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Attorneys for Plaintiff
10 *The People of the State of California*

FILED
SAN MATEO COUNTY
MAY 19 2020
Clerk of the Superior Court
By 
DEPUTY CLERK

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN MATEO
13

14 THE PEOPLE OF THE STATE OF 15 CALIFORNIA, 16 Plaintiff, 17 v. 18 SANTANDER CONSUMER USA INC. 19 Defendant	Case No. STIPULATION FOR ENTRY OF FINAL JUDGMENT AND PERMANENT INJUNCTION EXHIBIT A [PROPOSED] FINAL JUDGMENT AND PERMANENT INJUNCTION
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23 The People of the State of California, appearing through their attorney, Xavier Becerra,
24 Attorney General of the State of California ("Attorney General"), by Deputy Attorneys General
25 Hunter Landerholm, Devin Mauney, and Adelina Acuña, and Santander Consumer USA Inc.
26 (collectively, with its subsidiaries and parent, Santander Consumer USA Holdings, Inc.,
27 "Santander" or "Defendant"), appearing through its attorney Wachtell, Lipton, Rosen & Katz and
28 Nelson Mullins Riley & Scarborough LLP, by Lauren A. Deeb, stipulate as follows:

1 1. The Final Judgment and Permanent Injunction ("Judgment"), a copy of which is
2 attached hereto as Exhibit A, may be entered in this matter. The Parties hereby stipulate and
3 agree that the Judgment includes an injunction under Business & Professions Code section 17203.

4 2. Concurrently with the filing of this Stipulation, the People have filed their
5 Complaint in this matter alleging that Defendant committed violations of Business & Professions
6 Code section 17200 et seq.

7 3. The Court has jurisdiction over the subject matter of this action, jurisdiction over
8 the People and Defendant (collectively, "Parties") to this action, and venue is proper in this Court.

9 4. The Parties waive their right to move to set aside the Judgment through any
10 collateral attack, and further waive their right to appeal from the Judgment. Nothing herein shall
11 waive any right to appeal from any decision in connection with a future effort to enforce the
12 Judgment.

13 5. The People may submit the Judgment to any judge or commissioner of the Court
14 for approval and signature, during the Court's ex parte calendar or on any other ex parte basis.
15 Defendant waives its right to any personal notice of any such ex parte submission of the
16 Judgment to the Court.

17 6. The Parties are represented by counsel and have agreed on a basis for settlement of
18 the matters alleged in the Complaint. The Parties agree to entry of the Judgment without need for
19 trial, discovery in this action, or adjudication of any issue of law or fact. Each party and signatory
20 to this stipulation represents that it freely and voluntarily enters into the Judgment without any
21 degree of duress or compulsion. Defendant acknowledges that it is able to abide by the
22 provisions of this Judgment. Defendant further acknowledges that a violation of this Judgment
23 may result in additional relief under Business & Professions Code section 17207.

24 7. The Parties acknowledge that similar resolutions have or will be entered into
25 between Defendant and certain other States. The States and Defendant intend to coordinate
26 implementation of the terms of these resolutions. Where reasonably possible, the People will
27 attempt to coordinate with other States their communication with Defendant related to this
28 Judgment.

1 8. The Parties agree that the Judgment does not constitute an approval by the
2 Attorney General of any of Santander's business practices, and Defendant shall make no
3 representation or claim to the contrary.

4 9. Defendant will accept service of any Notice of Entry of Judgment entered in this
5 action by delivery of such notice to its counsel of record and agrees that service of the Notice of
6 Entry of Judgment will be deemed personal service upon Defendant for all purposes.

7 10. Undersigned counsel for the People represents and warrants that he or she is fully
8 authorized to execute this Judgment on behalf of the People.

9 11. Undersigned counsel for Defendant represents and warrants that he or she is fully
10 authorized to execute this Judgment on behalf of Santander.

11 12. This Stipulation may be executed in counterparts, and the Parties agree that a
12 facsimile or scanned signature shall have the same force and effect as an original signature.

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SIGNATURE PAGE FOLLOWS.

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SO STIPULATED.

EXHIBIT A APPROVED AS TO FORM AND SUBMITTED FOR ENTRY OF JUDGMENT.

