

AEQUITAS

California Foreclosure Procedure Review and Securitization Highlight

Borrower: [REDACTED]

APN: [REDACTED]

Report Date: 3/13/2012 12:21:08 AM

Privileged and Confidential

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3/13/2012

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Dear [REDACTED]

Enclosed with this letter you will find the California Foreclosure Procedure Review and Securitization Highlight report resulting from the Aequitas Compliance Solution's, Inc. ("Aequitas") review of the deed of trust indicated below:

Borrower's Name: [REDACTED]

Property APN: [REDACTED]

This report has been prepared for and only for the [REDACTED] in accordance with the terms of our consulting agreement and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

This report is privileged and confidential.

The contents of this report are provided with the understanding that Aequitas is not engaged in rendering legal or other professional services. If legal advice or other professional assistance is required, the services of a competent professional person should be sought.

Sincerely,

Aequitas Compliance Solutions, Inc.

Scope of California Foreclosure Procedure Review

Review of procedural compliance with applicable rules pertaining to:

- Notice of Default
- Notice of Trustee Sale
- Substitution of Trustee
- Role of MERS in Transaction
- Power of Attorney
- Assignment of Deed of Trust
- Evidence of Forgery or Misrepresentation of Identity
- Signature Variances
- Notarization

In conducting its review, Aequitas reviewed all applicable recorded documents that it was able to locate. Aequitas likewise collected and reviewed extensive information using other public resources, including federal filings (usually filings with the Securities Exchange Commission), as well as public and proprietary databases to assist in identifying suspicious activity. Our findings are summarized herein by providing a "status" alongside each question addressed. The "status" is based upon the information available to us at the time of review. The meaning of each "status" is set forth below:

Pass

No apparent violations of applicable law, material irregularities or suspicious activities were identified.

Fail

There appears to be a clear violation of applicable law, material irregularity or suspicious activity that reasonably suggests a material defect in the foreclosure process.

Warning

There appears to be a clear violation of applicable law, material irregularity or suspicious activity that reasonably suggests a material defect in the foreclosure process. However, further verification is recommended to confirm the issue, determine whether certain other elements of the supposed defect exist or verify that potentially suspicious activity exists.

Alert

Either: (a) the facts raise a potential issue that is inconclusive from the available information, (b) the facts are consistent with other cases exposing systemic improper foreclosure practices outside the scope of this review or (c) there is some other matter of possible significance. Further investigation is required.

Foreclosure Transaction Summary

- A declaration of compliance with Cal. Civ. Code §2923.5(b) was not recorded with the Notice of Default. Thus, it is likely the foreclosure does not comply with Cal. Civ. Code §2923.5. **FAIL**
- The Federal securities data contradicts the documents filed at the County Recorder's office with regard to who is the true and correct owner of this loan. **FAIL**
- There are facts indicating the the original Deed of Trust has been sold; however, an Assignment of the Deed of Trust has not been recorded. The Beneficiary initiating the foreclosure action is not the same Beneficiary named on the original Deed of Trust. Further investigation is required to ensure that the foreclosing party has the proper authority to do so. **ALERT**
- There is reason to suspect the original lender may have improperly executed to the Substitution of Trustee. The original lender executed the Substitution of Trustee. However, the loan was assigned one or more times (or the loan was a MERS-registered loan). Therefore, unless the loan was assigned subsequent to the substitution, there is reason to suspect that the original lender was not the current Beneficiary at the time of the substitution. **ALERT**
- The Substitution of Trustee may be invalid because it was not signed by an employee of the entity executing the Substitution. **WARNING**
- The Notice of Default was incorrectly executed. Pursuant to Cal. Gov. Code §27287, documents recorded in the foreclosure process must be signed by a natural person. Documents not bearing signatures of natural persons may be invalid. **WARNING**
- The Notice of Trustee's Sale was incorrectly executed. Pursuant to Cal. Gov. Code §27287, documents recorded in the foreclosure process must be signed by a natural person. Documents not bearing signatures of natural persons may be invalid. **WARNING**
- One or more of the foreclosure documents was signed by MERS which raises the issue of whether that document was executed without the proper authority. **ALERT**

