

1 GOODIN, MACBRIDE, SQUERI, DAY & LAMPREY, LLP  
ROBERT A. GOODIN, State Bar No. 061302  
2 rgoodin@goodinmacbride.com  
FRANCINE T. RADFORD, State Bar No. 168269  
3 fradford@goodinmacbride.com  
ANNE H. HARTMAN, State Bar No. 184556  
4 ahartman@goodinmacbride.com  
5 505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
6 Facsimile: (415) 398-4321

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7 GRAIS & ELLSWORTH LLP  
DAVID J. GRAIS (*pro hac application submitted herewith*)  
8 KATHRYN C. ELLSWORTH (*pro hac app. submitted herewith*)  
OWEN L. CYRULNIK (*pro hac application submitted herewith*)  
9 70 East 55th Street  
New York, New York 10022  
10 Telephone: (212) 755-0100  
Facsimile: (212) 755-0052

CASE MANAGEMENT CONFERENCE SET

AUG 13 2010 9<sup>00</sup> AM

DEPARTMENT 212

11 Attorneys for Plaintiff  
12 Federal Home Loan Bank of San Francisco

13 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
14 IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

15 FEDERAL HOME LOAN BANK OF SAN  
16 FRANCISCO,

17 Plaintiff,

18 v.

19 CREDIT SUISSE SECURITIES (USA) LLC,  
20 F/K/A CREDIT SUISSE FIRST BOSTON  
21 LLC;  
22 CREDIT SUISSE FIRST BOSTON  
MORTGAGE SECURITIES CORP.;  
23 DEUTSCHE BANK SECURITIES, INC.;  
DEUTSCHE ALT-A SECURITIES, INC.;  
24 J.P. MORGAN SECURITIES, INC., F/K/A  
BEAR STEARNS & CO., INC.;  
25 STRUCTURED ASSET MORTGAGE  
INVESTMENTS II, INC.;  
26 THE BEAR STEARNS COMPANIES, LLC,  
F/K/A THE BEAR STEARNS COMPANIES,  
INC.;  
27 RBS SECURITIES, INC., F/K/A  
GREENWICH CAPITAL MARKETS, INC.;  
28 RBS ACCEPTANCE, INC. F/K/A

No.

CGC-10-497840

**COMPLAINT FOR RESCISSION AND DAMAGES FOR:**

- (1) VIOLATIONS OF §§ 25401 AND 25501 OF THE CALIFORNIA CORPORATE SECURITIES ACT;
- (2) VIOLATIONS OF §§ 11 AND 15 OF THE SECURITIES ACT OF 1933;
- (3) VIOLATIONS OF §§ 12(a)(2) AND 15 OF THE SECURITIES ACT OF 1933;
- (4) VIOLATIONS OF §§ 1572 AND 1710 OF THE CALIFORNIA CIVIL CODE (NEGLIGENT MISREPRESENTATION); and

CS8

**COMPLAINT**

1 GREENWICH CAPITAL ACCEPTANCE,  
2 INC.;  
3 MORGAN STANLEY & CO.  
4 INCORPORATED;  
5 UBS SECURITIES, LLC;  
6 MORTGAGE ASSET SECURITIZATION  
7 TRANSACTIONS, INC.;  
8 BANC OF AMERICA SECURITIES LLC;  
9 BANC OF AMERICA FUNDING  
10 CORPORATION;  
11 BANC OF AMERICA MORTGAGE  
12 SECURITIES, INC.;  
13 COUNTRYWIDE SECURITIES  
14 CORPORATION;  
15 CWALT, INC.;  
16 COUNTRYWIDE FINANCIAL  
17 CORPORATION; AND,  
18 DOES 1-50,

Defendants.

**(5) RESCISSION OF CONTRACTS  
UNDER § 1689 ET SEQ. OF THE  
CALIFORNIA CIVIL CODE**

12  
13 Plaintiff, FEDERAL HOME LOAN BANK OF SAN FRANCISCO (referred to in  
14 this complaint as the Bank), alleges, based upon its continuing investigation, including the  
15 continuing investigation of its counsel, that the following allegations and other factual contentions  
16 have evidentiary support or, where specifically identified as being pled "on information and  
17 belief," are likely to have evidentiary support after a reasonable opportunity for further  
18 investigation or discovery.

19 **NATURE OF THIS ACTION**

20 1. This is an action for rescission and damages as a result of the violation by the  
21 Defendants of the California Corporate Securities Act, the federal Securities Act of 1933, the  
22 California Civil Code, and the common law. As alleged in detail below, the Defendants sold or  
23 issued to the Bank 98 certificates in 80 securitization trusts backed by residential mortgage loans.  
24 The Bank paid more than \$13.7 billion for those certificates. When they offered and then sold  
25 these certificates to the Bank, the Defendants made numerous statements to the Bank about the  
26 certificates and the credit quality of the mortgage loans that backed them. On information and  
27 belief, many of those statements were untrue. Moreover, on information and belief, the  
28 Defendants omitted to state many material facts that were necessary in order to make their



1           5.       Defendant Credit Suisse First Boston Mortgage Securities Corp. (referred to as  
2 **CSFB Mortgage Securities**) is a corporation organized under the laws of Delaware. CSFB  
3 Mortgage Securities was the issuer of five of the certificates that Credit Suisse sold to the Bank.