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**COUNSEL FOR PLAINTIFF, THE PEOPLE
OF THE STATE OF CALIFORNIA**

Dated: May 18, 2020

XAVIER BECERRA
Attorney General of California
MICHAEL E. ELISOFON
Supervising Deputy Attorneys General



HUNTER LANDERHOLM
Deputy Attorney General
*Attorneys for Plaintiff,
The People of the State of California*

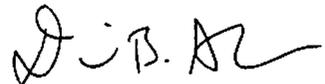
**COUNSEL FOR DEFENDANT,
SANTANDER CONSUMER USA INC.**

Dated: May 15, 2020

NELSON MULLINS RILEY & SCARBOROUGH
LLP

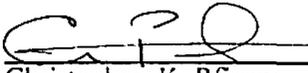
By: _____
Lauren A. Deeb
*Attorneys for Defendant,
Santander Consumer USA Inc.*

WACHTELL, LIPTON, ROSEN & KATZ

By:  _____
David B. Anders
*Attorneys for Defendant,
Santander Consumer USA Inc.*

Dated: May 15, 2020

SANTANDER CONSUMER USA INC.

By:  _____
Christopher K. Pfirman
*Chief Legal Officer
Santander Consumer USA Inc.*

1 COUNSEL FOR PLAINTIFF, THE PEOPLE
2 OF THE STATE OF CALIFORNIA

3 Dated: May ____, 2020

XAVIER BECERRA
Attorney General of California
MICHAEL E. ELISOFFON
Supervising Deputy Attorneys General

7 HUNTER LANDERHOLM
8 Deputy Attorney General
9 *Attorneys for Plaintiff,*
10 *The People of the State of California*

11 COUNSEL FOR DEFENDANT,
12 SANTANDER CONSUMER USA INC.

13 Dated: May ____, 2020

NELSON MULLINS RILEY & SCARBOROUGH
LLP

14 By:

15 
16 Lauren A. Deeb
17 *Attorneys for Defendant,*
18 *Santander Consumer USA Inc.*

19 WACHTELL, LIPTON, ROSEN & KATZ

20 By:

21 _____
22 David B. Anders
23 *Attorneys for Defendant,*
24 *Santander Consumer USA Inc.*

25 Dated: May ____, 2020

SANTANDER CONSUMER USA INC.

26 By:

27 _____
28 Christopher K. Pfirman
Chief Legal Officer
Santander Consumer USA Inc.

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EXHIBIT A

[PROPOSED] FINAL JUDGMENT AND PERMANENT INJUNCTION

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

SANTANDER CONSUMER USA INC.

Defendant

Case No.

~~[PROPOSED]~~ FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff the People of the State of California (“People” or “Plaintiff”), appearing through their attorney, Xavier Becerra, Attorney General of the State of California, by Deputy Attorneys General Hunter Landerholm, Devin Mauney, and Adelina Acuña, and Defendant Santander Consumer USA Inc. (collectively, with its subsidiaries and parent, Santander Consumer USA Holdings, Inc., “Santander” or “Defendant”), appearing through its attorney, Wachtell, Lipton, Rosen & Katz, and Nelson Mullins Riley & Scarborough LLP, by Lauren A. Deeb, having stipulated to the entry of this Judgment by the Court without the taking of proof and without trial or adjudication of any fact or law, without this Judgment constituting evidence of or an admission by Santander regarding any issue of law or fact alleged in the Complaint on file, and without Santander admitting any liability, and with all parties having waived their right to appeal, and the

1 Court having considered the matter and good cause appearing:
2

3 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

4 **I. FINDINGS**

5 1. This Court has jurisdiction over the subject matter of this lawsuit and over the
6 Parties.

7 2. The terms of this Judgment shall be governed by the laws of the State of
8 California.

9 3. Plaintiff and Santander (collectively the "Parties") have agreed to resolve the
10 issues resulting from the Covered Conduct by entering into this Judgment.

11 4. This Judgment shall not be construed or used as a waiver or limitation of any
12 defense otherwise available to Santander in any other action, or of Santander's right to defend
13 itself from, or make any arguments in, any private individual, regulatory, governmental, or class
14 claims or suits relating to the subject matter or terms of this Judgment. This Judgment is made
15 without trial or adjudication of any issue of fact or law or finding of liability of any kind.
16 Notwithstanding the foregoing, the People may file an action to enforce the terms of this
17 Judgment.