■ The property was sold at auction to an entity that is claiming to be the Beneficiary of the Deed of Trust when that entity is not the original Beneficiary and either (1) no Assignment of the Deed of Trust was ever recorded granting a beneficial interest to that entity or (2) such Assignment was recorded after Trustee`s Sale. This could indicate that the chain of title for such loans cannot be established. It could also mean that an agent of the Beneficiary (e.g. the Servicer) improperly held itself out as the owner of the beneficial interest in the Deed of Trust.

WARNING

■ The Trustee`s Sale occurred over one year ago which may bar an unlawful foreclosure action due to the Statute of Limitations.

ALERT

Summary of Relevant Parties from County Records

Recorded date of the original deed of trust:

8/22/2006

Name of borrower(s):

[REDACTED]

Lender:

Golden Empire Mortgage, Inc.

Beneficiary:

MERS

Original Trustee:

First American Title Company

Recorded date of the NOD:

8/8/2008

Name of Trustee Company who recorded NOD:

Cal-Western Reconveyance Corporation

Name and capacity of person who signed NOD:

Illegible

Was a separate declaration included with the NOD identifying who complied with CA Civil Code 2923.5

No

Recorded date of NOTS:

11/14/2008

Name of Trustee Company who recorded NOTS:

Cal-Western Reconveyance Corporation

Name and capacity of Person who signed NOTS:

Rhonda Rorielco, Authorized signature

Parties who signed Assignment of Deed of Trust:

Name and capacity of Person:

Company:

Date Recorded:

Loan was

Assigned to:

Parties to the Substitution of Trustee:

Name and capacity of Person: Yvonne Wheeler, Assistant Secretary

Company: MERS

Date Recorded: 8/8/2008

New Trustee: Cal-Western Reconveyance Corporation

Parties to the Trustee's Deed upon Sale:

Name of Trustee Company who executed sale: Cal-Western Reconveyance Corporation

Name and capacity of person who signed as trustee: Susan Smothers, A.V.P.

Name of Purchaser: Aurora Loan Services LLC

Was the Purchaser the original or properly assigned beneficiary of the Deed of Trust? No

Date the Trustee sale occurred: 3/23/2009

Summary of Relevant Facts

Date foreclosure documents were pulled from the County Recorders office:

What stage in the foreclosure process is the subject property?:

Has a substitution of Trustee been filed?:

Yes

Has an Assignment of Deed of Trust been filed?:

No

Is MERS the beneficiary on the original Deed of Trust?:

Yes

Has the loan been assigned to/ sold as a mortgage backed security?:

No

Are there inconsistencies with relevant parties named in County Recorded documents and those existing in Federal filings?:

Yes

Was the foreclosing party acting on behalf of the actual beneficiary in accordance with a properly executed instrument?:

No

Do the NOD, NOTS, TDUS, SOT, and AODOT reflect the properly named beneficiary (owner of loan)?:

No

Notice of Default

- ***Was the deed of trust recorded from Jan1, 2003 to December 31, 2007? If so, did the lender attach a declaration of compliance with §2923.5(b) with the recorded notice of default?***

