments to the trusts were therefore much lower than they would have been had the loans been underwritten as described in the Registration Statements.

183. Fannie Mae's and Freddie Mac's losses have been much greater than they would have been if the mortgage loans had the credit quality represented in the Registration Statements.

184. Credit Suisse's misstatements and omissions in the Registration Statements regarding the true characteristics of the loans were the proximate cause of Fannie Mae's and Freddie Mac's losses relating to their purchase of the GSE Certificates. Based upon sales of the Certificates or similar certificates in the secondary market, Credit Suisse proximately caused billions of dollars in damages to Fannie Mae and Freddie Mac in an amount to be determined at trial.

FIRST CAUSE OF ACTION

Violation of Section 11 of the Securities Act of 1933

(Against Defendants CS Securities, CSFB Mortgage Securities, Asset Backed Securities, Andrew A. Kimura, Jeffrey A. Altabef, Evelyn Echevarria, Michael A. Marriott, Thomas Zingalli, Carlos Onis, Joseph M. Donovan, Juliana Johnson, and Greg Richter)

185. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

186. This claim is brought by Plaintiff pursuant to Section 11 of the Securities Act of 1933 and is asserted on behalf of Fannie Mae and Freddie Mac, which purchased the GSE Certificates issued pursuant to the Registration Statements. This claim is brought against Defendant CS Securities with respect to each of the Registration Statements. This claim is brought against (i) Defendant CSFB Mortgage Securities, (ii) Defendant Asset Backed Securities, and (iii) Defendants Andrew A. Kimura, Jeffrey A. Altabef, Evelyn Echevarria, Michael A. Marriott, Thomas Zingalli, Carlos Onis, Joseph M. Donovan, Juliana Johnson, and Greg Richter (the foregoing Individual Defendants collectively referred to as the "Section 11 Individual Defendants"), each with respect to the Registration Statements filed by CSFB

Mortgage Securities or Asset Backed Securities that registered securities that were bona fide offered to the public on or after September 6, 2005.

187. This claim is predicated upon the strict liability of Defendant CS Securities for making false and materially misleading statements in each of the Registration Statements for the Securitizations and for omitting facts necessary to make the facts stated therein not misleading. Defendants CSFB Mortgage Securities, Asset Backed Securities, and the Section 11 Individual Defendants are strictly liable for making false and materially misleading statements in the Registration Statements filed by CSFB Mortgage Securities and Asset Backed Securities that registered securities that were bona fide offered to the public on or after September 6, 2005, which are applicable to 24 of the 43 Securitizations (as specified in Tables 1 and 2 above), including the related Prospectus Supplements, and for omitting facts necessary to make the facts stated therein not misleading.

188. Defendant CS Securities served as underwriter of each of the Securitizations, and as such, is liable for the misstatements and omissions in the Registration Statements under Section 11 of the Securities Act.

189. Defendants CSFB Mortgage Securities and Asset Backed Securities filed Registration Statements under which 29 of the 43 Securitizations were carried out. As depositors in those Securitizations, Defendants CSFB Mortgage Securities and Asset Backed Securities are issuers of the GSE Certificates issued pursuant to the Registration Statements they filed within the meaning of Section 2(a)(4) of the Securities Act, 15 U.S.C. § 77b(a)(4), and in accordance with Section 11(a), 15 U.S.C. § 77k(a). As such, these defendants are liable under Section 11 of the Securities Act for the misstatements and omissions in those six Registration Statements that

registered securities that were bona fide offered to the public on or after September 6, 2005 and applicable to 24 of the 43 Securitizations.

190. At the time Defendants CSFB Mortgage Securities and Asset Backed Securities filed the Registration Statements applicable to 29 of the Securitizations, the Section 11 Individual Defendants were officers or directors of CSFB Mortgage Securities and Asset Backed Securities. In addition, the Section 11 Individual Defendants signed those Registration Statements and either signed or authorized another to sign on their behalf the amendments to those Registration Statements. As such, the Section 11 Individual Defendants are liable under Section 11 of the Securities Act for the misstatements and omissions in those Registration Statements that registered securities that were bona fide offered to the public on or after September 6, 2005.

191. At the time that they became effective, each of the Registration Statements contained material misstatements of fact and omitted information necessary to make the facts stated therein not misleading, as set forth above. The facts misstated or omitted were material to a reasonable investor reviewing the Registration Statements.

192. The untrue statements of material facts and omissions of material fact in the Registration Statements are set forth above in Section IV and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, debt-to-income ratios, and credit ratings.

193. Fannie Mae and Freddie Mac purchased or otherwise acquired the GSE Certificates pursuant to the false and misleading Registration Statements. Fannie Mae and Freddie Mac made these purchases in the primary market. At the time they purchased the GSE Certificates, Fannie Mae and Freddie Mac did not know of the facts concerning the false and

misleading statements and omissions alleged herein, and if the GSEs would have known those facts, they would not have purchased the GSE Certificates.

194. CS Securities owed to Fannie Mae, Freddie Mac, and other investors a duty to make a reasonable and diligent investigation of the statements contained in each of the Registration Statements at the time they became effective to ensure that such statements were true and correct and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading. The Section 11 Individual Defendants owed the same duty with respect to the Registration Statements that they signed that registered securities that were bona fide offered to the public on or after September 6, 2005, which are applicable to 24 of the Securitizations.