18 5. It is the intent of the Parties that this Judgment not be admissible in other cases or
19 binding on Santander in any respect other than in connection with the enforcement of this
20 Judgment.

21 6. No part of this Judgment shall create a private cause of action or confer any right
22 to any third party for violation of any federal or state statute.
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24 **II. DEFINITIONS**

25 7. As used in this Judgment, the following words or terms shall have the following
26 meanings:
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- a. "Ancillary Product" shall mean any service, product or insurance sold in conjunction with the Loan, including, but not limited to, guaranteed asset protection ("GAP") insurance, GAP waiver products, debt cancellation products, vehicle service contracts, etch, protection products and pre-paid maintenance plans. These are also referred to as "back end" products.
- b. "Attorney General" shall mean the Attorney General of the State of California, who has agreed to this Judgment.
- c. "Basic Living Expenses" means necessary monthly expenditures that a Consumer incurs, adjusted for inflation and geographic location, but does not include Monthly Debt Obligations. Basic living expenses includes, but is not limited to, expenditures for utilities, food, transportation, healthcare, clothing, and dependent care.
- d. "Consumer" shall mean any person who is committed by contract or other arrangement to make payments on all or part of any Loan.
- e. "Covered Conduct" shall mean the underwriting and servicing practices of Santander in connection with Loans made to any Consumer in the State of California.
- f. "DPM Dealer" shall mean a Dealer that was on Santander's high-risk dealer or dealer performance management list at any point during the Relevant Time Period.
- g. "Dealer" shall mean any business entity that sells or leases new or used vehicles to a Consumer.
- h. "Debt to Income" shall mean the ratio of the Monthly Debt Obligations for a Consumer on a Loan to that Consumer's gross monthly income. If a Loan has a borrower and a co-borrower (including a guarantor), Debt to Income shall mean the ratio of the total Monthly Debt Obligations for both Consumers on the Loan to the total of those Consumers' gross monthly income.

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- i. "Default" or "Defaulted" shall mean any Loan which has been charged-off, closed with a positive charge-off balance, or under which a vehicle has been repossessed.
- j. "Deficiency" shall mean the balance due to Santander or any assignee of Santander on a Defaulted Loan after Santander has received the proceeds from the sale of the vehicle that secured the Loan and all refunds and/or proceeds due from third parties (e.g., GAP provider) on the Loan.
- k. "Delinquent" shall mean any Loan in which the Consumer is delinquent for one or more sixty (60) day periods.
- l. "Effective Date" shall mean May 1, 2020.
- m. "Loan" or "Loans" shall mean the contract under which a Consumer agrees to pay for the acquisition of a vehicle over a set period of time. Loan refers to both (a) the closed-end contract between a Consumer and Santander and (b) a retail installment contract or closed-end contract between a Consumer and Dealer purchased by Santander.
- n. "Mandatory Relief Consumer" shall mean a Consumer who entered into a Loan during the Relevant Time Period and where the following conditions are true:
 - i. The Consumer had a loss forecasting score of less than or equal to 501;
 - ii. The Consumer purchased a vehicle from a DPM Dealer while such Dealer was on Santander's high-risk dealer or dealer performance management list;
 - iii. Santander purchased the Loan from the DPM Dealer while such Dealer was on the high-risk dealer or dealer performance management list;
 - iv. Santander did not obtain proof of income; and
 - v. The Consumer has Defaulted.

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o. "Monitoring Committee" shall mean the Multistate Executive Committee or the Attorneys General of states in the Multistate Working Group designated by the Multistate Executive Committee to oversee and monitor Santander's compliance with the terms of this Judgment.

p. "Monthly Debt Obligations" shall mean a Consumer's housing expenses, including monthly rent or mortgage payment, and required payments under any debt obligations (including the Consumer's monthly payment under the Loan and insurance for the vehicle to be obtained under the Loan). In calculating required payments under debt obligations, Santander shall include:

- i. All tradelines with a fixed regular payment schedule reported to a consumer reporting agency ("CRA");
- ii. The monthly payment reported by the CRA and, if not reported, Santander's estimate of the monthly payment for tradelines that do not have fixed regular payments; and
- iii. If housing or vehicle insurance expenses are not provided by a Consumer or reported by a CRA, Santander shall include reasonable default amounts, based on geographic location, in its calculation of Monthly Debt Obligations to account for a consumer's housing and vehicle insurance expenses.

