

**IN THE MATTER OF
RESIDENTIAL MORTGAGE
FORECLOSURE PLEADING AND
DOCUMENT IRREGULARITIES**

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
GENERAL EQUITY PART
MERCER COUNTY

DOCKET NO. F-059553-10

Civil Action

**AFFIDAVIT OF MICHAEL R. ZARRO CONSTITUTING
JPMORGAN CHASE BANK, N.A.'S AND CHASE HOME FINANCE LLC'S PRIMA
FACIE SHOWING**

STATE OF TEXAS)
) SS
COUNTY OF DENTON)

AFFIDAVIT OF MICHAEL R. ZARRO

I, Michael R. Zarro, being duly sworn, depose and state the following:

1. I am the Senior Vice President in charge of Default Specialty Operations at JPMorgan Chase Bank, N.A. (“JPMC”).
2. I have been employed by JPMC and its predecessors since 1994 and am responsible for the support, management, and disposition of assets secured by real estate, including the foreclosure process.
3. In that capacity, I am a senior member of Chase’s team working to analyze and remediate issues with respect to the execution by Chase employees of documents used in foreclosure proceedings and other related issues.
4. I am submitting this Affidavit on behalf of JPMC and Chase Home Finance LLC (“CHF,” and together with JPMC, “Chase”) as Chase’s Prima Facie Showing, as that term is defined in Paragraph 4 of the Stipulation in this matter, dated March 18, 2011 (the “Stipulation”).
5. This Affidavit is intended to supplement the information set forth in the Memorandum of Respondents JPMorgan Chase Bank, N.A. and Chase Home Finance LLC in Response to Order to Show Cause (the “Memorandum”) and my previous affidavit in support of the Memorandum (the “January Zarro Affidavit”), both dated January 5, 2011 and attached hereto as Exhibits 1 and 2. This Affidavit is based on personal knowledge.

6 The Stipulation asks Chase two questions:

(A) Does the servicer have processes and procedures in place which, if adhered to, will ensure that the information set forth in affidavits/certifications submitted in foreclosure proceedings is personally reviewed by an affiant authorized to act on behalf of the plaintiff in the foreclosure action and that each affidavit or certification submitted is properly executed and is based upon knowledge gained through a personal review of records made in the regular course of business and it was the regular practice of that business to make it (“Business Records”)?

(B) Is the Respondent prepared to follow these processes and procedures upon the resumption of residential mortgage foreclosure activities in New Jersey?

7 Chase answers “yes” to both of these questions, and sets forth below additional information supporting this answer and specific responses to Questions (a) through (g) in Paragraph 4 of the Stipulation.

Background Information

8. As set forth in the Memorandum and the January Zarro Affidavit, Respondent CHF is a subsidiary of JPMC and is the third largest mortgage servicer in the country. *See* Memorandum at 5; January Zarro Affidavit ¶7.

9. CHF services loans originated by Chase as well as loans originated and/or owned by other lenders including Government Sponsored Enterprises (“GSEs”) (*e g* , Freddie Mac and Fannie Mae) and private investors who hold pools of loans in securitized trusts. JPMC has appointed CHF as sub-servicer for loans serviced by JPMC.

10. As of April 1, 2011, JPMC acquired the servicing rights to loans previously serviced by EMC Mortgage Corporation. As servicer of these loans, JPMC will follow the procedures currently used by CHF to execute foreclosure affidavits.

11. As set forth in more detail in the Memorandum and January Zarro Affidavit, in states where foreclosures are accomplished through judicial proceedings, Chase typically submits a verification of indebtedness setting forth the amount due by the borrower.

12. For uncontested matters in New Jersey, Chase submits a Certification of Proof of Amount Due in accordance with Rules 4:64-2 and 1:4-4(b). The Certifications are not notarized. In other states which do not allow for the use of a certification in lieu of affidavit, Chase often submits a notarized affidavit of indebtedness (“AOI,” sometimes referred to as an “Amount Due Affidavit” or “ADA”).

13. Certifications are typically submitted in New Jersey along with the application for judgment.¹ Other documents submitted with the judgment package are generally already in the possession of foreclosure counsel (*i.e.*, the note, mortgage, and assignments, if applicable), although there may be instances where Chase provides additional information or documents at counsel’s request.