4           6.       Defendant Deutsche Bank Securities, Inc. (referred to as **Deutsche**) is a  
5 corporation organized under the laws of Delaware. Deutsche sold the Bank 21 of the certificates.

6           7.       Defendant Deutsche Alt-A Securities, Inc. (referred to as **Deutsche Alt-A**) is a  
7 corporation organized under the laws of Delaware. Deutsche Alt-A was the issuer of five of the  
8 certificates that Deutsche sold to the Bank.

9           8.       Defendant J.P. Morgan Securities, Inc. (formerly known as Bear, Stearns & Co.  
10 Inc. and referred to as **Bear Stearns**) is a corporation organized under the laws of Delaware. Bear  
11 Stearns sold the Bank 10 of the certificates.

12          9.       Defendant Structured Asset Mortgage Investments II, Inc. (referred to as **SAMI II**)  
13 is a corporation organized under the laws of Delaware. SAMI II was the issuer of six of the  
14 certificates that Bear Stearns sold to the Bank.

15          10.      Defendant The Bear Stearns Companies, LLC (formerly known as and referred to  
16 as **The Bear Stearns Companies, Inc.**) is a limited liability company organized under the laws  
17 of Delaware. The Bear Stearns Companies, Inc. controls or controlled SAMI II. Under Section 15  
18 of the Securities Act of 1933, 15 U.S.C. §77o, The Bear Stearns Companies, Inc. therefore is  
19 liable to the Bank jointly and severally with, and to the same extent as, SAMI II.

20          11.      Defendant RBS Securities, Inc. (formerly known as Greenwich Capital Markets,  
21 Inc. and referred to as **Greenwich Capital**) is a corporation organized under the laws of  
22 Delaware. Greenwich Capital sold the Bank three of the certificates.

23          12.      Defendant RBS Acceptance, Inc. (formerly known as Greenwich Capital  
24 Acceptance, Inc. and referred to as **Greenwich Capital Acceptance**) is a corporation organized  
25 under the laws of Delaware. Greenwich Capital Acceptance was the issuer of one of the  
26 certificates that Greenwich Capital sold to the Bank.

1           13. Defendant Morgan Stanley & Co. Incorporated (referred to as **Morgan Stanley**) is  
2 a corporation organized under the laws of Delaware. Morgan Stanley sold the Bank three of the  
3 certificates.

4           14. Defendant UBS Securities, LLC (referred to as **UBS**) is a limited liability company  
5 organized under the laws of Delaware. UBS sold the Bank 12 of the certificates.

6           15. Defendant Mortgage Asset Securitization Transactions, Inc. (referred to as **MAST**)  
7 is a corporation organized under the laws of Delaware. MAST was the issuer of six of the  
8 certificates that UBS sold to the Bank.

9           16. Defendant Banc of America Securities LLC (referred to as **Banc of America**) is a  
10 limited liability company organized under the laws of Delaware. Banc of America sold the Bank  
11 15 of the certificates.

12           17. Defendant Banc of America Funding Corporation (referred to as **Banc of America**  
13 **Funding**) is a corporation organized under the laws of Delaware. Banc of America Funding was  
14 the issuer of seven of the certificates that Banc of America sold to the Bank.

15           18. Defendant Banc of America Mortgage Securities, Inc. (referred to as **Banc of**  
16 **America Mortgage Securities**) is a corporation organized under the laws of Delaware. Banc of  
17 America Mortgage Securities was the issuer of seven of the certificates that Banc of America sold  
18 to the Bank.

19           19. Defendant Countrywide Securities Corporation (referred to as **Countrywide**) is a  
20 corporation organized under the laws of California. Countrywide sold the Bank six of the  
21 certificates.

22           20. Defendant CWALT, Inc. (referred to as **CWALT**) is a corporation organized  
23 under the laws of Delaware. CWALT was the issuer of three of the certificates that Credit Suisse  
24 sold to the Bank, 15 of the certificates that Deutsche sold to the Bank, one of the certificates that  
25 Bear Stearns sold to the Bank, two of the certificates that Greenwich Capital Markets sold to the  
26 Bank, three of the certificates that Morgan Stanley sold to the Bank, six of the certificates that  
27 UBS sold to the Bank, one of the certificates that Banc of America sold to the Bank, and five of  
28 the certificates that Countrywide sold to the Bank.





1 \*

2 30. A few other aspects of securitization are significant to the allegations of this  
3 complaint. Each securitization has a sponsor, the prime mover of the securitization. Sometimes  
4 the sponsor is the originator or an affiliate. In originator-sponsored securitizations, the collateral  
5 pool usually contains loans made by the originator that is sponsoring the securitization. Other  
6 times, the sponsor may be an investment bank, which purchases loans from one or more  
7 originators, aggregates them into a collateral pool, sells them to a trust, and securitizes them. The  
8 sponsor arranges for title to the loans to be transferred to an entity known as the **depositor**, which  
9 then transfers title to the loans to the trust.

10 31. The obligor of the certificates in a securitization is the trust that purchases the  
11 loans in the collateral pool. Because a trust has no assets other than the loans that it purchased, it  
12 may not be able to satisfy the liabilities of an issuer of securities (the certificates). The law  
13 therefore treats the depositor as the **issuer** of an asset-backed certificate.