FAIL

A declaration of compliance with Cal. Civ. Code §2923.5(b) was not recorded with the Notice of Default. Pursuant to §2923.5, lenders (mortgagees, trustees, beneficiaries or their agents) may not file a notice of default until 30 days after (i) initial contact with the borrower; or (ii) satisfying statutorily-mandated “due diligence” requirements for contacting the borrower. Lenders are required to first contact the borrower “in person or by telephone” to “assess the borrower’s financial situation and explore options for the borrower to avoid foreclosure,” 30 days before recording a Notice of Default against a property. Under *Mabry v. The Superior Court of Orange County*, No. G042911 (June 2, 2010), §2923.5(b) may be enforced by a private right of action limited to obtaining a postponement of an impending foreclosure to permit the lender to comply with the statute; furthermore, a Borrower does not need to tender the full indebtedness as a prerequisite to bringing an action under §2923.5. In the event the issue of noncompliance with 2923.5 is not raised before the foreclosure sale and the property is sold to a bona fide purchaser for value (someone without knowledge of the defects in the foreclosure process and who paid money for it); there is a significant chance that the homeowner will have waived this defect and lose the property. §2923.5(b) applies only to loans secured by owner-occupied residential real property containing no more than four dwelling units and recorded from January 1, 2003 to December 31, 2007.

Cal. Civ. Code §2923.5

Notice of Trustee’s Sale

- ***Did the Trustee’s sale of the property occur less than (20) twenty days after the Notice of Trustee’s Sale was recorded?***

PASS

The audit found neither a clear violation of the law nor any apparent irregularities respecting §2924(f). The audit did not identify any suspicious activity respecting §2924(f).

Cal. Civ. Code §2924(f)

- ***Was the Notice of Trustee’s Sale filed at least (90) ninety days after the Notice of Default was filed?***

PASS

The audit found neither a clear violation of the law nor any apparent irregularities respecting the Notice of Trustee’s Sale timing requirements. The audit did not identify any suspicious activity respecting the Notice of Trustee’s Sale timing requirements.

Cal. Civ. Code §2924(a)(2)and (3)

- ***Did anyone besides the original Trustee or the properly substituted Trustee file the Notice of Trustee Sale (either on its own or under a Power of Attorney)?***

PASS

The audit did not find any clear violations, irregularities or suspicious activity indicating that the Notice of Trustee Sale was not executed by the proper Trustee.

Assignment of Deed of Trust

FAIL

Do the foreclosure documents contradict the findings of the securitization audit regarding who is the true current owner of this loan? This question should be answered using the Trustee's Deed Upon Sale. If the property has not been sold at a Trustee's auction, but has been assigned, use the most recent assignment of the deed of trust. If the property has not been sold or assigned, refer to the original Deed of Trust. If the securitization audit was unable to determine who the true current owner is (e.g. MERS does not disclose the investor), answer `UNKNOWN` to this question.

There is a contradiction between the disclosure of the investor (Beneficiary) as named in the MERS system versus the investor (Beneficiary) information as named on the Trustee's Deeds upon Sale and/or Assignments of Deeds of Trust that have been filed with the County Recorder.

A Trustee's Deed Upon Sale must name a foreclosing beneficiary, who is the grantee of the beneficial interest under the Deed of Trust. The audit compares this information to the investor information indicated in the MERS system. All entities that did not match the MERS database were identified as conflicts.

(MERS is a private entity that provides an electronic registry for tracking ownership interests and servicing of mortgage loans. MERS members can sell mortgage loans without having to record each transfer in county offices thus eliminating the need for frequent recorded assignments of mortgages and deeds of trust.)

The foreclosing beneficiaries as named in the Trustee Deeds were either entered as a "wildcard" grantee (that is a foreclosing beneficiary grantee whereby there was no assignment to that entity) or the foreclosing beneficiary grantee was named subsequent to a sale by an assignment. In either case, where this entity was different than the investor as named in the MERS database, such conflict indicates the substantial likelihood of a chain of title issue. Chain of title issues can postpone or bar a foreclosure.

Is there any indication that the original Deed of Trust has been assigned, but no Assignment has been recorded?

ALERT

There are facts indicating the the original Deed of Trust has been sold; however, an Assignment of the Deed of Trust has not been recorded. The Beneficiary initiating the foreclosure action is not the same Beneficiary named on the original Deed of Trust. Further investigation is required to ensure that the foreclosing party has the proper authority to do so. It is possible that an Assignment was not recorded because the prior owner of this loan did not properly execute the transfer document. If no documents exist evidencing that the Deed of Trust was properly transferred, there may be a serious chain of title problem and, if so, the ownership of the loan by the foreclosing party could be challenged.