195. CS Securities and the Section 11 Individual Defendants did not exercise such due diligence and failed to conduct a reasonable investigation. In the exercise of reasonable care, these Defendants should have known of the false statements and omissions contained in or omitted from the Registration Statements filed in connection with the Securitizations, as set forth herein. In addition, CSFB Mortgage Securities and Asset Backed Securities, though subject to strict liability without regard to whether they performed diligence, also failed to take reasonable steps to ensure the accuracy of the representations.

196. Fannie Mae and Freddie Mac sustained substantial damages as a result of the misstatements and omissions in the Registration Statements.

197. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In addition, this action is

brought within three years of the date that the FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(2).

198. By reason of the conduct herein alleged, CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and the Section 11 Individual Defendants are jointly and severally liable for their wrongdoing.

SECOND CAUSE OF ACTION

Violation of Section 12(a)(2) of the Securities Act of 1933 (Against CS Securities, CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance)

199. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

200. This claim is brought by Plaintiff pursuant to Section 12(a)(2) of the Securities Act of 1933 and is asserted on behalf of Fannie Mae and Freddie Mac, which purchased the GSE Certificates issued pursuant to the Registration Statements in the Securitizations listed in paragraph 2 above.

201. This claim is predicated upon Defendant CS Securities' negligence for making false and materially misleading statements in the Prospectuses (as supplemented by the Prospectus Supplements, hereinafter referred to in this Section as "Prospectuses") for each of the Securitizations other than the INABS 2006-B and INABS 2006-E Securitizations, for which CS Securities was not the selling underwriter. Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance acted negligently in making false and materially misleading statements in the Prospectuses for the 32 Securitizations carried out under the Registration Statements filed by the Depositor Defendants, as specified in Table 2 at paragraph 52 above.

202. CS Securities is prominently identified in the Prospectuses, the primary documents it used to sell the GSE Certificates. CS Securities offered the Certificates publicly, including selling to Fannie Mae and Freddie Mac their GSE Certificates, as set forth in the Prospectuses, including in the “Method of Distribution” section.

203. CS Securities offered and sold the GSE Certificates to Fannie Mae and Freddie Mac by means of the Prospectuses, which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. CS Securities reviewed and participated in drafting the Prospectuses.

204. CS Securities successfully solicited Fannie Mae’s and Freddie Mac’s purchases of the GSE Certificates. As underwriter, CS Securities obtained substantial commissions based upon the amount received from the sale of the Certificates to the public.

205. CS Securities offered the GSE Certificates for sale, sold them, and distributed them by the use of means or instruments of transportation and communication in interstate commerce, including communications between its representatives in New York and representatives of Fannie Mae in the District of Columbia and Freddie Mac in McLean, Virginia.

206. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance are prominently identified in the Prospectuses for the Securitizations carried out under the eight Registration Statements that they filed. These Prospectuses were the primary documents each used to sell Certificates registered on those Registration Statements (the “Depositor Defendant Registration Statements”). CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered the Certificates publicly, including selling to Fannie Mae and Freddie Mac the GSE Certificates.

207. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements to Fannie Mae and Freddie Mac by means of Prospectuses which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in the light of the circumstances under which they were made, not misleading. Upon information and belief, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance reviewed and participated in drafting the Prospectuses.

208. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance successfully solicited Fannie Mae's and Freddie Mac's purchases of the GSE Certificates. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance were paid a percentage of the total dollar value of each Securitization in which they participated.

209. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered the GSE Certificates for sale, sold them, and distributed them by the use of means or instruments of transportation and communication in interstate commerce, including communications between its representatives in New York and representatives of Fannie Mae in the District of Columbia and Freddie Mac in McLean, Virginia.

210. Each of the Prospectuses contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectuses.

211. The untrue statements of material facts and omissions of material fact in the Registration Statements, which include the Prospectuses, are set forth above in Section IV, and

pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and credit ratings.

212. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements directly to Fannie Mae and Freddie Mac pursuant to the materially false, misleading, and incomplete Prospectuses.

213. CS Securities owed to Fannie Mae and Freddie Mac, as well as to other investors in these trusts, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectuses, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance owed the same duty with respect to the Prospectuses for the Securitizations carried out under the Registration Statements they filed.

214. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance failed to exercise such reasonable care. These Defendants, in the exercise of reasonable care, should have known that the Prospectuses contained untrue statements of material facts and omissions of material facts at the time of the Securitizations, as set forth above.

215. In contrast, Fannie Mae and Freddie Mac did not know of the untruths and omissions contained in the Prospectuses at the time they purchased the GSE Certificates. If the GSEs would have known of those untruths and omissions, they would not have purchased the GSE Certificates.

216. Fannie Mae and Freddie Mac acquired the GSE Certificates in the primary market pursuant to the Prospectuses.

217. Fannie Mae and Freddie Mac sustained substantial damages in connection with their investments in the GSE Certificates and have the right to rescind and recover the consideration paid for the GSE Certificates, with interest thereon.

218. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In addition, this action is brought within three years of the date that the FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(2).

THIRD CAUSE OF ACTION

Violation of Section 15 of the Securities Act of 1933 (Against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants)

219. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

220. This claim is brought under Section 15 of the Securities Act of 1933, 15 U.S.C. §77o (“Section 15”), against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants for controlling-person liability with regard to the Section 11 and Section 12(a)(2) causes of actions set forth above.

221. The Individual Defendants at all relevant times participated in the operation and management of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, and conducted and participated, directly and indirectly, in the conduct of CSFB

Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance's business affairs. Defendant Andrew A. Kimura was the President and Director of Defendant CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant Jeffrey A. Altabef was Vice President and Director of Defendant CSFB Mortgage Securities. Defendant Evelyn Echevarria was Director of CSFB Mortgage Securities, and Defendant Michael A. Marriott was Director of CSFB Mortgage Securities. Defendant Zev Kindler was Treasurer of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant John P. Graham was Vice President of CSFB Mortgage Acceptance. Defendant Thomas E. Siegler was Director at CSFB Mortgage Acceptance. Defendant Thomas Zingalli was Principal Accounting Officer and Comptroller of CSFB Mortgage Securities and CSFB Mortgage Acceptance and also was Vice President and Controller for Asset Backed Securities. Defendant Carlos Onis was Director of CSFB Mortgage Securities and Vice President and Director of Asset Backed Securities. Defendant Steven L. Kantor was Director of CSFB Mortgage Acceptance. Defendant Joseph M. Donovan was President and Director of Asset Backed Securities. Defendant Juliana Johnson was Director of Asset Backed Securities. Defendant Greg Richter was Vice President of Asset Backed Securities.

222. Defendant DLJ Mortgage Capital was the sponsor for all 32 of the Securitizations carried out under the Depositor Defendant Registration Statements, and culpably participated in the violations of Sections 11 and 12(a)(2) set forth above with respect to the offering of the GSE Certificates, by initiating these Securitizations, purchasing the mortgage loans to be securitized, determining the structure of the Securitizations, selecting CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance as the special purpose vehicle, and selecting CS Securities as underwriter. In its role as sponsor, with respect to the same securitizations, DLJ

Mortgage Capital knew and intended that the mortgage loans it purchased would be sold in connection with the securitization process, and that certificates representing the ownership interests of investors in the cashflows would be issued by the relevant trusts.

223. Defendant DLJ Mortgage Capital also acted as the seller of the mortgage loans for the Securitizations carried out under the Depositor Defendant Registration Statements, in that it conveyed such mortgage loans to the Depositor Defendants pursuant to a Mortgage Loan Purchase Agreement or Assignment and Assumption Agreement.

224. Defendant DLJ Mortgage Capital also controlled all aspects of the business of Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, as the Depositor Defendants were merely special purpose entities created for the purpose of acting as a pass-through for the issuance of the Certificates. Because of its position as sponsor, DLJ Mortgage Capital was able to, and did in fact, control the contents of the Depositor Defendant Registration Statements, including the Prospectuses and Prospectus Supplements, which contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading.

225. Defendant CS USA wholly owns Defendant CS Securities and controls its business operations. As the sole corporate parent, CS USA had the practical ability to direct and control the actions of CS Securities in issuing and selling the Certificates in connection with the issuance and sale of the Certificates.

226. Defendant CS Holdings wholly owns CS USA and is the ultimate U.S. parent of CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. CS Holdings culpably participated in the violations of Section 11 and 12(a)(2) set forth above. Upon information and belief, the officers and directors of CS

Holdings overlapped with those of CS Securities. CS Holdings also oversaw the actions of its subsidiaries and allowed them to misrepresent the mortgage loans' characteristics in the Registration Statements and established special-purpose financial entities such as CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance, and the issuing trusts to serve as conduits for the mortgage loans.

227. DLJ Mortgage Capital and the Individual Defendants are controlling persons within the meaning of Section 15 by virtue of their actual power over, control of, ownership of, and/or directorship of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including their control over the content of the Depositor Defendant Registration Statements.

228. CS USA is a controlling person within the meaning of Section 15 by virtue of its, actual power over, control of, ownership of, or directorship of Defendant CS Securities at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

229. CS Holdings is a controlling person within the meaning of Section 15 by virtue of its actual power over, control of, ownership of, or directorship of CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

230. Fannie Mae and Freddie Mac purchased in the primary market Certificates issued pursuant to the Registration Statements, including the Prospectuses and Prospectus Supplements, which, at the time they became effective, contained material misstatements of fact and omitted

facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements.

231. Fannie Mae and Freddie Mac did not know of the misstatements and omissions in the Registration Statements; had the GSEs known of those misstatements and omissions, they would not have purchased the GSE Certificates.

232. Fannie Mae and Freddie Mac have sustained damages as a result of the misstatements and omissions in the Registration Statements, for which they are entitled to compensation.

233. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In addition, this action is brought within three years of the date that the FHFA was appointed as Conservator of Fannie Mae and Freddie Mac and is thus timely under 12 U.S.C. § 4617(b)(2).