14 \*

15 32. **Securities dealers**, like the eight that sold the certificates to the Bank, play a  
16 critical role in the process of securitization. They underwrite the sale of the certificates, that is,  
17 they purchase the certificates from the trust and then sell them to investors. Equally important,  
18 securities underwriters provide to potential investors the information that they need to decide  
19 whether to purchase certificates.

20 33. Because the cash flow from the loans in the collateral pool of a securitization is the  
21 source of funds to pay the holders of the certificates issued by the trust, the credit quality of those  
22 certificates is dependent upon the credit quality of the loans in the collateral pool. The most  
23 important information about the credit quality of those loans is contained in the files that the  
24 originator develops while making the loans, the so-called loan files. For residential mortgage  
25 loans, each loan file normally contains the information in such important documents as the  
26 borrower's application for the loan, credit reports on the borrower, and an appraisal of the  
27 property that will secure the loan.



1 each case, these documents included a term sheet, the prospectus supplement for the certificates  
2 that was filed with the SEC, drafts of some of the statistical tables to be included in the prospectus  
3 supplement, and a computer model of the financial structure of the securitization. In each of these  
4 documents, each dealer made statements of material fact about the certificate that it offered and  
5 sold to the Bank.<sup>1</sup> A true copy of the prospectus supplement for each securitization is available  
6 from the Securities Exchange Commission website.<sup>2</sup>

7 38. On information and belief, many of the statements of material fact that each dealer  
8 made in these documents were untrue or misleading. These untrue or misleading statements  
9 included the following.

10 **A. Untrue or Misleading Statements about the Loan-to-Value Ratios (LTVs) and**  
11 **Combined Loan-to-Value Ratios (CLTVs) of the Mortgage Loans in the Collateral**  
12 **Pools of these Securitizations**

13 **1. The materiality of LTVs and CLTVs**

14 39. The loan-to-value ratio of a mortgage loan, or LTV, is the ratio of the amount of  
15 the mortgage loan to the value of the mortgaged property when the loan is made. For example, a  
16 loan of \$300,000 secured by property valued at \$500,000 has an LTV of 60%; a loan of \$450,000  
17 on the same property has an LTV of 90%. LTV is one of the most important measures of the risk  
18 of a mortgage loan, and the LTVs of the mortgage loans in the collateral pool of a securitization  
19 are likewise one of the most important measures of the risk of certificates sold in that  
20 securitization. LTV predicts the likelihood of default (the lower the LTV, the less likely that a  
21 decline in the value of the property will wipe out the owner's equity, and thereby give the owner  
22 an incentive to stop making mortgage payments and abandon the property). LTV also predicts the  
23 severity of loss in the event of default (the lower the LTV, the greater the "cushion," so the

24 \_\_\_\_\_  
25 <sup>1</sup> Three of the certificates that the Bank purchased were certificates in re-securitizations of existing  
26 certificates of mortgage-backed securities. In connection with the sale of those three certificates, the  
27 dealers sent to the Bank a private placement memorandum for the re-securitization and prospectus  
28 supplements filed with the SEC for the underlying securitizations. Details of the re-securitizations are  
included in their respective schedules.

<sup>2</sup> A uniform resource locator for each prospectus supplement is included in Item 36 of each  
schedule.

1 greater the likelihood that the proceeds of foreclosure will cover the unpaid balance of the  
2 mortgage loan).

3 40. The denominator in LTV (value of the mortgaged property) is determined by  
4 either an appraisal or by the purchase price of the property. In a refinancing or home-equity loan,  
5 there is no purchase price to use as the denominator. For a purchase, the agreed price may be  
6 higher than the value of the property, and an appraisal should ensure that the LTV is calculated  
7 using the actual value as the denominator. Sometimes in a purchase, the denominator is the lower  
8 of the purchase price or the appraised value.

9 41. Thus, an accurate appraisal is essential to an accurate LTV. In particular, a too-  
10 high appraisal will understate, sometimes greatly, the risk of a loan. To return to the example  
11 above, if the property whose actual value is \$500,000 is appraised instead at \$550,000, then the  
12 LTV of the \$300,000 loan falls from 60% to 54.5%, and the LTV of the \$450,000 loan falls from  
13 90% to 81.8%. In either case, the LTV based on the incorrect appraisal understates the risk of the  
14 loan. It is also important to note that, the higher the correct LTV, the more the risk is understated  
15 by an incorrect appraisal of any given magnitude. In the example above, there is little difference  
16 in the risk of a loan with an LTV of 60% and one with an LTV of 54.5%; both are safe loans with  
17 large equity cushions. But there is a very large difference in the risk of a loan with an LTV of  
18 90% and one with an LTV of 81.8%. In the latter case, there is an equity cushion of 18.2% of the  
19 value of the property, in the former, only 10%, just over half as much. Thus, an appraisal that  
20 overvalues a property by just 10% produces an overstatement of more than 80% in the  
21 homeowner's equity.

22 42. LTV is an important measure of the risk of a mortgage loan, and the LTVs of the  
23 mortgage loans in the collateral pool of a securitization are likewise an important measure of the  
24 risk of certificates sold in that securitization. LTV helps to predict both the likelihood of default  
25 and the severity of loss in case of default. A reasonable investor considers LTV important to the  
26 decision whether to purchase a certificate in a securitization of mortgage loans. Even small  
27 differences in the weighted average LTV of the mortgage loans in the collateral pool of a  
28 securitization have a significant effect on the risk of each certificate sold in that securitization,

1 and thus, are important to the decision of a reasonable investor whether to purchase any such  
2 certificate.