14. Chase staff responsible for executing AOIs and Certifications (“Affiants”) access Chase’s computerized systems to verify information and prepare the documents for execution.

¹ Depending on the status of the loan, the jurisdiction, and whether or not the foreclosure action is contested, other documents may be submitted as well

15 The primary source of data for Affiants is Chase's electronic record-keeping system known as Mortgage Servicing Package ("MSP") MSP maintains up-to-date information concerning, among other things, the status of the loan and payment history The accuracy of MSP, and the multi-tiered checks to ensure the integrity of MSP data, are described in detail in the Memorandum at 10-11, and January Zarro Affidavit ¶¶ 26-30.

16. In addition to MSP, Affiants access images of the Note, Mortgage and, where necessary, other documents such as assignments and correspondence with the borrower, through Chase's document imaging systems.

17. Affiants are also able to track the location of the loan collateral file, which typically contains the Mortgage and original Note, through "DocLine," a tool that provides reports of data maintained on Chase's custodial management system, Windows Custodial Management Service System ("WinCMSS"). Custodial files are tracked through barcode scanning, and DocLine and WinCMSS provide real-time information on the location of the collateral file, most of which are maintained in a secure facility of JPMorgan Chase Custody Services in Monroe, Louisiana.²

18. Affiants also verify information about the investors/owners of loans, such as which entity's name a foreclosure action should be brought in and whether the investor/owner had granted Chase a power of attorney, in Chase's Loan Investor Servicing Answers ("LISA") system.

² Files pertaining to a small percentage of loans serviced by CHF are stored with third-party custodians However, the location of the collateral files are reported on DocLine

19. Chase has developed detailed written procedures to guide Affiants in the execution of sworn documents, and in particular AOs, using the systems described above.

20. Affiants are required to follow these procedures so that documents submitted in foreclosure actions are properly executed and based upon knowledge gained through a personal review of Chase's business records.

21. Chase is already following these procedures in the execution of documents in other jurisdictions and is prepared to follow the procedures in New Jersey.³

22. Set forth below are responses to the specific questions posed in the Stipulation

Question (a): If the Respondent is acting on behalf of a mortgagee, but is not the mortgagee itself, provide examples of the source of the Respondent's authority to act, including providing representative samples of documentation evidencing the authority to act on behalf of mortgagees.

23. The following are examples of the source of Chase's authority to act on behalf of mortgagees.

24. Third-party mortgagees typically provide Chase powers of attorney ("POAs") that permit Chase to sign as attorney in fact documents necessary to prosecute foreclosure actions. Examples of POAs are attached as Exhibit 3.

25. The POAs typically grant broad powers to execute all necessary documents for servicing the loan, including foreclosure documents. For example, one of the attached POAs grants Chase the power to execute documents:

³ This affidavit addresses current processes, procedures, training and staffing. Chase may, at some point, determine that changes are warranted as a result of business requirements or applicable law. However, Chase will maintain its commitment to executing documents based upon knowledge gained through a personal review of business records.

(8) With respect to a Mortgage or Deed of Trust, the foreclosure, the taking of a deed in lieu of foreclosure or the completion of judicial or non-judicial foreclosure or termination, cancellation or recession of termination, cancellation or rescission of any such foreclosure, including, without limitation, any and all of the following acts:

a. the substitution of trustee(s) serving under a Deed of Trust, in accordance with state law and the Deed of Trust;

b. the preparation and issuance of statements of breach or non-performance;

c. the preparation and filing of notices of default and/or notices of sale;

d. the cancellation/rescission of notices of default and/or notices of sale;

e. the taking of a deed in lieu of foreclosure; and

f. the preparation and execution of such other documents and performance of such other actions as may be necessary under the terms of the Mortgage, Deed of Trust or state law to expeditiously complete said transactions in paragraphs 8 a. through 8.e., above . . .

26. In addition, as noted above, Chase services loans on behalf of Freddie Mac and Fannie Mae. Typically, the Notes for GSE-owned loans are endorsed "in blank." At foreclosure, the servicer is the mortgagee and initiates the foreclosure action in its name.