q. "Multistate Executive Committee" shall mean the Attorneys General and their staffs representing California, Illinois, Maryland, New Jersey, Oregon, and Washington.

r. "Multistate Working Group" shall mean the Attorneys General and their staffs representing Arizona, Arkansas, California, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland¹, Michigan, Minnesota, Nebraska,

¹ With regard to Maryland, any references to the Attorney General or Attorneys General shall mean the Consumer

1 New Hampshire, New Jersey, New Mexico, New York, North Carolina,
2 Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah,
3 Virginia, Washington, West Virginia, and Wyoming.

4 s. "Owns", when referring to Santander Owning a Loan, means on the
5 Company's balance sheet and not part of a securitization.

6 t. "Power booking," shall mean when a dealer misrepresents to Santander the
7 equipment included on the car to be financed.

8 u. "Relevant Time Period" shall mean January 1, 2010 to the Effective Date.

9 v. "Residual Income" shall mean the Consumer's gross monthly income
10 minus Monthly Debt Obligations. If the Consumer's income has been
11 verified, the Verified Income, as opposed to stated income, shall be used in
12 calculating the Consumer's Residual Income.

13 w. "Treatments" shall mean screens, documentation requirements,
14 stipulations and any other enhanced requirements that Santander uses to
15 verify the accuracy of information submitted by a Dealer to Santander
16 related to the sale of a vehicle by a Dealer to a Consumer.

17 x. "Verified Income" shall mean when, subsequent to receiving a credit
18 application, Santander obtains written or oral verification, that the income
19 information submitted on a credit application to Santander is accurate.
20

21 III. MONETARY RELIEF

22 8. Santander shall pay a total amount of \$5,000,000 to the Multistate Working Group
23 ("Multistate Payment"). The \$5,000,000 shall be divided and a portion paid by Santander directly
24 to each Participating Attorney General and the NAGTRI Endowment Fund maintained in trust by
25 the National Association of Attorneys General in amounts to be designated by and in the sole
26 discretion of the Multistate Executive Committee. Payment shall be made within ten (10)
27 calendar days of Santander's receipt of written payment processing instructions from the Illinois

28 Protection Division, Office of the Attorney General of Maryland.

1 Attorney General's office. Specifically, pursuant to Business & Professions Code section 17206,
2 Santander shall pay the California Attorney General the amount of \$585,285.71, which shall be
3 allocated and used in accordance with Business & Professions Code section 17206.

4 9. Within ten (10) calendar days of Santander's receipt of written payment processing
5 instructions from the Illinois Attorney General's office, Santander shall pay a total amount of
6 \$65,000,000 to a trust account for a Settlement Administrator selected by the Multistate
7 Executive Committee for the purpose of remediating alleged Consumer losses (the "Settlement
8 Fund"). Santander shall separately pay an additional \$2,000,000 to a trust account for the
9 Settlement Administrator's costs. Should the Settlement Administrator's costs not reach
10 \$2,000,000, the remaining funds in that trust account shall revert to Santander. The Multistate
11 Executive Committee shall have sole discretion concerning the Consumers entitled to relief and
12 the nature and amounts of such relief except that any such relief shall include amounts to
13 Mandatory Relief Consumers. Santander shall provide the Multistate Executive Committee with
14 information the Multistate Executive Committee deems necessary to determine which Consumers
15 are entitled to relief, the amount of such relief, and how to locate Consumers entitled to relief
16 including, but not necessarily limited to, providing the Consumer's name, last known address, last
17 known contact information, and loan identification number. The Settlement Administrator and/or
18 Multistate Executive Committee shall provide all necessary tax reporting related to this
19 agreement as required by law.

20 10. Santander shall provide additional Consumer relief as follows: (1) Santander shall
21 not repossess and instead shall provide the title to the vehicle and waive the outstanding Loan
22 balance for all Consumers who had a loss forecasting score of 401 or less and, as of December
23 31, 2019, have Defaulted but have not had their vehicle repossessed and (2) Santander shall not
24 repossess and instead shall provide the title to the vehicle and waive the outstanding Loan balance
25 for any Consumer with a loss forecasting score of 401 or less who defaults in the future.
26 Santander shall implement the relief as described in (1) and (2) by providing the relief in (1) prior
27 to the relief in (2). When the cumulative value of the outstanding Loan balances in (1) and (2)
28

1 equals \$45,000,000. Santander has met its obligations under this paragraph and does not need to
2 provide additional relief pursuant to this paragraph.