3 \*

4 43. Residential properties can secure more than one mortgage loan, a senior (or first)  
5 and one or more junior mortgage loans. The combined loan-to-value ratio (CLTV) is the ratio of  
6 the total outstanding principal balance of all loans (mortgages or home equity lines of credit) that  
7 the property secures to the appraised value of mortgaged property. To return to the example in  
8 paragraph 39, if a property valued at \$500,000 secures a first mortgage loan of \$300,000 and a  
9 second mortgage loan of \$50,000, then it has a CLTV of 70%. If the first mortgage loan on the  
10 same property is \$450,000 and the second is \$50,000, then the CLTV is 100%.

11 44. Like LTV, CLTV is an important measure of the risk of a mortgage loan, and the  
12 CLTVs of the mortgage loans in the collateral pool of a securitization are likewise an important  
13 measure of the risk of certificates sold in that securitization. CLTV helps to predict the likelihood  
14 of default of a mortgage loan. A reasonable investor considers CLTV important to the decision  
15 whether to purchase a certificate in a securitization of mortgage loans. Even small differences in  
16 the weighted average CLTV of the mortgage loans in the collateral pool of a securitization have a  
17 significant effect on the risk of each certificate sold in that securitization, and thus, are important  
18 to the decision of a reasonable investor whether to purchase any such certificate.

19 **2. Untrue or misleading statements about the LTVs and CLTVs of the mortgage**  
20 **loans in the collateral pools of these securitizations**

21 45. In the prospectus supplement and other documents they sent to the Bank, the  
22 Defendants made statements about the LTVs and CLTVs of the mortgage loans in the collateral  
23 pools of these securitizations. Some of these statements were in so-called collateral stratification  
24 tables. Those tables divided the mortgage loans into several categories of LTV and CLTV and  
25 presented quantitative information about the loans in each category. All of the statements in each  
26 prospectus supplement about the LTVs and CLTVs of the mortgage loans in the collateral pools  
27 of Securitization Nos. 1 through 80 are incorporated herein by reference.

1           46.     On information and belief, these statements were materially untrue or misleading  
2 because (i) the stated LTVs and CLTVs of a significant number of those mortgage loans were  
3 lower than the actual LTVs or CLTVs; (ii) the Defendants omitted to state that the appraisals of a  
4 significant number of the properties that secured the mortgage loans in the collateral pools were  
5 biased upward, so that stated LTVs and CLTVs based on those appraisals were lower than the  
6 true LTVs and CLTVs of those mortgage loans; or (iii) the stated CLTVs did not reflect second  
7 mortgages on a significant number of the properties that secured the mortgage loans in the  
8 collateral pools.

9           47.     Since the dates of Securitizations Nos. 1 through 80, loans in the collateral pools  
10 of each securitization have been foreclosed upon. In nearly all of the pools, the properties that  
11 secured those foreclosed loans were sold for much less than the value ascribed to those same  
12 properties in the LTV and CLTV data reported in the prospectus supplements and other  
13 documents that the Defendants sent to the Bank. The large difference cannot be explained by the  
14 declines in house prices in the areas in which those properties were located, even after taking  
15 account of the fact that properties in foreclosure sometimes sell for less than their fair market  
16 value. Analysis of data in an industry-standard database of securitized mortgage loans shows, for  
17 almost all of Securitizations Nos. 1 through 80, that the differences between the values ascribed to  
18 these properties and the prices at which the properties were sold in foreclosure are significantly  
19 greater than the declines in house prices in the same geographical areas over the same periods  
20 (that is, between the making of each mortgage loan and the corresponding foreclosure sale). This  
21 unexplained difference is evidence that the values ascribed to those properties, and to all  
22 properties in the collateral pools, in the LTV and CLTV data reported in the prospectus  
23 supplements and other documents that the Defendants sent to the Bank were too high, the  
24 resulting LTVs and CLTVs were too low, and thus that the statements in the prospectus  
25 supplements and other documents sent to the Bank about the LTVs and CLTVs were untrue or  
26 misleading. The results of this analysis for nearly all of Securitizations Nos. 1 through 80 are  
27 stated in Item 47 of Schedules 1 through 80 of this complaint. The Bank incorporates into this  
28

1 paragraph 47, and alleges as though fully set forth in this paragraph, the contents of Item 47 of the  
2 schedules.

3 48. On information and belief, by these untrue and misleading statements, the  
4 Defendants materially understated the risk of every certificate that any of them sold to the Bank.

5 **B. Untrue or Misleading Statements about the Occupancy Status of the Properties That**  
6 **Secured the Mortgage Loans in the Collateral Pools of these Securitizations**

7 **1. The materiality of occupancy status**

8 49. Residential real estate is usually divided into primary residences, second homes,  
9 and investment properties. Mortgages on primary residences are less risky than mortgages on  
10 second homes and investment properties.