FOURTH CAUSE OF ACTION

Violation of Section 13.1-522(A)(ii) of the Virginia Code (Against CS Securities, CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance)

234. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

235. This claim is brought by Plaintiff pursuant to Section 13.1-522(A)(ii) of the Virginia Code and is asserted on behalf of Freddie Mac. The allegations set forth below in this cause of action pertain only to those GSE Certificates identified in Table 11 above that were purchased by Freddie Mac on or after September 6, 2006.

236. This claim is predicated upon Defendant CS Securities' negligence for making false and materially misleading statements in the Prospectuses for each of the Securitizations other than the INABS 2006-B and INABS 2006-E Securitizations, for which CS Securities was not the selling underwriter. Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance acted negligently in making false and materially misleading statements in the Prospectuses for the 32 Securitizations carried out under the Depositor Defendant Registration Statements.

237. CS Securities is prominently identified in the Prospectuses, the primary documents it used to sell the GSE Certificates. CS Securities offered the Certificates publicly, including selling to Freddie Mac the GSE Certificates, as set forth in the Prospectuses, including in the "Method of Distribution" section.

238. CS Securities offered and sold the GSE Certificates to Freddie Mac by means of the Prospectuses, which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. CS Securities reviewed and participated in drafting the Prospectuses.

239. CS Securities successfully solicited Freddie Mac's purchases of the GSE Certificates. As underwriter, CS Securities obtained substantial commissions based upon the amount received from the sale of the Certificates to the public.

240. CS Securities offered the GSE Certificates for sale, sold them, and distributed them to Freddie Mac in the State of Virginia.

241. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance are prominently identified in the Prospectuses for the Securitizations carried out

under the Depositor Defendant Registration Statements. These Prospectuses were the primary documents each used to sell Certificates registered on those Registration Statements. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered the Certificates publicly, including selling to Freddie Mac the GSE Certificates.

242. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements to Freddie Mac by means of Prospectuses which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in the light of the circumstances under which they were made, not misleading. Upon information and belief, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance reviewed and participated in drafting the Prospectuses.

243. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance successfully solicited Freddie Mac's purchases of the GSE Certificates. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance were paid a percentage of the total dollar value of each Securitization in which they participated.

244. Each of the Prospectuses contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectuses.

245. The untrue statements of material facts and omissions of material fact in the Registration Statements, which include the Prospectuses, are set forth above in Section IV, and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and credit ratings.

246. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements directly to Freddie Mac, pursuant to the materially false, misleading, and incomplete Prospectuses.

247. CS Securities owed to Freddie Mac, as well as to other investors in these trusts, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectuses, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance owed the same duty with respect to the Prospectuses for the Securitizations carried out under the Registration Statements they filed.

248. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance failed to exercise such reasonable care. These Defendants, in the exercise of reasonable care, should have known that the Prospectuses contained untrue statements of material facts and omissions of material facts at the time of the Securitizations, as set forth above.

249. In contrast, Freddie Mac did not know of the untruths and omissions contained in the Prospectuses at the time it purchased the GSE Certificates. If Freddie Mac would have known of those untruths and omissions, it would not have purchased the GSE Certificates.

250. Freddie Mac sustained substantial damages in connection with its investments in the GSE Certificates and has the right to rescind and recover the consideration paid for the GSE Certificates, with interest thereon.

251. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In addition, this action is brought within three years of the date that the FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(2).

FIFTH CAUSE OF ACTION

Violation of Section 13.1-522(C) of the Virginia Code (Against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants)

252. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

253. This claim is brought under Section 13.1-522(C) of the Virginia Code and is asserted on behalf of Freddie Mac. The allegations set forth below in this cause of action pertain only to those GSE Certificates identified in Table 11 above that were purchased by Freddie Mac on or after September 6, 2006. This claim is brought against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants for controlling-person liability with regard to the Fourth Cause of Action set forth above.

254. The Individual Defendants at all relevant times participated in the operation and management of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, and conducted and participated, directly and indirectly, in the conduct of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance's business affairs. Defendant Andrew A. Kimura was the President and Director of Defendant CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant Jeffrey A. Altabef was Vice

President and Director of Defendant CSFB Mortgage Securities. Defendant Evelyn Echevarria was Director of CSFB Mortgage Securities, and Defendant Michael A. Marriott was Director of CSFB Mortgage Securities. Defendant Zev Kindler was Treasurer of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant John P. Graham was Vice President of CSFB Mortgage Acceptance. Defendant Thomas E. Siegler was Director at CSFB Mortgage Acceptance. Defendant Thomas Zingalli was Principal Accounting Officer and Comptroller of CSFB Mortgage Securities and CSFB Mortgage Acceptance and also was Vice President and Controller for Asset Backed Securities. Defendant Carlos Onis was Director of CSFB Mortgage Securities and Vice President and Director of Asset Backed Securities. Defendant Steven L. Kantor was Director of CSFB Mortgage Acceptance. Defendant Joseph M. Donovan was President and Director of Asset Backed Securities. Defendant Juliana Johnson was Director of Asset Backed Securities. Defendant Greg Richter was Vice President of Asset Backed Securities.