3 11. Santander shall waive the Deficiency on Loans it Owns for (a) Mandatory Relief
4 Consumers and (b) to the extent not included in (a), Defaulted Consumers who had a loss
5 forecasting score of 401 or less at the time of origination, when the loan was originated between
6 January 1, 2013 and December 31, 2019, and who Defaulted within 12 months of origination of
7 the Loan. In addition, Santander shall have an obligation to buy back such Loans originated
8 between January 1, 2013 and December 31, 2017 in order to waive the Deficiency for those
9 Loans, as set forth in paragraphs 13 and 14 below. The Consumers entitled to relief in this
10 paragraph shall collectively be referred to as the "Deficiency Relief Consumers." If a Defaulted
11 Consumer receives a payment under paragraph 9 but is not a Deficiency Relief Consumer,
12 Santander shall not collect on or sell that Consumer's Loan for one year from when the Defaulted
13 Consumer is sent payment. The Multistate Working Group will send notice to the Company that
14 payment has been sent to the Defaulted Consumer within 10 calendar days of such payment being
15 sent.

16 12. The moratorium on collecting or selling certain Consumer's Loans described in
17 paragraph 11 does not prohibit Santander from repossessing those Consumers' vehicles, except
18 for those Consumers entitled to relief under paragraph 10.

19 13. Santander shall be required to waive Deficiencies only to the extent that Santander
20 owns a Deficiency Relief Consumer's Loan as of December 31, 2019 or, for those loans
21 originated between January 1, 2013 and December 31, 2017 which Santander no longer Owns, is
22 able to repurchase a Deficiency Relief Consumer's Loan for equal to or less than the price at
23 which it sold the Deficiency Relief Consumer's Loan to the third party. In order to waive the
24 Deficiencies, Santander shall attempt to repurchase any Loans that may be held by third parties.
25 Santander shall use best efforts to repurchase Deficiency Relief Consumer Loans and, after the
26 Effective Date, shall not sell, transfer, or otherwise dispose of any Loans to avoid the provisions
27 of this paragraph. Santander shall make all reasonable efforts to repurchase the Loans for which
28 there is a Deficiency within 150 days of the Effective Date of the Judgment. After 150 days from

1 the Effective Date. Santander may discontinue its efforts to repurchase the Loans for which there
2 is a Deficiency that Santander does not own.

3 14. Santander shall provide the Multistate Working Group with a list of Deficiency
4 Relief Consumers including the amount of each Deficiency and whether each such Deficiency has
5 been waived. Santander shall provide a detailed accounting of the amount the Loans were
6 purchased for, a copy of correspondence requesting the purchase of the Loans from third parties
7 at the previous purchase price, and any explanation of why Santander was unable to repurchase
8 specific Loans including, but not limited to, rejection of Santander's offer by third parties, denials
9 based on the lapse of time or a lack of response to Santander's offer letters, which lack of
10 response explanation should include the number of attempted communications and dates of the
11 communications.

12 15. Santander shall provide notice to each CRA to which Santander reports, requesting
13 the deletion of the trade lines associated with the account for all Deficiency Relief Consumers and
14 for the Consumers who receive relief pursuant to Paragraph 10.

15 16. For a Defaulted Loan that Defaulted between January 1, 2010 and December 31,
16 2012, Santander will not attempt to either collect the Deficiency or sell the Loan.

17
18 **IV. INJUNCTIVE RELIEF**

19 17. Pursuant to Business & Professions Code section 17203, Santander is enjoined as
20 follows:

- 21 a. Santander shall comply with the Unfair Competition Law, Business &
22 Professions Code section 17200 et seq.
- 23 b. Santander shall review a Consumer's Residual Income prior to purchasing
24 a Loan.
- 25 i. If only one Consumer is obligated to pay a Loan and that
26 Consumer's Residual Income at the time of origination is zero or
27 negative, Santander shall not purchase the Loan.

