FILE: RM 03 00232 I

MEMORANDUM OF INTERVIEW

(b)(7)(C) date of birth (b)(7)(C), social security number (b)(7)(C), home (b)(7)(C), work (b)(7)(C)-1079, cell (b)(7)(C) was interviewed by Special Agent (s) (b)(7)(C), and (b)(7)(C), U. S. Department of Housing and Urban Development, Office of Inspector General. (b)(7)(C) was apprised of the identity of the interviewing agent and the nature of the interview and accompanied by his lawyer, Randall R. Fearnow, of Krieg Devault, Attorneys at Law, One Indiana Square, Suite 2800, Indianapolis, IN 46204-2079, (317) 636-4341. (b)(7)(C) voluntarily provided the following information:

Employment
He worked at Fairbanks Capital Corporation as the (b)(7)(C) from (b)(7) through (b)(7). His duties included running the day-to-day operations of the loan servicing shop. This included front-end collections (0-59 days), foreclosures, bankruptcy, and real estate owned properties (REO). He had responsibility for the cashiers function or accounting. (b)(7)(C) stated (b)(7)(C) often took direct control of the policies and procedures implemented in the Servicing Department, particularly the combat servicing unit. (b)(7)(C) stated employees at Fairbanks often referred to (b)(7)(C) as "basmaniac" since he would often return from a trip and change procedures and policies within the collection group immediately and expect immediate results. (b)(7)(C) stated he would often fight with (b)(7)(C) over the changes and policies (b)(7)(C) wanted to implement. (b)(7)(C) stated he often lost to (b)(7)(C) since everyone saw (b)(7)(C) as the final authority since he had created the company. (b)(7)(C) stated (b)(7)(C) conducted business by creating fear in everyone at Fairbanks so that they would comply with his directives.

When he started at Fairbanks, there were approximately 100 employees and $900 million worth of loan servicing business. When he left, there were 1200 employees and $20 billion worth of loan servicing business. Prior to Fairbanks he worked for Colmco a division of DLJ. Colmco was purchased by FSA who moved a large portfolio of under-performing loans to Fairbanks. FSA was instrumental in getting Fairbanks to hire (b)(7)(C). (b)(7)(C) stated he fired as many as 8-10 people when he initially started at Fairbanks since he found that many could not adequately do their job.

He currently works for (b)(7)(C) an automotive financing company that is in Chapter 10 Bankruptcy.

Force Placed Insurance
(b)(7)(C) stated as Fairbanks grew they could not accurately track the insurance that was related to

the borrowers' property. (b)(7)(C) stated Fairbanks did business with a company named Southwest Business Corporation. (b)(7)(C) stated (b)(7)(C) required this company to compensate Fairbanks with 15% of the earned premium on the properties it sent to Southwest. (b)(7)(C) stated he knew of other companies that did this and demanded as much as 25% although there was some discussion at Fairbanks that it was taking too much. (b)(7)(C) stated Fairbanks also sent homeowners' insurance business to Balboa Insurance Company, which was part of Countrywide Home Loans Inc.

Executive Committee
(b)(7)(C) stated he was a member of the Executive Committee and (b)(7)(C) often brought up the idea of seeking ancillary revenue. Specifically, this was the reason that RRReview was created.

Dissent
(b)(7)(C) stated (b)(7)(C) and (b)(7)(C) did not agree on the way to run the company. (b)(7)(C) stated (b)(7)(C) fired (b)(7)(C) as a result of these continuing disagreements. Specifically, the issues of business and personal expenditures and different opinions about how to grow the company.

Partial Payments
(b)(7)(C) stated partial payments were rejected to a suspense account. Specifically, this was part of the Alltel system and someone at Fairbanks would need to make a decision as to where to apply the payment (i.e. fees, principal balance etc.). (b)(7)(C) stated there were significant system problems when many of these decisions would not be made and this would create problems for the borrowers. (b)(7)(C) stated Fairbanks had a responsibility to its servicing agreement with each investor on the priority of items that would be paid off when a payment was received. (b)(7)(C) stated this would be 1) interest, 2) principal, 3) late fees and 4) other fees.