27. Both Freddie Mac and Fannie Mae publish guidelines and regulations which address the authority vested in servicers. These materials are publicly available. See <https://www.efanniemae.com/sf/servicing/>; and <http://www.freddiemac.com/sell/guide/>.

28. Fannie Mae and Freddie Mac have also issued POAs to Chase, which provide Chase authority to execute certain documents. See Exhibits 4 and 5.

29. Chase also enters into servicing agreements. For example, where the mortgagee is a securitized trust, there is typically a Pooling and Servicing Agreement (“PSA”) by and among the servicer, the trustee, and the depositor and/or seller of assets into the trust. Examples of PSAs are attached as Exhibits 6, 7 and 8.

30. In addition, as noted above JPMC has appointed CHF to act as sub-servicer for JPMC via an agreement between CHF and JPMC. Thus, CHF has authority to act where the mortgagee is JPMC.

31 Please note that Chase does not otherwise act as a sub-servicer for other servicers

Question (b): Does the Respondent have a record keeping system of Business Records that provides accurate up to date information on the payment history and status of the loan? If so, describe the system.

32. Chase has a record keeping system that provides up-to-date information on payment history and status of loans. This system is referred to as MSP. MSP is a commercially available system which, according to some estimates, is used by approximately 75% of the mortgage servicing industry.

33. As set forth in the Memorandum and January Zarro Affidavit, monetary transactions are posted on MSP in real-time.

34. Thus, when a borrower makes a loan payment to Chase, the payment is promptly recorded and the loan record is updated. MSP also stores data about payments Chase makes on behalf of the borrower, including tax payments and hazard insurance, as well as records of communications with borrowers.

35. Chase employs a number of internal and external controls to ensure that the information in MSP is accurate and reliable, including real-time posting of transactions, daily reconciliations, control self-assessment processes, internal audit review, and testing by Chase's external auditor, PricewaterhouseCoopers. See Memorandum at 10; January Zarro Affidavit ¶ 28.

36. Affiants have desktop access to MSP, and access data in MSP to complete AOIs

Question (c): Describe the Respondent's case processing steps for the review of information contained in, and the execution of, affidavits/certifications submitted in support of foreclosure proceedings.

37. Chase has developed comprehensive procedures for the review of information contained in, and the execution of, affidavit/certifications submitted in support of foreclosure proceedings.

38. As noted above, the most commonly submitted affidavit/certification submitted in foreclosure proceedings is the AOI -- in New Jersey, the Certification of Proof of Amount Due. Chase has developed model AOIs which have been distributed to Chase's local foreclosure counsel. A copy of the model Certification is attached as Exhibit 9.

39. When an AOI is required, foreclosure counsel populates the caption of the AOI, leaving the remainder of the document to be completed by the Affiant.

40. The AOI is transmitted by counsel to Chase for execution via Lender Processing Services ("LPS") Desktop, a commercially available system that

facilitates communication between counsel and servicers. Chase does not use LPS to execute foreclosure affidavits/certifications, but rather as a back-office technical solution.

41. The AOI is executed pursuant to a comprehensive written procedure, a copy of which is attached hereto as Exhibit 10.⁴ Because there are minor differences in AOIs between states (and in some instances, there are county specific requirements) Chase provides supplemental instructions to Affiants where a state-specific AOI is different from the standard Chase template. Chase is in the process of determining whether supplemental steps for New Jersey are required, and will finalize that process when final Rules are issued by the Supreme Court.

42. The AOI procedure requires the Affiant to verify all of the facts set forth in the AOI, and to write by hand key facts such as the amount of indebtedness. For example, the Affiant must:

- Verify the property address and borrower name on the AOI match the information contained in MSP and the loan documentation;
- Confirm the loan is in default, and the foreclosure action has not been suspended;
- Match information on MSP concerning the terms of the loan with the loan documentation;

⁴ A small percentage of loans referred to foreclosure prior to a computer system conversion are processed through a procedure that requires the affiant to perform certain calculations manually. Chase has developed a comprehensive procedure for such executions as well. See Ex. 11

- Confirm that the action has been commenced in the proper name, and where the Plaintiff is a third party, that the third party has issued Chase a POA; and
- Identify the amounts due, including principal, interest, escrow, and corporate advances, and record those amounts by hand on the AOI.

