

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

KYLE J. LIGUORI and TAMMY L.
HOFFMAN, individually and on behalf of all
others similarly situated,

Plaintiffs,

v.

WELLS FARGO & COMPANY, WELLS
FARGO BANK, N.A., NORTH STAR
MORTGAGE GUARANTY REINSURANCE
COMPANY,

Defendants.

Civil Action No. 08-cv-00479-PD

[PROPOSED] PLAN OF ALLOCATION

1. Definitions

A. Except as indicated in this Plan of Allocation, the capitalized terms used herein shall have the meanings ascribed to them in the Settlement Agreement (the “Agreement”).

B. “Administrative Costs” means any and all costs and expenses incurred by Named Plaintiffs or Plaintiffs’ Counsel in connection with administering the Settlement and consummating the terms of the Agreement, including, but not limited to, the fees and expenses of the Escrow Agent and/or Settlement Administrator, the payment of any taxes incurred by the Settlement Fund, and any and all other costs in connection with consummating the terms of the Agreement, including the costs of all notices described in the Agreement.

C. “Class” means all borrowers with residential mortgage loans closed on or after March 7, 2006 through January 1, 2008 that were originated by Wells Fargo Bank and reinsured by North Star or its subsidiaries, excluding borrowers with residential mortgage loans originated

by Wells Fargo Bank's Correspondent Lending Division or otherwise purchased on the secondary market.

D. "Class Member" means a member of the Class; provided, however, that when more than one (1) person is or was obligated on a Reinsured Loan, each of those persons shall be treated as only one (1) Class Member for the purpose of distribution of the Settlement.

E. "Net Settlement Amount" means the Settlement Fund less: (1) Administrative Costs; (2) Court-approved attorneys' fees and expenses of Plaintiffs' Counsel; and (3) Case Contribution Awards awarded by the Court for the Named Plaintiffs.

F. "Reinsured Loan" means a residential mortgage loan originated during the Class Period by Wells Fargo Bank and reinsured by North Star or its subsidiaries, on which the Class Member is or was an obligor, excluding residential mortgage loans originated by Wells Fargo Bank's Correspondent Lending Division or otherwise purchased on the secondary market.

G. "Settlement Administrator" means The Garden City Group, Inc., a third-party vendor, designated by Lead Class Counsel with the consent of Defendants, who shall administer notice of the Settlement and the distribution of Settlement funds.

2. Class Notice

Pursuant to and in full compliance with Rule 23 of the Federal Rules of Civil Procedure, this Court hereby finds and concludes that due and adequate notice was directed to all persons who are Class Members who could be identified with reasonable effort, advising them of the Plan of Allocation and of their right to object thereto, and that a full and fair opportunity was accorded to all Class Members to be heard with respect to the Plan of Allocation.

3. Calculation of Settlement Payments

A. For each Reinsured Loan, the Settlement Administrator, with information and aid from Lead Class Counsel and counsel for Defendants, shall determine the Settlement Payments as follows:

(i) Aggregate the total number of monthly Private Mortgage Insurance (“PMI”) payments made by Participating Class Members for all Reinsured Loans from the period beginning on March 7, 2006 and ending on the Preliminary Approval Date (“PMI Aggregate”);

(ii) Divide the total Net Settlement Amount by the PMI Aggregate;

(iii) Arrive at the “Per Month” amount.

B. For each Reinsured Loan, the Settlement Administrator shall then multiply the Per Month amount by the number of months that PMI was paid in connection with the Reinsured Loan in order to arrive at the Settlement Payment amount for the Reinsured Loan.

4. Distribution of Settlement Payments

A. Within forty-five (45) days following the date on which the Final Approval Order is entered, the Settlement Administrator shall prepare a Distribution List, which shall be the Class Member List prepared pursuant to Section 4.4 of the Agreement, with (i) names omitted where the Class Notice to such Class Member was returned by the Postal Service and not successfully redelivered or the Class Member was a Successful Opt-Out and (ii) names omitted to reflect the resolution of disputed opt-outs or purported opt-outs under Section 1.36 of the Agreement.

B. The persons on the Distribution List shall be the Participating Class Members. The preliminary Distribution List shall be provided to Defendants and Lead Class Counsel

within five (5) business days of its preparation. The Distribution List shall be amended by the Settlement Administrator from time to time as additional information becomes available. The Distribution List shall be the complete list of all Participating Class Members who will be provided with Settlement Payments for the applicable Reinsured Loans, unless otherwise ordered by the Court or agreed to by the Parties or unless otherwise amended as required in the Agreement.