(b)(7)(C) stated (b)(7)(C) was very concerned about the foreclosure timeline at Fairbanks. (b)(7)(C) stated each state had its own rules on whether by accepting a partial payment the foreclosure process was supposed to start over. (b)(7)(C) stated (b)(7)(C) was focused on Fairbanks beating/exceeding the Freddie Mac foreclosure timelines. (b)(7)(C) stated often payments went to the wrong department or were received at the cashiers department. (b)(7)(C) stated this was not intentional.

Combat Collections
(b)(7)(C) stated (b)(7)(C) created the combat collections unit. (b)(7)(C) stated this unit handled collections for loans that were over 60 days delinquent. (b)(7)(C) stated these borrowers would receive more phone calls and the Fairbanks customer service representative would try and establish a relationship with the borrower. (b)(7)(C) stated he had a shirt, which was made by (b)(7)(C), which stated "no pay, no stay". (b)(7)(C) defended the efforts of the combat collections group as a way to get the borrower to resolve their delinquency problems. (b)(7)(C) stated Fairbanks provided the borrower with an educational video tape that offered possible "solutions" the borrower might use to not lose their home.

Private Label
(b)(7)(C) stated he, (b)(7)(C), and (b)(7)(C) often fought with (b)(7)(C) over the private service issue. (b)(7)(C) stated (b)(7)(C) would only permit the Fairbanks representatives to answer the phones as the "Loan Servicing Center". (b)(7)(C) stated this was not a result of technology limits. Specifically, Fairbanks could have distinguished the loan portfolio that the borrower was calling about. (b)(7)(C) stated Fairbanks generated letters using First Union letterhead with no reference to Fairbanks and sent these to the borrowers with Fairbanks' phone number listed. First Union had hired Fairbanks to service its sub-prime loans. (b)(7)(C) stated First Union still serviced the non sub-prime mortgages and if a First Union sub-prime customer mistakenly called First Union the call would be routed back to Fairbanks. (b)(7)(C) stated (b)(7)(C) was adamant about offering the private label servicing business as a product offering to various clients. (b)(7)(C) stated larger companies like Country Wide also participated in private label servicing but unlike Fairbanks they took the appropriate steps to legally acquire the portfolios and thus their practice was permitted since they were not a "third party" servicer.

Technology
(b)(7)(C) stated (b)(7)(C) always presented (b)(7)(C) with technology "solutions" that were the cheapest and often did not effectively work. (b)(7)(C) stated (b)(7)(C) goal was to show (b)(7)(C) that (b)(7)(C) could save the company money. (b)(7)(C) stated Fairbanks did have an interactive voice response (IVR) system that allowed borrowers to input their account number and obtain automated information regarding their accounts. The system would also route a caller to the next available caller within a particular team of Fairbanks' servicing representatives.

Employee Training
(b)(7)(C) stated Fairbanks provided 40 hours of in-house classroom training for its customer service employees. This included how to interface and treat the borrower and the laws of various states regarding collection practices. (b)(7)(C) stated the employee would receive two weeks of side by side training from an experienced collector. A quality control (QC) group would also periodically listen to phone calls and validate that the employee was adequately trained and was providing the correct information. (b)(7)(C) stated if it was determined that the employee did not adequately grasp the training, they would be sent back to remedial training. The QC results would also be used for each employee's annual appraisal. (b)(7)(C) stated (b)(7)(C) was in charge of the QC unit.

(b)(7)(C) stated the Fairbanks location was within 5-10 miles of over 8,500 customer service type employees who worked for American Express, Advanta or Discover Card. Many of the Fairbanks employees did not have experience in the mortgage industry prior to being hired by Fairbanks. (b)(7)(C) stated after Fairbanks acquired companies, it often inherited employees from different servicing locations (i.e. WMC = Woodland Hills, CA, CONTI = Hatsboro, PA, and IMC = Tampa, FL).

Runoff

(b)(7)(C) stated the average runoff for a sub-prime portfolio was approximately 30%. The reasons for the runoff included 1) refinances, 2) borrowers paying off the loans (seldom) and 3) charging off the balance due to foreclosure. This meant that Fairbanks had to work very hard to replace this business. (b)(7)(C) stated, however, that Fairbanks overcompensated and always took on more business than it could handle.

West Coast Real Estate

(b)(7)(C) stated (b)(7)(C) required realty companies like West Coast Real Estate to compensate Fairbanks for the real estate owned (REO) business it provided. Specifically, the real estate firms were required to pay ¾ of a point back to Fairbanks. (b)(7)(C) stated the only firm that would not pay this fee was a Los Angeles company named Freemont Investors.