43. Once all information in an AOI is confirmed, the Affiant prints out certain screenshots from MSP that reflect the amount due data and appends the screenshots to the AOI.

44. Chase has also developed similar procedures for other documents that may be submitted in foreclosure actions (*e g* , lost document affidavits)

45 Chase's affidavit procedures provide for the signer to reject a document that contains errors, and Chase employees have been specifically trained *not* to complete any affidavit or certification if they have any questions about the content or do not understand any portion of the document Supervisors are also available on-site to answer any questions

46. Once all information in an affidavit/certification is verified, the Affiant executes the affidavit/certification. (In states other than New Jersey, execution is completed in the presence of a notary.)

47 The affidavit/certification is then passed along to quality-check processes, described in detail below.

48 Once an affidavit/certification passes the quality checks, it is imaged and then returned to foreclosure counsel for filing.

Question (d): Has the Respondent established specific procedures for staff to ensure that the information set forth in affidavits/certifications submitted in foreclosure proceedings is based on a personal review of Business Records? If so: (i) Describe the procedures; (ii) Produce all documents evidencing establishment of the procedures; (iii) Produce samples of all documents or screens reviewed by staff in the affidavit/certification of indebtedness process; (iv) Provide the numerical range and average of how much time is spent per loan to review the Respondent's business records and complete an affidavit/certification of indebtedness.

49 Chase has established specific procedures for Affiants to complete affidavits/certifications submitted in foreclosure proceedings based on a personal review by the Affiant, of Chase's business records.

50. All affidavits/certifications executed in the ordinary course of a foreclosure proceeding are completed and signed pursuant to written procedures which have been drafted by Chase, vetted by outside counsel and, for certain core documents including the AOI, assessed by Deloitte & Touche ⁵

51. The procedures for executing affidavits/certifications, such as AOIs, are described above.

52. The AOI procedures, and more generally, the other affidavit execution procedures implemented by Chase, require the Affiant to *personally* review Chase's system of record, MSP, as well as other Chase systems such as DocLine (which reflects real-time data concerning the location of the collateral file), LISA (which reflects information about the foreclosing party and POAs); and Chase's imaging systems.

53 Attached as Exhibit 12 are examples of screenshots reviewed by affiants in completing a typical AOI. Screenshots submitted with this Affidavit have been redacted to remove confidential or privileged information. I have not attached

⁵ Chase is sometimes required to execute case specific documents, particularly in contested matters. As with AOIs, Affiants must verify all information before executing any affidavit/certification

examples of promissory notes or mortgages, but would be pleased to provide examples if requested.

54. In response to questions concerning the amount of time spent preparing an AOI, we asked a supervisor to time the execution of six AOIs. She determined that it took her between 13 and 45 minutes to execute an AOI, and the average time to complete an AOI was 25 minutes. This does not include the significant amount of time spent to quality-check the AOI.

55. Importantly, there are no quotas or guidelines provided to the Affiants concerning how long it should take to complete an AOI. Chase's focus is on process and accuracy, not speed.

Question (e): Has the Respondent implemented a training program for its staff to review relevant Business Records and source documents and complete foreclosure affidavits/certifications based on a personal review of such materials? If so: (i) Describe the program; (ii) Produce copies of all written materials used and screen samples from any powerpoint or other presentations; (iii) Produce a statement that all staff who are preparing affidavits/certifications have received this training.

56. As set forth in the original Memorandum and January Zarro Affidavit, Chase has, in conjunction with its outside counsel and advisors, developed a rigorous training program designed to ensure that Chase employees understand the proper way to complete an affidavit or certification.

57. The training program includes instruction on the review of substantive information from Chase's systems and on the proper procedures for document execution. Importantly, trainees are encouraged to seek help from supervisors and they are specifically instructed not to sign any affidavit or certification where they are unable to confirm the contents

58. There are approximately 400 employees that are part of the foreclosure document execution process. Each one, including signers and quality control personnel, must pass the new training program, which consists of classroom training (2.5 days for current employees and 10 days for new employees) and lab work on how to execute the applicable documents.