11 50. Occupancy status (that is, whether the property that secures a mortgage is to be the  
12 primary residence of the borrower, a second home, or an investment property) is an important  
13 measure of the risk of a mortgage loan, and the percentage of loans in the collateral pool of a  
14 securitization that are secured by mortgages on primary residences rather than on second homes  
15 or investment properties is an important measure of the risk of certificates sold in that  
16 securitization. Other things being equal, the higher the percentage of loans secured by primary  
17 residences, the lower the risk of the certificates. A reasonable investor considers occupancy status  
18 important to the decision whether to purchase a certificate in a securitization of mortgage loans.  
19 Differences in the percentage of the mortgage loans in the collateral pool of a securitization that  
20 are secured by mortgages on primary residences have a significant effect on the risk of each  
21 certificate sold in that securitization and thus are important to the decision of a reasonable  
22 investor whether to purchase any such certificate.

23 51. Because they are less risky than other mortgage loans, mortgage loans on primary  
24 residences usually have more favorable terms, including lower interest rates, than mortgage loans  
25 on second homes and investment properties. Applicants for loans on second homes and  
26 investment properties therefore have an incentive to state that the property will be their primary  
27 residence even when it will not.  
28

1           **2. Untrue or misleading statements about the occupancy status of the properties**  
2           **that secured the mortgage loans in the collateral pools of these securitizations**

3           52. In the prospectus supplements and other documents that they sent to the Bank, the  
4 Defendants made statements about the occupancy status of the properties that secured the  
5 mortgage loans in the collateral pool of this securitization. Some of these statements were in so-  
6 called collateral stratification tables. Those tables divided the mortgage loans into several  
7 categories of occupancy status and presented quantitative information about the loans in each  
8 category. All of the statements in the prospectus supplement and other documents about the  
9 occupancy status of the mortgage loans in the collateral pool of this securitization are  
10 incorporated herein by reference.

11           53. On information and belief, these statements were materially untrue or misleading  
12 because (i) the stated number of mortgage loans that were secured by primary residences was  
13 higher than the actual number of loans in that category; (ii) the stated number of mortgage loans  
14 that were secured by second homes was lower than the actual number of loans in that category;  
15 (iii) the stated number of mortgage loans that were secured by investment properties was lower  
16 than the actual number of loans in that category; or (iv) the Defendants omitted to state that the  
17 occupancy status of a significant number of the properties that secured the mortgage loans in the  
18 collateral pool was misstated because of fraud.

19           54. On information and belief, by these untrue and misleading statements, the  
20 Defendants materially understated the risk of every certificate that any of them sold to the Bank.

21           **C. Failure to Disclose the Substantial Deterioration of LTV and Credit Score as**  
22           **Predictors of the Performance of Mortgage Loans Securitized by the Defendant**  
23           **Dealers**

24           55. Investors in mortgage-backed securities, including the Bank, rely extensively on  
25 certain characteristics of the mortgage loans in the collateral pool of a securitization to predict the  
26 performance of those loans and thereby to determine the risk both of those loans and of the  
27 certificates sold in that securitization. Reasonable investors consider information about these  
28 characteristics important to the decision whether to purchase a certificate in a securitization of

1 mortgage loans. Among the most important of these characteristics are LTV, described above,  
2 and the credit score of the borrower.

3 56. In the prospectus supplements and other documents they sent to the Bank, the  
4 Defendants made statements about the LTVs and credit scores of the mortgage loans in the  
5 collateral pools of each of Securitizations Nos. 1 through 80. All of those statements are  
6 incorporated herein by reference.

7 57. During the time before each of Securitizations Nos. 1 through 80, the power of  
8 LTV and credit score to predict the performance of otherwise similar mortgage loans deteriorated,  
9 even after taking account of declines in house prices and other macroeconomic factors. Put  
10 somewhat differently, loans that were very similar in these characteristics performed worse if the  
11 loans were made in 2007 than if they were made in 2006, worse if made in 2006 than if made in  
12 2005, etc.

13 58. On information and belief, all statements that the Defendants made about the  
14 LTVs and credit scores of the mortgage loans in the collateral pools of these securitizations were  
15 misleading because the Defendants omitted to state that, in the time before these securitizations,  
16 loans that they or their affiliates securitized were nearly constant in reported weighted-average  
17 LTV and weighted-average credit score, yet performed worse if the loans were made in 2007 than  
18 if they were made in 2006, worse if made in 2006 than if made in 2005, etc.

19 59. On information and belief, by these misleading statements, the Defendants  
20 materially understated the risk of every certificate that any of them offered and sold to the Bank.

21 **D. Untrue or Misleading Statements about the Underwriting Guidelines of the**  
22 **Originators of the Mortgage Loans in the Collateral Pools of these Securitizations**

23 **1. The materiality of underwriting guidelines and the extent of compliance with**  
24 **them**

25 60. Most or all originators of mortgage loans had written guidelines by which they  
26 evaluated applications for loans. An originator's guidelines, and the extent to which the originator  
27 complies with them, are important indicators of the risk of mortgage loans made by that  
28 originator and of certificates sold in a securitization in which mortgage loans made by that  
originator are a substantial part of the collateral pool. A reasonable investor considers the

1 underwriting guidelines of each originator of a substantial part of the mortgage loans in the  
2 collateral pool of a securitization, and the extent to which the originator complied with its  
3 guidelines, important to the decision whether to purchase a certificate in that securitization.  
4 Differences in those guidelines or in the extent to which an originator complied with them have a  
5 significant effect on the risk of each certificate sold in that securitization and thus are important to  
6 the decision of a reasonable investor whether to purchase any such certificate.