MBIA

(b)(7)(C) stated MBIA insured the bonds that were sold to Wall Street investors and the mortgage loan portfolios were the collateral or asset that backed the bonds. (b)(7)(C) stated MBIA had a vested interest in approximately 4,000 FHA loans (originally from IMC, later acquired by Nemura Securities) that were being serviced by Fairbanks. (b)(7)(C) stated HUD had audited IMC and found several deficiencies related to the FHA portfolio before they were transferred to Fairbanks.

First American

(b)(7)(C) stated (b)(7)(C) and (b)(7)(C) were officers of First American. (b)(7)(C) stated First American paid for collection staff located within Fairbanks' office. Later an issue developed that these particular employees needed to be relocated into an office building near Fairbanks in Salt Lake City. (b)(7)(C) was familiar with this event. This group processed foreclosures, brokers' price opinions (BPO), audited BPO's and outsourced title work.

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INTERVIEW AGENT: S/A (b)(7)(C)

DATE OF INTERVIEW: April 8, 2003

DATE TRANSCRIBED: April 10, 2003

FILE: RM 03 00232 I

MEMORANDUM OF INTERVIEW

(b)(7)(C) date of birth (b)(7)(C), social security number, (b)(7)(C), (b)(7)(C) (b)(7)(C) Arizona, (b)(7)(, work (b)(7)(C) -1000, cell (b)(7)(C), home (b)(7)(C) 1155 was interviewed by Special Agent (b)(7)(C), U. S. Department of Housing and Urban Development, Office of Inspector General. (b)(7)(C) was apprised of the identity of the interviewing agent and the nature of the interview. (b)(7)(C) voluntarily provided the following information.

Employment
During September 1999 he became the (b)(7)(C) for Fairbanks Capital Corporation located in Salt Lake City, Utah. Prior to this position, he had spent approximately 27 years on Wall Street in various Investment Banking positions. For example, immediately prior to Fairbanks he was the Chief Financial Officer (CFO) for Daiwa, a Japanese conglomerate, where he was involved in mortgage acquisitions, servicing and securitization. While at Daiwa, he was heavily involved with regulators (SEC, NYSE, Federal Reserve) regarding (b)(7)(C) devaluations as a result of foreign currency devaluations. Specifically, he worked with the regulators to ensure that Daiwa could clear its billions of dollars worth of Brady Bonds without devastating the U.S. Market. Prior to Daiwa he was the Credit Suisse of Boston Worldwide Treasurer for approximately 14 years. At Credit Suisse, he developed an expertise in the mortgage business and was personally written up in Business Week magazine. Currently, he works for (b)(7)(C) located in Tempe, Arizona. This company provides everything needed for a CBS sporting event except for the announcer in the booth. (b)(7)(C) was asked by a friend who is a member of the Greystone Venture Capital Group to oversee and restructure this company since it was losing money.

Introduction to Fairbanks
During 1992 while he was attempting to find a servicer to handle several loan portfolios that Daiwa wanted to divest itself of he was introduced to Fairbanks, a company that was touted as being able to service problem loans and loan portfolios. At the time, (b)(7)(C) was the salesperson he dealt with at Fairbanks. He hired Fairbanks to service many of the Daiwa problem loans. Specifically, Daiwa was contacted by many different trustees regarding multiple properties. Fairbanks was tasked with researching the paper work associated with these properties and responding to the trustees. Fairbanks often worked the properties through the foreclosure process so that the loans could be packaged and resold to a Wall Street Investor.

During 1997 he suffered a mild heart attack and his doctor advised him to leave the high pressure of Wall Street. (b)(7)(C) told (b)(7)(C) Fairbanks would be interested in hiring him. (b)(7)(C) was interviewed by (b)(7)(C) founder of Fairbanks, and separately by the Fairbanks' Board of Directors. (b)(7)(C) told (b)(7)(C) that although Fairbanks was losing money if they built a significant platform for servicing problem loans that the clients would come.

Fairbanks' Board of Directors

The Board told (b)(7)(C) they wanted to hire someone that would not cave into the pressure exerted by (b)(7)(C) and wanted (b)(7)(C) to implement management policies and procedures. The Board considered (b)(7)(C) a good check and balance to (b)(7)(C) actions within the company. The Board also tasked (b)(7)(C) with interacting with financial regulators (Fannie Mae, Freddie Mae) and rating agencies (Standard & Poors).