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ii. If more than one Consumer is obligated to pay a Loan, Santander may purchase the Loan if at least one Consumer who is obligated to pay the Loan has a positive Residual Income at the time of origination. If all Consumers who are obligated to pay a Loan do not have a positive Residual Income at the time of origination, Santander shall ensure that all Consumers who are obligated to pay a Loan are informed that each Consumer is responsible for paying the entire Loan obligation should a co-signer not pay.

c. Santander shall not require any Dealer to sell any Ancillary Product.

d. In its evaluation of an application for a Loan, Santander shall account for a Consumer's ability to pay the Loan on its specific terms, consistent with the terms of this Judgment.

e. Santander shall set a reasonable Debt to Income threshold to ensure that Santander is reasonably evaluating a Consumer's ability to pay. At least annually, Santander shall evaluate its Debt to Income calculation and threshold to ensure that it is reasonably accounting for Consumers' ability to pay.

f. Santander shall not purchase a Loan if the Consumer's Debt to Income exceeds the Debt to Income threshold.

g. Starting in the second quarter of 2020, and at least quarterly thereafter, Santander shall test a statistically relevant sample of Loans to monitor the accuracy of the Debt to Income calculation and compliance with the threshold.

h. Starting in the second quarter of 2020, and at least quarterly thereafter, Santander will back-test its portfolio of Defaulted Loans and provide relief according to the following:

i. Santander will determine whether, at the time of origination, the Consumer's residual monthly income was zero or negative based on

1 the following calculation: gross monthly income minus the sum of
2 (1) the Consumer's Monthly Debt Obligations, (2) a reasonable
3 estimate for the Consumer's Basic Living Expenses, and (3) a
4 reasonable estimate for the Consumer's payroll taxes.²

5 ii. For the classes of Consumers identified in 17(h)(iii)-(v) below, if
6 the Consumer's residual monthly income was zero or negative
7 based on the calculation in subparagraph 17(h)(i), for any loan that
8 Santander Owns or has securitized, to the extent permitted by the
9 relevant securitization documents, Santander shall waive any
10 remaining Deficiency and provide notice to each CRA to which
11 Santander reports, requesting that the CRA remove the trade line
12 associated with the Loan.

13 iii. In accordance with 17(h)(ii), if a Consumer had a loss forecasting
14 score of 501 or below at the time of origination and Defaulted
15 within 18 months from the date of origination, Santander shall
16 waive any remaining Deficiency and request each CRA to which
17 Santander reports remove the trade line associated with the Loan;

18 iv. In accordance with 17(h)(ii), if a Consumer had a loss forecasting
19 score between 502 and 600 at the time of origination and Defaulted
20 within 12 months from the date of origination, Santander shall
21 waive any remaining Deficiency and request each CRA to which
22 Santander reports remove the trade line associated with the Loan;
23 and

24 v. In accordance with 17(h)(ii), if a Consumer had a loss forecasting
25 score of 601 or above at the time of origination and Defaulted
26 within 6 months from the date of origination, Santander shall waive

27 ² "Payroll taxes" refers to either a stated amount of taxes withheld from a Consumer's paycheck, or an amount
28 provided by Santander that would reasonably account for FICA, federal income tax and state income tax for that
Consumer's income bracket based on that Consumer's geographic location.

1 any remaining Deficiency and request each CRA to which
2 Santander reports remove the trade line associated with the Loan.
3 vi. Santander shall not substantially change its loss forecasting score
4 formula. If Santander intends to substantially change its loss
5 forecasting score formula. Santander shall provide 60 days' notice
6 to the Monitoring Committee prior to implementation, which notice
7 shall include information concerning the change in formula and its
8 potential impact on this Subparagraph 17(h).

9 i. By December 31, 2020, Santander shall employ an income reasonability
10 model, which uses historical consumer, third-party and geographic data, to
11 determine confidence in stated income, to assist in determining whether
12 additional manual review of the loan is required. Santander must
13 reevaluate the model's assumptions on an annual basis for their
14 reasonableness, and make appropriate changes when warranted. Santander
15 shall record the basis for any update to the model and shall retain
16 documents supporting its decision for a period of two (2) years from the
17 update.

18 j. Santander shall take appropriate steps to monitor Dealers for possible
19 income inflation, power booking or expense deflation. If Santander knows,
20 or has reason to know, that a Dealer has engaged in, or is engaging in,
21 income inflation, power booking or expense deflation. Santander shall
22 apply additional Treatments to such Dealer.