59. In response to Question (e) (iii), all new and current employees preparing affidavits/certifications have received the training described above.

60. After training, Chase requires *each* employee who may be asked to sign such a document or to review it for quality control purposes to meet individually with an outside attorney to confirm that the employee understood the document execution process and is prepared to proceed under the prescribed procedures. Employees who do not pass this screening certification are provided additional coaching and/or training, and then are re-screened.

61. Going forward, Chase will implement a periodic certification process, pursuant to which the foreclosure analysts will confirm their compliance with, and understanding of, Chase's prescribed procedures. Chase's independent audit group will also perform an audit of the reformed document execution procedures to ensure that the revised controls are functioning effectively and are sustainable.

62. Attached hereto are the current versions of following training materials concerning the execution of AOs and the maintenance of business records:

- Executing Foreclosure Documents, New Hire Systems and Resources (Parts 1 and 2) (Exhibit 13);

- Executing Foreclosure Documents. Executing the ADA (Part 4) (Exhibit 14); and
- Accessing and Maintaining Business Records (Exhibit 15).

These training materials contain annotated screenshots from Chase's systems.

Question (f): Has the Respondent established quality assurance procedures to insure that the established procedures for review of relevant source documents and completion of foreclosure affidavits/ certifications based on a personal review of Business Records are followed in each case? If so: (i) Describe the procedures; and (ii) Produce copies of all documents evidencing establishment of quality assurance procedures.

63. Chase has implemented comprehensive quality control and quality assurance programs.

64. As set forth in the Memorandum and January Zarro Affidavit, at present, *every* affidavit or certification signed by a Chase foreclosure employee is reviewed a second time by a quality-check analyst.

65. The quality-check analyst performs each of the same steps as did the signer to confirm that the factual information in the affidavit or certification matches the information contained in Chase's electronic business record systems.

66. If a document fails the quality check, the quality-check analyst and the foreclosure analyst will work together to reconcile the two results so that an accurate document will be filed.

67. The review of 100% of affidavits and certifications will continue until Chase management determines that quality levels are consistently high and support a more streamlined review going forward. At that point, the quality-check analysis will continue with random samplings of affidavits and certifications.

68. Attached hereto as Exhibits 16 and 17 are the quality control and quality assurance procedures used in the AOI process. Attached as Exhibit 18 are additional quality-check materials used in confirming the proper completion of AOIs.

69 Finally, attached hereto as Exhibit 19 is an example of a Florida AOI executed pursuant to Chase's procedures, together with the MSP, LISA and DocLine screenshots associated with the loan, and the quality-check checklists used to confirm the accuracy of the affidavit

Question (g): Does the Respondent have a process for insuring effective and timely communication with foreclosure counsel in connection with the completion and execution of foreclosure affidavits/certifications? If so: (i) Describe the process; and (ii) Describe the procedures that will enable foreclosure counsel to comply with their duties concerning the completion and execution of foreclosure affidavits/certifications, under the Court Rules as they are finally adopted by the New Jersey Supreme Court.

70. Chase has processes to help insure the effective and timely communication with foreclosure counsel in connection with the completion and execution of foreclosure affidavits/certifications.

71 As set forth above, Chase communicates with foreclosure counsel through LPS Desktop, a commercially available application designed for this purpose Counsel uploads affidavits/certifications into LPS Desktop for execution, and allows Chase to maintain an audit trail on communications and document execution. Chase also routinely communicates with counsel by phone and email.

72. Once uploaded to LPS Desktop, the affidavits/certifications are then assigned to Affiants for verification and execution.

73. As soon as an affidavit/certification is executed, it is then passed on to quality control and then quality assurance. Affidavits executed in the ordinary course are imaged and returned to counsel.

74. Chase is continuously working to reduce the time it takes to complete this process, and New Jersey counsel can contact liaisons at Chase to request the expedited execution of a document, if required. In addition, attorneys from Chase's coordinating law firm, Morgan Lewis, are on-site at Chase's primary document execution facility to liaise with foreclosure counsel in order to help resolve questions and facilitate the execution of documents.