The Board expected a return on equity of 20-40%. (b)(7)(C) stated this point was documented in internal communications within the Board minutes and correspondence from GE Capital (Equity) expressing their dissatisfaction with returns to date.

At the time, the Board consisted of the following entities and their appointed representatives: (b)(7)(C (Private Holding Finance Company), Nemura Securities (Japanese Securities Firm), (b)(7)((b)(7)(C) (b)(7)(C), FSA, (b)(7)(C), (b)(7)(C) Fairbanks' Management, (b)(7)(C) and (b)(7)(C). During 1999, the composition of the board changed since (b)(7)(C wanted out of Fairbanks since the investment was not compatible with their investment platform. The following entities bought out the Cargic position: PMI, (b)(7)(C) and GE Capital, (b)(7)(C) for the GE Equity component and (b)(7)(C) for the GE FGIC mono line insurance component. The Board had approximately 8-12 people assigned at any one time and often there were vacant seats. (b)(7)(C) stated the reason PMI wanted an interest in Fairbanks was to have a voice in running a company that had an impact on what loans it might have to make an insurance payment on. For instance, if PMI could reduce the amount of loans it may be exposed to making an insurance payment on it could become more profitable.

Finston Internal Changes

Executive Committee

(b)(7)(C) significantly changed the Fairbanks organizational structure and created an Executive Committee comprising of Fairbanks' employees, who were experts in Servicing ((b)(7)(C)), Accounting, Legal, and Sales to assist him in running the day-to-day operations of the company. (b)(7)(C) stated his salary consisted of three components: salary, bonus and stock options. stated he was motivated to increase the value of the company stock as a result of his stock options. At the time he started, the company stock was not worth much since the company was losing money. (b)(7)(C) stated he implemented changes and improvements to the financial side and restructured the sales side in order to cumulatively produce a better return on equity.

Arthur Anderson

(b)(7)(C) also determined that the partners of the Accounting Firm of Arthur Anderson in Salt Lake were incompetent and naïve. (b)(7)(C) stated he also found they relied heavily on (b)(7)(C) an Arthur Anderson partner in New York City who (b)(7)(C) considered very incompetent. (b)(7)(C) noted that (b)(7)(C) eventually testified in the Enron Accounting scandal related to his personal involvement in the engagement. (b)(7)(C) was instrumental in convincing Anderson to transfer the Fairbanks account to Anderson partners in San Francisco who (b)(7)(C) had dealt with in the past when he was associated with other companies.

Cost Scrutiny
(b)(7)(C) stated the Board was very concerned with the Fairbanks cost structure being out of control. (b)(7)(C) was tasked with reducing costs. (b)(7)(C) created cost analysis models to be able to determine how many Fairbanks employees were needed to service a given amount of loans. Based on this information, the Board concluded that Fairbanks employed too many people and started to let some go.

Bid Models
(b)(7)(C) stated he created bid models to allow Fairbanks to accurately bid on servicing additional loan portfolios. (b)(7)(C) stated the models would tell Fairbanks how much it could afford to pay for a new portfolio and still reach the targeted Return On Equity. (b)(7)(C) stated (b)(7)(C) ignored these models and sought out more servicing business regardless of whether the economics made sense. (b)(7)(C) stated (b)(7)(C) just wanted to "pump up" Fairbanks so that he could sell the company. (b)(7)(C) stated (b)(7)(C) would enlist the assistance of other Fairbanks employees ((b)(7)(C)) to generate inaccurate cost estimates that (b)(7)(C) would present to the Board in order to obtain additional servicing business. (b)(7)(C) stated (b)(7)(C) would also ignore sorting out any of the legal issues before committing to servicing a new loan portfolio.