255. Defendant DLJ Mortgage Capital was the sponsor for all 32 of the Securitizations carried out under the Depositor Defendant Registration Statements, and culpably participated in the violations of Section 13.1-522(A)(ii) of the Virginia Code set forth above with respect to the offering of the GSE Certificates by initiating these Securitizations, purchasing the mortgage loans to be securitized, determining the structure of the Securitizations, selecting CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance as the special purpose vehicles, and selecting CS Securities as underwriter. In its role as sponsor, with respect to the same securitizations, DLJ Mortgage Capital knew and intended that the mortgage loans it purchased would be sold in connection with the securitization process, and that certificates

representing the ownership interests of investors in the cashflows would be issued by the relevant trusts.

256. Defendant DLJ Mortgage Capital also acted as the seller of the mortgage loans for the Securitizations carried out under the Depositor Defendant Registration Statements, in that it conveyed such mortgage loans to the Depositor Defendants pursuant to a Mortgage Loan Purchase Agreement or Assignment and Assumption Agreement.

257. Defendant DLJ Mortgage Capital also controlled all aspects of the business of Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, as the Depositor Defendants were merely special purpose entities created for the purpose of acting as a pass-through for the issuance of the Certificates. Because of its position as sponsor, DLJ Mortgage Capital was able to, and did in fact, control the contents of the Depositor Defendant Registration Statements, including the Prospectuses and Prospectus Supplements, which contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading.

258. Defendant CS USA wholly owns Defendant CS Securities and controls its business operations. As the sole corporate parent, CS USA had the practical ability to direct and control the actions of CS Securities in issuing and selling the Certificates in connection with the issuance and sale of the Certificates.

259. Defendant CS Holdings wholly owns CS USA and is the ultimate U.S. parent of CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. CS Holdings culpably participated in the violations of Section 13.1-522(A)(ii) of the Virginia Code set forth above. Upon information and belief, the officers and directors of CS Holdings overlapped with those of CS Securities. CS Holdings also oversaw

the actions of its subsidiaries and allowed them to misrepresent the mortgage loans' characteristics in the Registration Statements and established special-purpose financial entities such as CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance, and the issuing trusts to serve as conduits for the mortgage loans.

260. DLJ Mortgage Capital and the Individual Defendants are controlling persons within the meaning of Section 13.1-522(C) of the Virginia Code by virtue of their actual power over, control of, ownership of, and/or directorship of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including their control over the content of the Depositor Defendant Registration Statements.

261. CS USA is a controlling person within the meaning of Section 13.1-522(C) of the Virginia Code by virtue of its, actual power over, control of, ownership of, or directorship of Defendant CS Securities at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

262. CS Holdings is a controlling person within the meaning of Section 13.1-522(C) of the Virginia Code by virtue of its actual power over, control of, ownership of, or directorship of CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

263. Freddie Mac purchased the GSE Certificates issued pursuant to the Registration Statements, including the Prospectuses and Prospectus Supplements, which, at the time they became effective, contained material misstatements of fact and omitted facts necessary to make

the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements.

264. Freddie Mac did not know of the misstatements and omissions in the Registration Statements; had Freddie Mac known of those misstatements and omissions, it would not have purchased the GSE Certificates.

265. Freddie Mac has sustained damages as a result of the misstatements and omissions in the Registration Statements, for which it is entitled to compensation.

266. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

SIXTH CAUSE OF ACTION

Violation of Section 31-5606.05(a)(1)(B) of the District of Columbia Code (Against CS Securities, CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance)

267. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

268. This claim is brought by Plaintiff pursuant to Section 31-5606.05(a)(1)(B) of the District of Columbia Code and is asserted on behalf of Fannie Mae. The allegations set forth below in this cause of action pertain only to those GSE Certificates identified in Table 12 above that were purchased by Fannie Mae.

269. This claim is predicated upon Defendant CS Securities' negligence for making false and materially misleading statements in the Prospectuses for each of the Securitizations other than the INABS 2006-B and INABS 2006-E Securitizations, for which CS Securities was not the selling underwriter. Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance acted negligently in making false and materially misleading statements in the Prospectuses for the 32 Securitizations carried out under the Depositor Defendant Registration Statements.

270. CS Securities is prominently identified in the Prospectuses, the primary documents it used to sell the GSE Certificates. CS Securities offered the Certificates publicly, including selling to Fannie Mae the GSE Certificates, as set forth in the Prospectuses, including in the "Method of Distribution" section.

271. CS Securities offered and sold the GSE Certificates to Fannie Mae by means of the Prospectuses, which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading. CS Securities reviewed and participated in drafting the Prospectuses.

272. CS Securities successfully solicited Fannie Mae's purchases of the GSE Certificates. As underwriter, CS Securities obtained substantial commissions based upon the amount received from the sale of the Certificates to the public.

273. CS Securities offered the GSE Certificates for sale, sold them, and distributed them to Fannie Mae in the District of Columbia.

274. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance are prominently identified in the Prospectuses for the Securitizations carried out

under the Depositor Defendant Registration Statements. These Prospectuses were the primary documents each used to sell Certificates registered on those Registration Statements. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered the Certificates publicly, including selling to Fannie Mae the GSE Certificates.

275. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements to Fannie Mae by means of Prospectuses which contained untrue statements of material facts and omitted to state material facts necessary to make the statements, in the light of the circumstances under which they were made, not misleading. Upon information and belief, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance reviewed and participated in drafting the Prospectuses.

276. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance successfully solicited Fannie Mae's purchases of the GSE Certificates. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance were paid a percentage of the total dollar value of each Securitization in which they participated.

277. Each of the Prospectuses contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Prospectuses.

278. The untrue statements of material facts and omissions of material fact in the Registration Statements, which include the Prospectuses, are set forth above in Section IV, and pertain to compliance with underwriting guidelines, occupancy status, loan-to-value ratios, and credit ratings.

279. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance offered and sold the GSE Certificates offered pursuant to the Depositor Defendant Registration Statements directly to Fannie Mae, pursuant to the materially false, misleading, and incomplete Prospectuses.

280. CS Securities owed to Fannie Mae, as well as to other investors in these trusts, a duty to make a reasonable and diligent investigation of the statements contained in the Prospectuses, to ensure that such statements were true, and to ensure that there was no omission of a material fact required to be stated in order to make the statements contained therein not misleading. CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance owed the same duty with respect to the Prospectuses for the Securitizations carried out under the Registration Statements they filed.

281. CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance failed to exercise such reasonable care. These Defendants, in the exercise of reasonable care, should have known that the Prospectuses contained untrue statements of material facts and omissions of material facts at the time of the Securitizations, as set forth above.

282. In contrast, Fannie Mae did not know of the untruths and omissions contained in the Prospectuses at the time it purchased the GSE Certificates. If Fannie Mae would have known of those untruths and omissions, it would not have purchased the GSE Certificates.

283. Fannie Mae sustained substantial damages in connection with its investments in the GSE Certificates and has the right to rescind and recover the consideration paid for the GSE Certificates, with interest thereon.

284. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

SEVENTH CAUSE OF ACTION

Violation of Section 31-5606.05(c) of the District of Columbia Code (Against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants)

285. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

286. This claim is brought under Section 31-5606.05(c) of the District of Columbia Code and is asserted on behalf of Fannie Mae. The allegations set forth below in this cause of action pertain only to those GSE Certificates identified in Table 12 above that were purchased by Fannie Mae. This claim is brought against CS Holdings, CS USA, DLJ Mortgage Capital, and the Individual Defendants for controlling-person liability with regard to the Sixth Cause of Action set forth above.

287. The Individual Defendants at all relevant times participated in the operation and management of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, and conducted and participated, directly and indirectly, in the conduct of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance's business affairs. Defendant Andrew A. Kimura was the President and Director of Defendant CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant Jeffrey A. Altabef was Vice

President and Director of Defendant CSFB Mortgage Securities. Defendant Evelyn Echevarria was Director of CSFB Mortgage Securities, and Defendant Michael A. Marriott was Director of CSFB Mortgage Securities. Defendant Zev Kindler was Treasurer of CSFB Mortgage Securities and CSFB Mortgage Acceptance. Defendant John P. Graham was Vice President of CSFB Mortgage Acceptance. Defendant Thomas E. Siegler was Director at CSFB Mortgage Acceptance. Defendant Thomas Zingalli was Principal Accounting Officer and Comptroller of CSFB Mortgage Securities and CSFB Mortgage Acceptance and also was Vice President and Controller for Asset Backed Securities. Defendant Carlos Onis was Director of CSFB Mortgage Securities and Vice President and Director of Asset Backed Securities. Defendant Steven L. Kantor was Director of CSFB Mortgage Acceptance. Defendant Joseph M. Donovan was President and Director of Asset Backed Securities. Defendant Juliana Johnson was Director of Asset Backed Securities. Defendant Greg Richter was Vice President of Asset Backed Securities.

288. Defendant DLJ Mortgage Capital was the sponsor for all 32 of the Securitizations carried out under the Depositor Defendant Registration Statements, and culpably participated in the violations of Section 31-5606.05(a)(1)(B) of the District of Columbia Code set forth above with respect to the offering of the GSE Certificates by initiating these Securitizations, purchasing the mortgage loans to be securitized, determining the structure of the Securitizations, selecting CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance as the special purpose vehicles, and selecting CS Securities as underwriter. In its role as sponsor, with respect to the same securitizations, DLJ Mortgage Capital knew and intended that the mortgage loans it purchased would be sold in connection with the securitization process, and that

certificates representing the ownership interests of investors in the cashflows would be issued by the relevant trusts.

289. Defendant DLJ Mortgage Capital also acted as the seller of the mortgage loans for the Securitizations carried out under the Depositor Defendant Registration Statements, in that it conveyed such mortgage loans to the Depositor Defendants pursuant to a Mortgage Loan Purchase Agreement or Assignment and Assumption Agreement.

290. Defendant DLJ Mortgage Capital also controlled all aspects of the business of Defendants CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance, as the Depositor Defendants were merely special purpose entities created for the purpose of acting as a pass-through for the issuance of the Certificates. Because of its position as sponsor, DLJ Mortgage Capital was able to, and did in fact, control the contents of the Depositor Defendant Registration Statements, including the Prospectuses and Prospectus Supplements, which contained material misstatements of fact and omitted facts necessary to make the facts stated therein not misleading.