5. Settlement Payments to Participating Class Members.

A. Within seventy-five (75) days of the Effective Date, the Settlement Administrator shall mail to each Participating Class Member a check in the amount of the Settlement Payment to which the Participating Class Member is entitled hereunder on account of a Reinsured Loan to the Participating Class Member's Last Known Address ("First Distribution"). In the event that there are multiple Participating Class Members listed as co-borrowers on a Reinsured Loan who are entitled to relief under the Agreement on account of the same Reinsured Loan and there are different addresses listed for those Participating Class Members, the check shall be mailed to the Last Known Address associated with the primary borrower.

B. Sixty (60) days following the mailing of Settlement Payments, the Settlement Administrator shall mail a reminder postcard to all Participating Class Members who have not yet negotiated their Settlement Payment checks, noting that a check was previously issued to the Participating Class Member in connection with the Settlement, and reminding them that the check must be negotiated by the date that is one hundred and twenty (120) days after issuance. The reminder postcard will also provide contact information for the Settlement Administrator should the Participating Class Member need to request a new check, and note that the check reissue request must be made within sixty (60) days of the date that the reminder postcard is

mailed. Any checks that are reissued must be negotiated by the date that is sixty (60) days after issuance.

C. Aside from a lost, discarded or destroyed check, the Settlement Administrator shall not be permitted to make multiple payments of the Settlement Payments to co-borrowers who are entitled to relief under this Agreement on account of the same Reinsured Loan, but, in such cases, shall make only one Settlement Payment jointly to all such co-borrowers in such a manner that the check can be cashed by either co-borrower. Defendants, Named Plaintiffs, and their respective counsel shall have no liability to any co-borrower arising from any claim regarding the division of such funds among co-borrowers. A Participating Class Member (joint or several) with two or more Reinsured Loans shall be entitled to separate Settlement Payments under the Agreement for each Reinsured Loan.

D. All Settlement Payment checks issued pursuant to the First Distribution shall be void and treated as never owed if not negotiated within one hundred and twenty (120) days of their date of issue, and shall contain a legend to such effect. However, in the event that any Settlement Payment checks from the First Distribution are reissued to Participating Class Members, those Settlement Payment checks shall be void and treated as never owed if not negotiated within sixty (60) days of their date of issue, and shall contain a legend to such effect. In the event that a Settlement Payment check from the First Distribution is not cashed by a Participating Class Member within 120 days of its date of issue, or a Settlement Payment check that is reissued is not cashed by a Participating Class Member within 60 days of its date of issue, and that Participating Class Member's loan is actively serviced by Wells Fargo Bank, then Lead Class Counsel shall return to counsel for Defendants the total dollar amount of the uncashed Settlement Payment check, and Defendants shall cause a credit in the same amount as the

Settlement Payment check to be applied to the principal balance of the Participating Class Member's loan. In the event that a Settlement Payment check from the First Distribution is not cashed by a Participating Class Member within 120 days of its date of issue, or a Settlement Payment check that is reissued is not cashed by a Participating Class Member within 60 days of its date of issue, and that Participating Class Member's loan is not actively serviced by Wells Fargo Bank, then the total funds constituting the uncashed checks of those Participating Class Members shall be distributed, on a pro rata basis, to the Participating Class Members who cashed their Settlement Payment checks pursuant to the First Distribution ("Second Distribution"). Settlement Payment checks issued pursuant to the Second Distribution shall be void and treated as never owed if not negotiated within 60 days of their date of issue, and shall contain a legend to such effect. If any Settlement Payment checks from the Second Distribution remain uncashed within 60 days of their date of issue, then the total funds constituting the uncashed checks shall be applied towards Administrative Costs that have not already been paid from the Settlement Fund. In the event that the amount of uncashed Settlement Payment checks from the Second Distribution exceeds the unpaid Administrative Costs or no Administrative Costs remain unpaid after the Second Distribution, then all funds remaining in the Escrow Account shall be distributed, on a pro rata basis, to those Participating Class Members who cashed their original Settlement Payment checks pursuant to the First Distribution ("Third Distribution"). The Third Distribution shall exclude those Participating Class Members who did not cash their Settlement Payment checks pursuant to the Second Distribution.

6. Qualifications and continuing jurisdiction

A. Depending on the manner in which the data is kept and the ease with which it can be manipulated, it may be appropriate to simplify some of the features of these calculations.

Such simplifications are acceptable as long as the following feature of the distribution of the Net Settlement Amount is preserved: each Class Member shall receive a proportionate share of the Net Settlement Amount based approximately on the number of PMI payments made during the Class Period with regard to a Reinsured Loan. Any such changes will be presented to the Court for approval pursuant to Section 6.B below.

B. The Court will retain jurisdiction over the Plan of Allocation to the extent necessary to ensure that it is fully and fairly implemented.

IT IS SO ORDERED this ___ day of _____, 2012.

The Honorable Paul S. Diamond
United States District Judge