75. Chase is also assigning specific Affiants to work with each outside law firm, including Chase's counsel in New Jersey. This will facilitate communication with counsel and foster the development of state-specific expertise by Affiants.

76. Once the New Jersey Supreme Court Rules are finalized, Chase will conduct meetings with New Jersey counsel to review all requirements, and will provide written instructions, as necessary, concerning the method for counsel to upload documents for Chase for execution.

77. Chase submits that these procedures will enable foreclosure counsel to comply with their duties concerning the completion and execution of foreclosure affidavits/certifications.

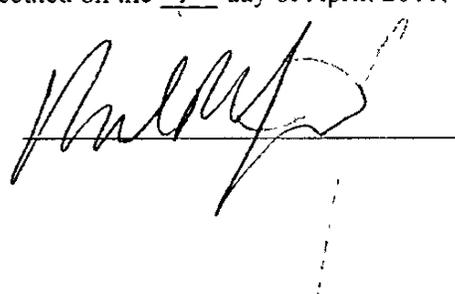
Conclusion

78. For all of the reasons set forth above, I believe that Chase has developed comprehensive well-designed procedures and training, and is prepared to

begin the execution of Certifications and the initiation of foreclosure actions in New Jersey.

FURTHER AFFIANT SAYETH NAUGHT.

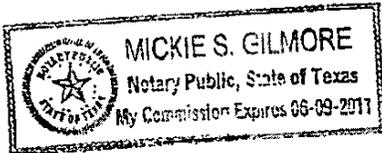
I declare under penalty of perjury under the laws of the United States of America that the foregoing Affidavit is true and correct. Executed on the 7th day of April, 2011, in Denton County, Texas.

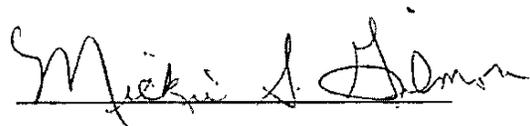


STATE OF TEXAS)
) SS.
COUNTY OF DENTON)

I HEREBY CERTIFY that on this day personally appeared before me, an officer duly authorized to administer oaths and take acknowledgments in the County aforesaid. Michael R. Zarro who is personally known to me or produced P/A as identification, and who executed the foregoing Affidavit, and acknowledged before me that he had the authority to do so on behalf of JPMorgan Chase Bank, N A and Chase Home Finance LLC.

I have hereunto set my hand and affixed my official seal this 7th day of April, 2011.




Notary Public

My commission expires:

June 9, 2011

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*Attorneys for Respondents
JPMorgan Chase Bank, N A and
Chase Home Finance LLC*

**IN THE MATTER OF RESIDENTIAL
MORTGAGE FORECLOSURE
PLEADING AND DOCUMENT
IRREGULARITIES**

SUPERIOR COURT OF NEW JERSEY
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Civil Action

**CERTIFICATION OF FACSIMILE
SIGNATURE OF MICHAEL R. ZARRO
PURSUANT TO RULE 1:4-4(c)**

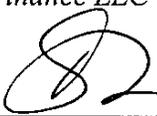
Christopher C. Loeber, being of full age, certifies and says:

I am a partner in the law firm of Morgan, Lewis & Bockius LLP, counsel for JPMorgan Chase Bank, N.A. and Chase Home Finance LLC in the above.

I submit this certification in support of the Affidavit of Michael R. Zarro Constituting JPMorgan Chase Bank N.A.'s and Chase Home Finance LLC's Prima Facie Showing, dated April 7, 2011. Pursuant to Rule 1 4-4(c), we have submitted a facsimile of the signature page of Mr Zarro, Senior Vice President in charge of Default Specialty Operations at JPMorgan Chase Bank, N.A. If requested by the Court or a party, the original signature will be filed.

MORGAN, LEWIS & BOCKIUS LLP
*Attorneys for Respondents
JPMorgan Chase Bank, N A and
Chase Home Finance LLC*

Dated April 7, 2011

By: 

Christopher C. Loeber