291. Defendant CS USA wholly owns Defendant CS Securities and controls its business operations. As the sole corporate parent, CS USA had the practical ability to direct and control the actions of CS Securities in issuing and selling the Certificates in connection with the issuance and sale of the Certificates.

292. Defendant CS Holdings wholly owns CS USA and is the ultimate U.S. parent of CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. CS Holdings culpably participated in the violations of Section 31-5606.05(a)(1)(B) of the District of Columbia Code set forth above. Upon information and belief, the officers and directors of CS Holdings overlapped with those of CS Securities. CS Holdings

also oversaw the actions of its subsidiaries and allowed them to misrepresent the mortgage loans' characteristics in the Registration Statements and established special-purpose financial entities such as CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance, and the issuing trusts to serve as conduits for the mortgage loans.

293. DLJ Mortgage Capital and the Individual Defendants are controlling persons within the meaning of Section 31-5606.05(c) of the District of Columbia Code by virtue of their actual power over, control of, ownership of, and/or directorship of CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including their control over the content of the Depositor Defendant Registration Statements.

294. CS USA is a controlling person within the meaning of Section 31-5606.05(c) of the District of Columbia Code by virtue of its, actual power over, control of, ownership of, or directorship of Defendant CS Securities at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

295. CS Holdings is a controlling person within the meaning of Section 31-5606.05(c) of the District of Columbia Code by virtue of its actual power over, control of, ownership of, or directorship of CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance at the time of the wrongs alleged herein and as set forth herein, including its control over the content of each of the Registration Statements.

296. Fannie Mae purchased the GSE Certificates issued pursuant to the Registration Statements, including the Prospectuses and Prospectus Supplements, which, at the time they became effective, contained material misstatements of fact and omitted facts necessary to make

the facts stated therein not misleading. The facts misstated and omitted were material to a reasonable investor reviewing the Registration Statements.

297. Fannie Mae did not know of the misstatements and omissions in the Registration Statements; had Fannie Mae known of those misstatements and omissions, it would not have purchased the GSE Certificates.

298. Fannie Mae has sustained damages as a result of the misstatements and omissions in the Registration Statements, for which it is entitled to compensation.

299. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. This action is brought within three years of the date that FHFA was appointed as Conservator of Fannie Mae and Freddie Mac, and is thus timely under 12 U.S.C. § 4617(b)(12).

EIGHTH CAUSE OF ACTION

Common Law Negligent Misrepresentation (Against CS Securities, CSFB Mortgage Securities, Asset Backed Securities, CSFB Mortgage Acceptance)

300. Plaintiff repeats and realleges each and every allegation above as if fully set forth herein, except to the extent that Plaintiff expressly excludes any allegation that could be construed as alleging fraud.

301. This is a claim for common law negligent misrepresentation against Defendants CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance.

302. Between September 28, 2005 and November 23, 2007, CS Securities, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance sold the GSE

Certificates to the GSEs as described above. Because CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance owned and then conveyed the underlying mortgage loans that collateralized the Securitizations for which they served as depositor, the Depositor Defendants had unique, exclusive, and special knowledge about the mortgage loans in the Securitizations through their possession of the loan files and other documentation.

303. Likewise, as lead or co-lead underwriter for all of the Securitizations, CS Securities was obligated—and had the opportunity—to perform sufficient due diligence to ensure that the Registration Statements, including without limitation the corresponding Prospectus Supplements, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As a result of this privileged position as underwriter—which gave it access to loan file information and obligated it to perform adequate due diligence to ensure the accuracy of the Registration Statements—CS Securities had unique, exclusive, and special knowledge about the underlying mortgage loans in the Securitizations.

304. CS Securities also had unique, exclusive, and special knowledge of the work of third-party due diligence providers, such as Clayton, who identified significant failures of originators to adhere to the underwriting standards represented in the Registration Statements. The GSEs, like other investors, had no access to borrower loan files prior to the closing of the Securitizations and their purchase of the Certificates. Accordingly, when determining whether to purchase the GSE Certificates, the GSEs could not evaluate the underwriting quality or the servicing practices of the mortgage loans in the Securitizations on a loan-by-loan basis. The GSEs therefore reasonably relied on CS Securities' knowledge and its express representations made prior to the closing of the Securitizations regarding the underlying mortgage loans.

305. The Depositor Defendants and CS Securities were aware that the GSEs reasonably relied on the Depositor Defendants' and CS Securities' reputations and unique, exclusive, and special expertise and experience, as well as their express representations made prior to the closing of the Securitizations, and that the GSEs depended upon these Defendants for complete, accurate, and timely information. The standards under which the underlying mortgage loans were actually originated were known to these Defendants and were not known, and could not be determined, by the GSEs prior to the closing of the Securitizations.