7 **2. Untrue or misleading statements by the Defendants about the underwriting**  
8 **guidelines of the originators of the mortgage loans in the collateral pools of**  
9 **these securitizations and about the extent of their compliance with those**  
10 **guidelines**

11 61. In the prospectus supplements, the Defendants made statements about the  
12 underwriting guidelines of the originators of the mortgage loans in the collateral pools of  
13 Securitizations Nos. 1 through 80. Those statements are described in Item 61 of Schedules 1  
14 through 80 of this complaint. The Bank incorporates into this paragraph 61, and alleges as though  
15 fully set forth in this paragraph, the contents of Item 61 of the schedules.

16 62. On information and belief, these statements were materially untrue or misleading  
17 because the Defendants omitted to state that (a) the originators were making frequent, and  
18 increasingly frequent, exceptions to those underwriting guidelines; (b) the originators were  
19 making frequent, and increasingly frequent, exceptions to those underwriting guidelines when no  
20 compensating factor was present; and (c) the originators were failing frequently, and increasingly  
21 frequently, to follow quality-assurance practices intended to detect and prevent fraud.

22 63. On information and belief, by these untrue and misleading statements, the  
23 Defendants materially understated the risk of every certificate that any of them offered and sold to  
24 the Bank.  
25  
26  
27  
28

**FIRST CAUSE OF ACTION**  
**UNTRUE OR MISLEADING STATEMENTS IN THE SALE OF SECURITIES**  
**(Cal. Corporations Code §§ 25401, 25501)**

<i>Against Defendant:</i>	<i>In connection with Securitizations:</i>
<b>Credit Suisse</b>	<b>Securitizations Nos. 1 through 5, and 7 through 10</b>
<b>Deutsche</b>	<b>Securitizations Nos. 11 through 16, and 18 through 31</b>
<b>Bear Stearns</b>	<b>Securitizations Nos. 32 through 35, 40, and 41</b>
<b>Greenwich Capital</b>	<b>Securitizations Nos. 42 and 44</b>
<b>Morgan Stanley</b>	<b>Securitizations Nos. 45 through 47</b>
<b>UBS</b>	<b>Securitizations Nos. 48 through 51, and 53 through 59</b>
<b>Banc of America</b>	<b>Securitizations Nos. 60 through 70</b>
<b>Countrywide</b>	<b>Securitizations Nos. 75 through 80</b>

64. The Bank hereby incorporates by reference, as though fully set forth, paragraphs 1 through 63.

65. In doing the acts alleged, the Defendants named above violated Sections 25401 and 25501 of the California Corporations Code in the sale to the Bank of the certificates in the securitizations referred to above.

66. This action is brought within two years after the discovery of the untrue and misleading statements in the prospectus supplements and other documents that the Defendants sent to the Bank, and within five years of the Bank's purchase of these certificates, or within any applicable period as tolled by the pendency of the class actions referred to above or others. Despite having exercised reasonable diligence, the Bank did not and could not reasonably have discovered earlier the untrue and misleading statements in the prospectus supplements and other documents.

67. Under Cal. Corp. Code §§ 25401 and 25501, the Bank is entitled to recover the consideration that it paid for each of these certificates, plus interest at the legal rate from the date of purchase to the date on which it recovers the purchase price, minus the amount of income it has received on the certificate. Pursuant to § 25501, the Bank will tender each certificate before entry of judgment.

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**SECOND CAUSE OF ACTION**

**UNTRUE OR MISLEADING STATEMENTS  
IN REGISTRATION STATEMENTS  
(Section 11 of the Securities Act of 1933)**

<i>Against Defendant:</i>	<i>In connection with Securitizations:</i>
<b>Credit Suisse</b>	<b>Securitizations Nos. 7 through 10</b>
<b>Deutsche</b>	<b>Securitizations Nos. 18 through 31</b>
<b>Bear Stearns</b>	<b>Securitizations Nos. 40 and 41</b>
<b>SAMI II</b>	<b>Securitization No. 40</b>
<b>Greenwich Capital</b>	<b>Securitization No. 44</b>
<b>Morgan Stanley</b>	<b>Securitizations Nos. 45 through 47</b>
<b>UBS</b>	<b>Securitizations Nos. 54 through 59</b>
<b>Countrywide</b>	<b>Securitizations Nos. 76 through 80</b>
<b>CWALT</b>	<b>Securitizations Nos. 7, 9, 10, 18 through 31, 41, 44 through 47, 54 through 59, 76 through 80</b>

68. The Bank hereby incorporates by reference, as though fully set forth, paragraphs 1 through 67.

69. In doing the acts alleged, the Defendants named above violated Section 11 of the Securities Act of 1933 in the sale to the Bank of the certificates in the securitizations referred to above.

70. The certificates in these securitizations were issued pursuant or traceable to registration statements. Details of each registration statement and each certificate are stated in Item 36 of Schedules 1 through 80.

71. SAMI II and CWALT are depositors of the securitizations listed above and therefore are the issuers of the certificates in those securitizations. Credit Suisse, Deutsche, Bear Stearns, Greenwich Capital, Morgan Stanley, UBS and Countrywide acted as underwriters of the certificates listed above.