23 k. Santander will develop, implement, and maintain procedures such that,
24 when Santander applies additional Treatments to a Dealer to address any
25 income inflation, power booking, or expense deflation at such Dealer,
26 Santander will not permit exceptions to, waive or remove such additional
27 Treatments related to the Dealer until it determines that the Dealer has
28 taken appropriate steps to address the apparent income inflation, power

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booking, or expense deflation. Santander shall record the basis for this determination and retain documents supporting the decision for a period of two (2) years.

- i. By June 30, 2020, if Santander must employ a default mortgage or rent payment value, such value must reasonably reflect such costs for the consumer's zip code or other reasonably designated geographic area. Further, Santander must reevaluate any default mortgage or rent payment values on an annual basis for their reasonableness, and make appropriate changes when warranted. Santander shall record the basis for any update to the default values and shall retain documents supporting its decision for a period of two (2) years from the date of any update.
- m. Santander shall maintain policies and procedures with respect to deferments, forbearances, modifications, and other related servicing and collection matters, and ensure that these policies and procedures are followed by its employees.
- n. Santander shall not misrepresent a Consumer's prospect of redeeming a vehicle that has been repossessed.
- o. Santander shall clearly and prominently disclose during enrollment calls, on its extension³ authorization forms, and on extension confirmation letters the following material terms of an extension: (i) the effect of an extension on a Consumer's Loan maturity date. (ii) the application of payments between interest and principal when the Consumer resumes making payments, and (iii) that the extension may delay repayment of principal resulting in more interest accruing over the life of the Loan than if the Consumer had not entered into the extension.

³ "Extension" means an extension of the maturity date on a Consumer's Loan, through which the Consumer modifies the Consumer's Loan status from "delinquent" to "current," and restarts the time period that would otherwise be running toward Default.

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- p. Santander shall clearly and prominently disclose during enrollment calls, on written extension authorization forms, and on extension confirmation letters that the interest accruing during the extension period becomes immediately due when the Consumer resumes making payments; and
- q. Santander shall not require Consumers to make payments through methods that require the Consumer to pay additional third-party fees, such as a money order.

V. RELEASE

18. Pursuant to this Judgment, the Attorney General on behalf of the People shall release any civil claim the People could assert against Santander under Business & Professions Code section 17200 et seq. arising out of the Covered Conduct prior to the Effective Date. Claims pertaining to civil rights and securities statutes and regulations are specifically excluded from this release. This release shall take effect 91 days after Santander makes the payments described in paragraphs 8 and 9.

VI. MONITORING

19. Santander shall create and maintain, for a period of at least three (3) years (unless a shorter time is specified for specific records elsewhere in this Judgment), all records necessary to demonstrate Santander's compliance with obligations under the Judgment. Upon receipt of written notice from the Monitoring Committee asking that Santander provide a compliance report regarding Santander's obligations under this Judgment, Santander shall, within a reasonable period of time not to exceed 60 days, provide a report to the Monitoring Committee. The Monitoring Committee may not request the report pursuant to this paragraph more than once annually, unless the report shows that Santander is not in compliance. Should the report demonstrate that Santander is not in compliance with the obligations under the Judgment, Santander shall submit a remediation plan to the Monitoring Committee demonstrating Santander's plan to comply with the Judgment. The Monitoring Committee will provide its

1 objection or non-objection to any remediation plan within 30 days of receipt of the remediation
2 plan. The right of the Attorney General on behalf of the People or any other member of the
3 Multistate Working Group to object or not object to a remediation plan is in addition to any other
4 lawful means of enforcement under this Judgment, and any non-objection under this paragraph
5 shall not waive the right of the Attorney General on behalf of the People or any other member of
6 the Multistate Working Group to obtain relief for violations of this Judgment in court.

7 20. Santander shall cooperate with reasonable written requests for information relating
8 to a Dealer or Dealers from a designated representative of the Monitoring Committee or the
9 Attorney General's office.

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11 **VII. GENERAL PROVISIONS**

12 21. This Judgment does not constitute an approval by the Attorney General of
13 Santander's business practices, and Santander shall make no representation or claim to the
14 contrary.

15 22. Any failure of the Attorney General or Santander to exercise its rights under this
16 Judgment shall not constitute a waiver of its rights.