Fairbanks Business Plan

Servicing
(b)(7)(C) stated (b)(7)(C) told him the plan was to convince large financial institutions (i.e. Banks) to give Fairbanks their problem loans to service. After 3-5 years when the company was large enough, it would be sold and management would be able to "cash out". (b)(7)(C) stated (b)(7)(C) wanted to sell the company to Wells Fargo. (b)(7)(C) stated after he left Fairbanks he interviewed for a job with Wells Fargo and was told by the senior management that they determined with changes in the Wells Fargo internal processes and other improvements Wells Fargo could surpass Fairbanks in the problem loan arena. (b)(7)(C) stated there were three methods to obtain servicing business: 1) purchase a wholesale block of loans and service them "in-house", 2) purchase a block form a large financial institution and 3) service for a large financial organization by contract. Fairbanks did not want to have to purchase any of the loans to service and the business plan return on equity heavily relied on the premise that Fairbanks could convince large financial institutions to contract with Fairbanks to service their problem loans. Fairbanks continued to have greater difficulty obtaining the contract loan servicing business. This was a result of some negative feedback in the industry regarding Fairbanks' competence to service the problem loans. These developments forced Fairbanks to shift its strategy and begin to

pay (i.e. outlay cash) to obtain portfolios of loans to service. The Board was not satisfied with the poor return on equity that Fairbanks was achieving. This in part led (b)(7)(C) to seek ancillary revenue to offset the poor performance of the servicing component.

Bad Loans

(b)(7)(C) stated the revenue on servicing problem loans was very lucrative. For example, the fee to process a normal loan might be 12-15 basis points (1/100 of 1% is a basis point). However, servicing a problem loan could result in as much as 250 basis points once all the additional fees were added. (b)(7)(C) stated many times Fairbanks would buy a pool of loans and not have a good system to determine if any of the loans violated Federal lending practices. For example, the original loan make have charged the borrower usury fees, however, Fairbanks would not be able to readily identify this and often continue charging the same amount of fees. (b)(7)(C) stated Fairbanks preferred to buy pools of loans that contained primarily conventional loans. Specifically, FHA loans had more rules and regulations in place regarding foreclosure. (b)(7)(C) stated when Fairbanks did identify FHA loans that were part of a pool they would take this into consideration by charging more for servicing or paying a little less to acquire the FHA loans since they required more time and effort.

(b)(7)(C)

Background

(b)(7)(C) owned approximately 25% of the company, and as stated earlier, was one of the original founders. (b)(7)(C) had no formal education (i.e. no college degree) and had ran a cement business prior to getting involved in the mortgage industry. Specifically, he started to bid as an individual investor on loan packages that were sold by the Resolution Trust Corporation (RTC). (b)(7)(C) stated (b)(7)(C) was driven by greed for every business decision he made.

Executive Management Committee

(b)(7)(C) stated (b)(7)(C) often did not agree with the Executive Management Committee decisions and would circumvent their decisions and authority and take actions that would get the company in trouble. (b)(7)(C) stated (b)(7)(C) had contempt for the "new" policies and procedures that the Committee was putting into place.

Personal Expenses

(b)(7)(C) stated he was personally involved with attempting to reign in (b)(7)(C) related to his abuses on the financial side of Fairbanks. Specifically, (b)(7)(C) ran a gambit of personal expenses through the Fairbanks system so that Fairbanks would pay for them. This included airfare for private trips, hotels, country club fees for his wife and family, home improvement construction, fees related to his wife's personal credit card charges and accounting fees for her private ventures and expenses related to a second home in Pebble Beach. (b)(7)(C) outlined these abuses to the Board of Directors beginning in October 2000. The Board took some action; however, this did not solve the problem. (b)(7)(C) told the Board in January 2001 that (b)(7)(C) (b)(7)(C) (b)(7)(C) (b)(7)(C) (b)(7)(C)

Travel Agency/Duck Club Membership

(b)(7)(C) stated a friend of (b)(7)(C) was having financial problems and offered (b)(7)(C) an interest in a travel agency if (b)(7)(C) would transfer all of the Fairbanks travel business to his friend. (b)(7)(C) agreed to the deal. (b)(7)(C) friend also wanted (b)(7)(C) to purchase (with $125,000 of Fairbanks' funds) the friend's membership to an exclusive duck club so that he could raise more money. (b)(7)(C) attempted to convince the Management Committee to go along with the deal, but they were not interested. (b)(7)(C) circumvented the Management Committee and used Fairbanks' funds to purchase the membership. (b)(7)(C) stated later the Board found out and made (b)(7)(C) purchase the membership back from Fairbanks with his own money. (b)(7)(C) stated even after all of the problems with the membership (b)(7)(C) approached (b)(7)(C) to sell the membership back to Fairbanks' at a personal profit to (b)(7)(C).