72. This action is brought within one year after the discovery of the untrue and misleading statements in the registration statements, as amended by the prospectus supplements, and within three years of these certificates having been sold to the public, or within any applicable period as tolled by the pendency of the class actions referred to above or others.

1 Despite having exercised reasonable diligence, the Bank did not and could not reasonably have  
2 discovered earlier the untrue and misleading statements in the prospectus supplements.

3 73. The prospectus supplements contained untrue statements of material fact and  
4 omitted to state material facts necessary in order to make the statements, in the light of the  
5 circumstances under which they were made, not misleading. These untrue and misleading  
6 statements included all of the untrue and misleading statements described in paragraphs 37  
7 through 63.

8 74. The Bank expressly excludes from this cause of action any allegation that could be  
9 construed as alleging fraud or intentional or reckless conduct. This cause of action is based solely  
10 on claims of strict liability or negligence under the Securities Act of 1933.

11 75. Based upon the truth of the statements made in the prospectus supplements, the  
12 Bank purchased these certificates.

13 76. The Bank did not know when it purchased these certificates that the statements in  
14 the prospectus supplements were untrue or misleading.

15 77. The Bank has suffered a loss on each of these certificates.

16 78. The Bank is entitled to recover damages as described in 15 U.S.C. § 77k(e).

17 **THIRD CAUSE OF ACTION**

18 **UNTRUE OR MISLEADING STATEMENTS IN THE SALE OF SECURITIES**  
19 **(Section 12(a)(2) of the Securities Act of 1933)**

<i>Against Defendant:</i>	<i>In connection with Securitizations:</i>
<b>Credit Suisse</b>	<b>Securitizations Nos. 7 through 10</b>
<b>Deutsche</b>	<b>Securitizations Nos. 18 through 31</b>
<b>Bear Stearns</b>	<b>Securitizations Nos. 40 and 41</b>
<b>SAMI II</b>	<b>Securitization No. 40</b>
<b>Greenwich Capital</b>	<b>Securitization No. 44</b>
<b>Morgan Stanley</b>	<b>Securitizations Nos. 45 through 47</b>
<b>UBS</b>	<b>Securitizations Nos. 54 through 59</b>
<b>Countrywide</b>	<b>Securitizations Nos. 76 through 80</b>
<b>CWALT</b>	<b>Securitizations Nos. 7, 9, 10, 18 through 31, 41, 44 through 47, 54 through 59, 76 through 80</b>

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27 79. The Bank hereby incorporates by reference, as though fully set forth, paragraphs 1  
28 through 78.

1           80.     In doing the acts alleged, the Defendants named above violated Section 12(a)(2) of  
2 the Securities Act of 1933 in the sale to the Bank of the certificates in the securitizations referred  
3 to above.

4           81.     This action is brought within one year after the discovery of the untrue and  
5 misleading statements in the prospectus supplements, and within three years of these certificates  
6 having been sold to the public, or within any applicable period as tolled by the pendency of the  
7 class actions referred to above or others. Despite having exercised reasonable diligence, the Bank  
8 did not and could not reasonably have discovered earlier the untrue and misleading statements in  
9 the prospectus supplements.

10          82.     SAMI II and CWALT are depositors of the securitizations listed above and  
11 therefore are the issuers of the certificates in those securitizations. In connection with the offer  
12 and sale of these certificates to the Bank, the issuers also made all of the statements of material  
13 fact about these certificates that were in the prospectus supplement and other documents that the  
14 dealers sent to the Bank.

15          83.     The Bank expressly excludes from this cause of action any allegation that could be  
16 construed as alleging fraud or intentional or reckless conduct. This cause of action is based solely  
17 on claims of strict liability or negligence under the Securities Act of 1933.

18          84.     The Defendants named above, for their own financial gain, solicited the Bank to  
19 purchase these certificates, and sold the certificates to the Bank, by means of the prospectus  
20 supplements.

21          85.     Based upon the truth of the statements made in the prospectus supplements, the  
22 Bank purchased these certificates.

23          86.     The prospectus supplements contained untrue statements of material fact and  
24 omitted to state material facts necessary in order to make the statements, in the light of the  
25 circumstances under which they were made, not misleading.

26          87.     The Bank did not know when it purchased these certificates that the statements in  
27 the prospectus supplements were untrue or misleading.

28          88.     The Bank has suffered a loss on each of these certificates.



**FIFTH CAUSE OF ACTION  
NEGLIGENT MISREPRESENTATION**

(Cal. Civil Code §§ 1572 *et seq.* and 1709 *et seq.*, and Common Law)