Cal. Civ. Code §2924

Is the original Lender no longer operating? Is there reason to suspect that the original lender no longer owns this loan (or did not own the loan at the time of foreclosure) but the current owner is unknown?

PASS

The audit did not identify any issues relating to an unknown Beneficiary indicating non-compliance with with Cal. Civ. Code §2923.5.

Substitution of Trustee

- ***Are both of the following true: (1) a Substitution of Trustee was executed by the original lender AND (2) there is one or more assignments of the loan or the loan is a MERS-registered loan.***

ALERT

There is reason to suspect the original lender may have improperly executed to the Substitution of Trustee. The original lender executed the Substitution of Trustee. However, the loan was assigned one or more times (or the loan was a MERS-registered loan). Therefore, unless the loan was assigned subsequent to the substitution, there is reason to suspect that the original lender was not the current Beneficiary at the time of the substitution. Under Cal. Civ. Code §2934a (a)(1), only the current beneficiary of the loan has the authority to execute a valid Substitution of Trustee. Therefore, a successor Trustee must be appointed by the original Lender or a properly assigned Beneficiary. If the substitution took place subsequent to an assignment, it is unlikely that the original lender was the then current Beneficiary. If the substitute Trustee was not appointed by the then current Beneficiary at the time of substitution, the new trustee likely does not have the authority to foreclose on the subject property or execute the statutorily required notices. In order to determine whether the Substitution of Trustee is valid, it is necessary to confirm that the original lender was the Beneficiary at the time of the substitution.

Cal. Civ. Code §2934a (a)(1)

- ***Was the Substitution of Trustee signed by a person who is not an actual employee of the entity executing the Substitution?***

WARNING

the Substitution of Trustee was not executed by the Beneficiary of the loan. Therefore, the instrument may be invalid unless it was signed with the express authority of the Beneficiary. Specifically, the original lender or a properly assigned beneficiary did not execute the Substitution of Trustee. Cal. Civ. Code §2934a (a)(1) states that only the current Beneficiary of the loan has the authority to execute a valid Substitution of Trustee. Therefore, a successor Trustee must be appointed by the then current Beneficiary at the time of such substitution. If the substitute Trustee was not appointed by the then current Beneficiary at the time of substitution, the new trustee likely does not have the authority to foreclose on the subject property or execute the statutorily required notices. In order to determine whether the Substitution of Trustee is valid, it is necessary to confirm that the entity which executed the Substitution of Trustee was the then current Beneficiary, or, in the case that such entity professes to be the then current Beneficiary's agent, that such Beneficiary provided express written authority for, and prior to, the substitution.

Cal. Civ. Code §2934a (a)(1)

- ***Was a Substitution of Trustee recorded after the Notice of Trustee's Sale?***

PASS

The order and timing of the Substitution of Trustee appear to satisfy the legal requirements of Cal. Civ. Code §2934a (b) and (c).

Cal. Civ. Code §2934a (b) and (c)

- ***Was the Substitution of Trustee recorded prior to or concurrently with the Notice of Default?***

PASS

The order and timing of the Substitution of Trustee appear to satisfy the requirements of §2934a.

Trustee's Deed upon Sale

- ***Did the Trustee's sale of the property occur more than one year after the Notice of Trustee's Sale was recorded?***

PASS

There is no issue respecting the timing of the Trustee's Sale as it relates to the recordation of the Notice of Trustee Sale.

All Documents

- ***Did the same person sign multiple recorded documents claiming to work for different companies (i.e. did John Doe sign an Assignment claiming to work for ABC Bank and also sign an Assignment as an employee of XYZ Bank)?***

PASS

There are no issues or suspicious activity relating to a person signing multiple documents purporting to be an employee of different entities.