306. Based upon their unique, exclusive, and special knowledge and expertise about the loans held by the trusts in the Securitizations, the Depositor Defendants and CS Securities had a duty to provide the GSEs complete, accurate, and timely information regarding the mortgage loans and the Securitizations. The Depositor Defendants and CS Securities negligently breached their duty to provide such information to the GSEs by instead making to the GSEs untrue statements of material facts in the Securitizations, or otherwise misrepresenting to the GSEs material facts about the Securitizations. The misrepresentations are set forth in Section IV above, and include misrepresentations as to the accuracy of the represented credit ratings, compliance with underwriting guidelines for the mortgage loans, and the accuracy of the owner-occupancy statistics and the loan-to-value ratios applicable to the Securitizations, as disclosed in the term sheets and Prospectus Supplements.

307. In addition, having made actual representations about the underlying collateral in the Securitizations and the facts bearing on the riskiness of the Certificates, the Depositor Defendants and CS Securities had a duty to correct misimpressions left by their statements, including with respect to any "half truths." The GSEs were entitled to rely upon the Depositor Defendants' and CS Securities' representations about the Securitizations, and these Defendants

failed to correct in a timely manner any of their misstatements or half truths, including misrepresentations as to compliance with underwriting guidelines for the mortgage loans.

308. Fannie Mae and Freddie Mac purchased the GSE Certificates based upon the representations by Credit Suisse as the sponsor, depositor, and lead and selling underwriter in 32 Credit Suisse-sponsored Securitizations. The GSEs received term sheets containing critical data as to the Securitizations, including with respect to anticipated credit ratings by the credit rating agencies, loan-to-value and combined loan-to-value ratios for the underlying collateral, and owner occupancy statistics, which term sheets were delivered, upon information and belief, by CS Securities. This data was subsequently incorporated into Prospectus Supplements that were received by the GSEs upon the close of each Securitization.

309. The GSEs relied upon the accuracy of the data transmitted to them and subsequently reflected in the Prospectus Supplements. In particular, the GSEs relied upon the credit ratings that the credit rating agencies indicated they would bestow on the Certificates based on the information provided by Credit Suisse relating to the collateral quality of the underlying loans and the structure of the Securitization. These credit ratings represented a determination by the credit rating agencies that the GSE Certificates were “AAA” quality (or its equivalent)—meaning the Certificates had an extremely strong capacity to meet the payment obligations described in the respective PSAs.

310. Detailed information about the underlying collateral and structure of each Securitization was provided or caused to be provided to the credit rating agencies by, upon information and belief, DLJ Mortgage Capital. The credit reporting agencies based their ratings on this information, and the agencies’ anticipated ratings of the Certificates were dependent on the accuracy of that information. The GSEs relied on the accuracy of the anticipated credit

ratings and the actual credit ratings assigned to the Certificates by the credit rating agencies, and upon the accuracy of Credit Suisse's representations in the term sheets and Prospectus Supplements.

311. In addition, the GSEs relied on the fact that the originators of the mortgage loans in the Securitizations had acted in conformity with their underwriting guidelines, which were described in the Prospectus Supplements. Compliance with underwriting guidelines was a precondition to the GSE's purchase of the GSE Certificates in that the GSEs' decision to purchase the Certificates was directly premised on their reasonable belief that the originators complied with applicable underwriting guidelines and standards.

312. In purchasing the GSE Certificates, the GSEs justifiably relied on Credit Suisse's false representations and omissions of material fact detailed above, including the misstatements and omissions in the term sheets about the underlying collateral, which were reflected in the Prospectus Supplements.

313. But for the above misrepresentations and omissions, the GSEs would not have purchased or acquired the Certificates as they ultimately did, because those representations and omissions were material to their decision to acquire the GSE Certificates, as described above.

314. The GSEs were damaged in an amount to be determined at trial as a direct, proximate, and foreseeable result of the Depositor Defendants' and CS Securities' misrepresentations, including any half truths.

315. The time period from July 29, 2011 through August 29, 2011 has been tolled for statute of limitations purposes by virtue of a tolling agreement entered into between FHFA, Freddie Mac, Fannie Mae, CS USA, CS Securities, DLJ Mortgage Capital, CSFB Mortgage Securities, Asset Backed Securities, and CSFB Mortgage Acceptance. In addition, this action is

brought within three years of the date that the FHFA was appointed as Conservator of Fannie Mae and Freddie Mac and is thus timely under 12 U.S.C. § 4617(b)(2).

PRAYER FOR RELIEF

WHEREFORE Plaintiff prays for relief as follows:

316. An award in favor of Plaintiff against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, but including:

a. Rescission and recovery of the consideration paid for the GSE Certificates, with interest thereon;

b. Each GSE's monetary losses, including any diminution in value of the GSE Certificates, as well as lost principal and lost interest payments thereon;

c. Attorneys' fees and costs;

d. Prejudgment interest at the maximum legal rate; and

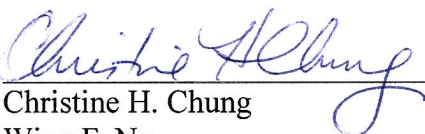
e. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

317. Pursuant to Federal Rule of Civil Procedure 38(b), Plaintiff hereby demands a trial by jury on all issues triable by jury.

DATED: New York, New York
Septemeber 2, 2011

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By: 
Christine H. Chung
Wing F. Ng

51 Madison Avenue, 22nd Floor
New York, New York 10010-1601
(212) 849-7000

Attorneys for Plaintiff FHFA