17 23. No part of the Judgment shall be construed to create, waive or limit a private cause
18 of action.

19 24. Santander admits to the jurisdiction of the Court and consents to the entry of this
20 Judgment and to the rights of the Attorney General to enforce the terms and conditions of this
21 Judgment.

22 25. If any portion of the Judgment is held to be invalid, unenforceable, or void for any
23 reason whatsoever, then such portion will be severed from the remainder and will not affect the
24 validity and enforceability of the remaining portions of the Judgment.

25 26. Nothing in this Judgment shall be construed to waive or limit any claim of
26 sovereign immunity the State of California may have in any action or proceeding.

27 27. Any failure by any Party to this Judgment to insist upon the strict performance by
28 any other Party of any of the provisions of this Judgment shall not be deemed a waiver of any of

1 the provisions of this Judgment, and such Party, notwithstanding such failure, shall have the right
2 thereafter to insist upon the specific performance of any and all of the provisions of the Judgment.

3 28. Santander shall notify its officers and directors and use reasonable efforts to notify
4 its employees, agents, and contractors responsible for carrying out and effecting the terms of this
5 Judgment of the obligations, duties, and responsibilities imposed on Santander by this Judgment.

6 29. This Judgment is intended to be for the benefit of the Parties and does not create
7 any other third-party rights.

8 30. This Judgment is governed by the laws of the State of California.

9 31. This Court shall retain jurisdiction to enforce the terms of this Judgment.
10 Subparagraphs 17(b), (d)-(g), (i)-(l) and (o)-(q) of this Judgment shall be in effect for a period of
11 seven (7) years from the date of implementation. Subparagraph 17(h) of this Judgment shall be in
12 effect for a period of four (4) years from the implementation of the back-test described in
13 subparagraph 17(h). The expiration of Subparagraphs 17(b), (d)-(l), and (o)-(q) is contingent
14 upon Santander not having been adjudged by a court in any Multistate Working Group state to
15 have violated any provision of Paragraph 17 of any Multistate Working Group Judgment. If,
16 prior to the Effective Date plus seven (7) years, Santander is adjudged by a court in any
17 Multistate Working Group state to have violated any provision of any Multistate Working Group
18 Judgment, Santander shall continue to be subject to Subparagraphs 17(b), (d)-(g), (i)-(l) and (o)-
19 (q) of this Judgment in all Multistate Working Group States for seven (7) years and Subparagraph
20 17(h) for four (4) years from the date of the court's decision. This paragraph is in addition to all
21 other remedies available to the People in law and equity.

22 32. For the purposes of construing the Judgment, this Judgment shall be deemed to
23 have been drafted by all Parties and shall not, therefore, be construed against any Party for that
24 reason in any dispute.

25 33. This Judgment constitutes the complete Judgment between the Parties. This
26 Judgment may not be amended except by written consent of the Parties.

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1 34. Nothing in this Judgment shall be construed as relieving Santander of its
2 obligations to comply with all state and federal laws, regulations, or rules, or granting Santander
3 permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

4 35. Any notices required to be sent to the People or to Santander under this Judgment
5 shall be sent by certified mail, return-receipt requested, or other tracked mail delivery service.

6 The documents shall be sent to the following addresses:

7
8 For the People of the State of California:

9 Deputy Attorney General Hunter Landerholm
10 Consumer Law Section
11 Office of the Attorney General
12 1515 Clay Street
13 Oakland, CA 94612
14 Hunter.Landerholm@doj.ca.gov

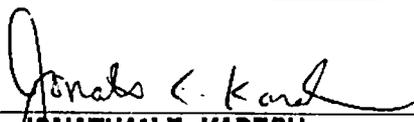
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16 For Santander:

17 David B. Anders
18 Wachtell, Lipton, Rosen & Katz
19 51 West 52nd St.
20 New York, NY 10019
21 DBAnders@wlrk.com

22 36. This court retains jurisdiction of the Judgment and the Parties for purpose of
23 enforcing and modifying the Judgment and for the purpose of granting such additional relief as
24 may be necessary and appropriate.

25 37. The clerk is ordered to enter this Judgment forthwith.

26 ORDERED AND ADJUDGED this 19th day of May, 2020.

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29 _____
30 **JONATHAN E. KARESH**
31 Judge of the Superior Court