- ***Do signatures of the same person vary from document to document?***

PASS

The audit did not find issues or suspicious activity relating to the signature of a person executing a document not belonging to that person.

- ***Is the Substitution of Trustee not signed by the name of a natural person, or does the signature say 'Default' or 'Authorized Signer'?***

PASS

There are no issues or suspicious activity relating to the incorrect execution of the Substitution of Trustee.
Cal. Gov. Code §27287

- ***Is the Notice of Trustee's Sale not signed by the name of a natural person, or does the signature say 'Default' or 'Authorized Signer'?***

WARNING

The Notice of Trustee's Sale was incorrectly executed. Pursuant to Cal. Gov. Code §27287, documents recorded in the foreclosure process must be signed by a natural person. Documents not bearing signatures of natural persons may be invalid.
Cal. Gov. Code §27287

- ***Are any of the documents signed under a Power of Attorney?***

PASS

The audit did not identify any suspicious activity relating to documents signed under Power of Attorney
Cal. Civ. Code §1095

■ ***Were any of the documents signed by MERS or signed by MERS acting as nominee for the original Beneficiary?***

ALERT

One (or more) of the foreclosure document(s) was signed by MERS, raising the issue of whether such document(s) was executed with the proper authority. MERS is a private entity that provides an electronic registry for tracking ownership interests and servicing of mortgage loans. MERS members can sell mortgage loans without having to record each transfer in county offices thus eliminating the need for frequent recorded assignments of mortgages and deeds of trust. Generally in California, MERS acts as the nominee on behalf of the lender on a Deed of Trust with the express provision that MERS does not have an ownership interest in the loan. In this case, MERS is the original Beneficiary on the Deed of Trust. The Deed of Trust states that MERS is the `nominee` of the lender, so MERS has no authority to act on its own. Further investigation is thus required to determine whether MERS is acting as agent of the true owner (i.e. the original lender or a properly assigned Beneficiary) of the loan and therefore has the authority to execute such document(s). Further investigation is also recommended to verify that the person who signed on behalf of MERS was, in fact, employed or deputized by MERS at that time. If not, such a misrepresentation may invalidate the document in question and could constitute fraud by the entity executing the document. The systemic problems with the paperwork involved in mortgages and foreclosure processing includes cases where individuals who signed documents claiming to be employees of MERS were actually employees of the loan servicer or the trustee company. Such false signatures raise additional issues of misrepresentation regarding the execution of the foreclosure document(s).

Under California law, only the Beneficiary (or its authorized agent) to the Deed of Trust can execute the foreclosure documents. Cal. Civ. Code §2924 et seq. does not create authority for a third entity to execute the foreclosure documents.

■ ***Is the Notice of Default not signed by the name of a natural person, or does the signature say `Default` or `Authorized Signer`?***

WARNING

The Notice of Default was incorrectly executed. Pursuant to Cal. Gov. Code §27287, documents recorded in the foreclosure process must be signed by a natural person. Documents not bearing signatures of natural persons may be invalid.

Cal. Gov. Code §27287

■ ***Are any documents backdated; i.e., is there a time discrepancy between the document date, the notary`s date and/or the recording date?***

PASS

There is no suspicious activity realting to the back-dating of documents.

Parties to the Loan Securitization

Lender Originator:

Golden Empire Mortgage

Name of Trust:

RALI 2006-Q07

Sponsor/Aggregator:

Residential Funding Corporation

Master Servicer/Securities Administrator:

Residential Funding

Depositor:

Residential Accredited Loans Inc

Custodian:

Unknown

Issuing Entity:

RALI Series 2006-Q07 Trust

Servicer:

Unknown

Trustee:

Deutsche Bank

Trust Cut-Off Date

Cut-off Date:

9/1/2006

Closing Date:

9/29/2006

Important Links

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001380897&owner=exclude&count=40>

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001388741&owner=exclude&count=40>

SEC Filings

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001399452&owner=exclude&count=40>