<i>Against Defendant:</i>	<i>In connection with Securitizations:</i>
<b>Credit Suisse</b>	<b>Securitizations Nos. 1 through 10</b>
<b>CSFB Mortgage Securities</b>	<b>Securitizations Nos. 1 through 3, 5, and 6</b>
<b>Deutsche</b>	<b>Securitizations Nos. 11 through 31</b>
<b>Deutsche Alt-A</b>	<b>Securitizations Nos. 12 through 16</b>
<b>Bear Stearns</b>	<b>Securitizations Nos. 32 through 41</b>
<b>SAMI II</b>	<b>Securitizations Nos. 32, 33, 35, 37, 39, and 40</b>
<b>Greenwich Capital</b>	<b>Securitizations Nos. 42 through 44</b>
<b>Greenwich Capital Acceptance</b>	<b>Securitization No. 42</b>
<b>Morgan Stanley</b>	<b>Securitizations Nos. 45 through 47</b>
<b>UBS</b>	<b>Securitizations Nos. 48 through 59</b>
<b>MAST</b>	<b>Securitizations Nos. 48 through 53</b>
<b>Banc of America</b>	<b>Securitizations Nos. 60 through 74</b>
<b>Banc of America Funding</b>	<b>Securitizations Nos. 60 through 63, 68, 71, and 73</b>
<b>Banc of America Mortgage Securities</b>	<b>Securitizations Nos. 64 through 67, 69, 70, and 72</b>
<b>Countrywide</b>	<b>Securitizations Nos. 75 through 80</b>
<b>CWALT</b>	<b>Securitizations Nos. 7, 9, 10, 17 through 31, 41, 43 through 47, 54 through 59, 74, and 76 through 80</b>

96. The Bank hereby incorporates by reference, as though fully set forth, paragraphs 1 through 95.

97. As alleged above, the Defendants named above made untrue or misleading representations regarding the LTVs and CLTVs of the mortgage loans in the collateral pools of these securitizations, the occupancy status of properties that secured the mortgage loans in these securitizations, underwriting guidelines of the originators, and related matters.

98. In making the representations referred to above, the Defendants intended to induce the Bank to rely on those representations in making its decision to purchase these certificates in these securitizations. The Defendants expected that the Bank would rely on those representations in deciding whether to purchase these certificates.

99. When the Defendants made these representations, they had no reasonable ground for believing them to be true. Upon information and belief, the Defendants had access to the files on the mortgage loans in the collateral pools for these securitizations, and, had the Defendants

1 inspected those files, they would have learned that the information they gave the Bank contained  
 2 untrue or misleading statements. In addition, upon information and belief, the Defendants hired  
 3 one or more "due-diligence contractors" to ascertain whether the mortgage loans in the collateral  
 4 pools complied with the representations and warranties made about those loans, and these  
 5 contractors reported to the Defendants that a material number of the loans in the collateral pools  
 6 were materially different from the descriptions of those loans in the prospectus supplements.  
 7 Thus, on information and belief, the Defendants had access to information that either did make  
 8 the Defendants aware, or would or could have made them aware had they heeded that  
 9 information, that the representations they made to the Bank contained materially untrue or  
 10 misleading statements about the mortgage loans in the collateral pools.

11 100. The Bank reasonably and justifiably relied on the representations described above  
 12 in analyzing and deciding to purchase these certificates. Had the Defendants not made these false  
 13 and misleading representations, the Bank would not have purchased these certificates.

14 101. When it purchased these certificates, the Bank did not know about the untrue and  
 15 misleading statements alleged herein.

16 102. As a direct and proximate result of the negligent misrepresentations by the  
 17 Defendants, the Bank was damaged in an amount to be proved at trial.

18 **SIXTH CAUSE OF ACTION**

19 **RESCISSION OF CONTRACT**

20 **(California Civil Code §§ 1689 and 1710, and Common Law)**

<i>Against Defendant:</i>	<i>In connection with Securitizations:</i>
<b>Credit Suisse</b>	<b>Securitizations Nos. 1 through 10</b>
<b>Deutsche</b>	<b>Securitizations Nos. 11 through 31</b>
<b>Bear Stearns</b>	<b>Securitizations Nos. 32 through 41</b>
<b>Greenwich Capital</b>	<b>Securitizations Nos. 42 through 44</b>
<b>Morgan Stanley</b>	<b>Securitizations Nos. 45 through 47</b>
<b>UBS</b>	<b>Securitizations Nos. 48 through 59</b>
<b>Banc of America</b>	<b>Securitizations Nos. 60 through 74</b>
<b>Countrywide</b>	<b>Securitizations Nos. 75 through 80</b>



1 On the third cause of action, the consideration that the Bank paid for each certificate with  
2 interest thereon, less the amount of any income that the Bank has received thereon, upon the  
3 Bank's tender of each certificate;

4 On the fourth cause of action, the consideration that the Bank paid for each certificate  
5 with interest thereon, less the amount of any income that the Bank has received thereon, upon the  
6 Bank's tender of each certificate;

7 On the fifth cause of action, damages in an amount to be determined at trial;

8 On the sixth cause of action, the consideration that the Bank paid for each certificate with  
9 interest thereon, less the amount of any income that the Bank has received thereon, upon the  
10 Bank's tender of each certificate;

11 All together with the costs of this action, the reasonable fees of the Bank's attorneys in  
12 this action, and such other and further relief as the Court may deem just.

13 **JURY DEMAND**

14 THE BANK DEMANDS TRIAL BY JURY OF ALL ISSUES SO TRIABLE.

15 Dated: March 15, 2010

16 GOODIN, MACBRIDE, SQUERI,  
17 DAY & LAMPREY, LLP

18 GRAIS & ELLSWORTH LLP

19 By 

20 Robert A. Goodin

21 Attorneys for Plaintiff

22 Federal Home Loan Bank of San Francisco

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