New York Apartment

(b)(7)(C) stated (b)(7)(C) wanted Fairbanks to pay for a corporate apartment in New York City so that his son could stay there during the summer since he attended college nearby in Maine or Massachusetts. (b)(7)(C) presented a proposal to the Board that was shot down. (b)(7)(C) stated he learned by accident while (b)(7)(C) was out of town that (b)(7)(C) made the deal go through anyway. Specifically, (b)(7)(C) had approached (b)(7)(C) and asked him to sign as the broker for Fairbanks to rent the apartment. (b)(7)(C told (b)(7)(C) when (b)(7)(C) was out of town that he needed additional Fairbanks cash in order to continue to retain the apartment.

Conti Bankruptcy Proceedings

(b)(7)(C) stated (b)(7)(C) made significant misrepresentations to the Bankruptcy Court during the acquisition of the Conti portfolio. Specifically, (b)(7)(C) witnessed the Fairbanks Bankruptcy lawyer from the Law Firm of Wilmer & Cutler in Washington D.C. pull (b)(7)(C) into the courthouse hallway and chastise him for his false representations to the court. The attorney told (b)(7)(C) if he did not stop he would remove himself from the proceedings since by being a party to this he was in danger of losing his license to practice law. (b)(7)(C) stated (b)(7)(C) would tell the court anything with the prime objective being to get the Conti deal done. (b)(7)(C) stated (b)(7)(C) did not care about ethics, procedures or the law once he decided what he wanted to obtain.

IRS

(b)(7)(C) stated (b)(7)(C) had been in trouble with the IRS for not filing taxes for several years. (b)(7)(C) stated (b)(7)(C) created several companies that did business for Fairbanks and this issue was not disclosed to the Board. (b)(7)(C) stated these companies created a conflict of interest for (b)(7)(C). (b)(7)(C) stated one of the companies was named Rewards.

Private Label Servicing
(b)(7)(C) stated there were many conversations at the Board and Committee level regarding the propriety of engaging in private label servicing. Specifically, Fairbanks conducted business in the name of "The Servicing Center". Thus, the Fairbanks representatives would get calls from all borrowers representing many different loan portfolios. (b)(7)(C) stated that since Fairbanks serviced loans from a variety of sources the issue was whether Fairbanks could conduct business in a generic name, the clients name (i.e. Bank of America or other Financial Institution) or in the name of Fairbanks. (b)(7)(C) stated (b)(7)(C) (in-house counsel) and (b)(7)(C) (Executive V.P. for Legal) researched the issue and determined Fairbanks could not use a generic name. The Fairbanks Washington D.C. law firm also told Fairbanks to stop the practice. (b)(7)(C) strongly disagreed and told (b)(7)(C) it did not matter and instructed (b)(7)(C) to fire (b)(7)(C), (b)(7)(C) and the Firm. (b)(7)(C) stated (b)(7)(C) humiliated (b)(7)(C) in public and in private since (b)(7)(C) always wanted to take the most appropriate and legal action, which was always in conflict with (b)(7)(C) s' wishes. (b)(7)(C) stated (b)(7)(C) always told him he would take whatever action he wanted and beg forgiveness later if anyone challenged him on a given course of action. (b)(7)(C) a former Fairbanks attorney also did not agree with the generic name use.

Partial Payments
(b)(7)(C) stated there were many discussions within Fairbanks over whether to accept a borrowers partial payment. (b)(7)(C) stated it was (b)(7)(C) personal decision not to accept partial payments from borrowers. (b)(7)(C) stated (b)(7)(C) told him it would be an impediment to foreclosure (i.e. slow the Fairbanks foreclosure process) and thus negatively effect the foreclosure statistics (i.e. timeline) that is reported to loan portfolio institutional investors and the rating agencies (Freddie Mac & Fannie Mae). (b)(7)(C) stated (b)(7)(C) told him he wanted Fairbanks to always report better statistics so that the industry would recognize that Fairbanks is better than all the competition. (b)(7)(C) stated (b)(7)(C) always described the method the borrower was treated as the "carrot and the stick" approach. Specifically, the borrower was told to bring all payments current and if they did not, the full force of foreclosure would be pursued. (b)(7)(C) stated not accepting partial payments was not an industry practice but was unique to Fairbanks.

Combat Servicing
(b)(7)(C) stated (b)(7)(C) personally intervened and took operational control of the "Combat Servicing Area" to implement the practice of not accepting partial payments. (b)(7)((b)(7)(C), Fairbanks Manager of Servicing, disagreed with (b)(7)(C) on this approach and (b)(7)(C) fired him over the issue. (b)(7)(C) stated in addition to watching (b)(7)(C) take control of this process, (b)(7)(C) admitted to him what he was doing. (b)(7)(C) stated Fairbanks had a trademark on "Combat Servicing". (b)(7)(C) stated Fairbanks ran reports regarding delinquency, payoff and foreclosure information for the various loan portfolios. Fairbanks also utilized a "predictive dialer" system that allowed the computer system to prioritize (based on a formula of factors put into the computer) which calls were answered first. (b)(7)(C) stated there was too few phone lines to handle the calls from borrowers and these problems

escalated each time Fairbanks would make an acquisition for a new pool of loans. (b)(7)(C) stated the Fairbanks employees were rated on how the loans assigned to them were processed. Factors included resolution of the matter on a timeline, bankruptcy status etc.

Force Place Insurance
(b)(7)(C) stated many borrowers complained about the force placed insurance that Fairbanks placed on their property. Specifically, that the cost was three or more times what other carriers offered and that borrowers had great difficulty convincing Fairbanks that they already had coverage. (b)(7)(C) stated this area was not well managed. (b)(7)(C) stated (b)(7)(C) was tasked by (b)(7)(C) to make a deal with an insurance entity for all of Fairbanks force placed insurance business. (b)(7)(C) stated (b)(7)(C) did not like how (b)(7)(C) was handling the issue and took direct control of it. (b)(7)(C) stated (b)(7)(C) negotiated with Country Wide to provide the insurance and give Fairbanks a revenue incentive (i.e. kickback) for the business. (b)(7)(C) stated (b)(7)(C) was constantly seeking these other forms of revenue. (b)(7)(C) stated Fairbanks was not competent to deal with the force placed insurance.

RRReview
(b)(7)(C) stated (b)(7)(C) created RRReview to obtain another source of revenue for Fairbanks. (b)(7)(C) told (b)(7)(C) that Fairbanks could not only save money for itself by owning an entity that could perform the Broker Price Opinions (BPO) but also charge others including the borrowers a higher fee and make a profit from the BPO. For example, obtaining a BPO was a necessary step which was performed hundreds or thousands of times depending on the size of a loan portfolio. If Fairbanks could control the entity they could control the cost associated with this step. (b)(7)(C) also wanted to offer this service to others to make additional money. (b)(7)(C) stated it was wrong for (b)(7)(C) to charge a borrower \$150 for a BPO when it might have only cost Fairbanks \$50 to produce. (b)(7)(C) also stated the borrower was a captive client and did not have a choice regarding the fee charged. (b)(7)(C) stated this was not the most competitively priced BPO the borrower could have theoretically been charged for and was obviously not an arms length transaction. (b)(7)(C) stated he was aware of instances when a BPO was charged to the borrower but was never conducted. (b)(7)(C) also stated it was a conflict of interest for Fairbanks to determine (i.e. control) the value of a property it was foreclosing on. (b)(7)(C) stated (b)(7)(C) had an equity interest in RRReview.

Operating Agreements
(b)(7)(C) stated he proposed that Fairbanks should create operating agreements with the various related entities to establish a fair price at which services would be offered or charged. (b)(7)(C) stated he learned this approach from his prior business experience with other companies. Specifically, he dealt with the IRS in obtaining approval for foreign pricing agreements. (b)(7)(C) stated (b)(7)(C) was opposed to this and prevented it from being implemented.

Computer System
(b)(7)(C) stated the computer system was based on an Alltel system that had an overlay of the Fairbanks Loan Tracking System (LTS). This was a windows bases system that allowed anyone

in the company to review the status of a given loan. Fairbanks required Alltel to pass data across regularly so that Fairbanks could process it into the LTS. The Alltel system by itself was a basic loan tracking system. Alltel wanted to exploit the Fairbanks LTS system and license and sell the combined systems to the industry since it provided very unique capabilities. Fairbanks was not very interested in this idea since Fairbanks did not want to lose business to potential competitors. For example, Fairbanks wanted to hold itself out as the expert in the problem loan arena.

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INTERVIEW AGENT: S/A (b)(7)(C)

DATE OF INTERVIEW: March 26, 2003

DATE TRANSCRIBED: March 27, 2003