

SULLIVAN & CROMWELL LLP

TELEPHONE: 1-212-558-4000
FACSIMILE: 1-212-558-3588
WWW.SULLCROM.COM

*125 Broad Street
New York, NY 10004-2498*

LOS ANGELES • PALO ALTO • WASHINGTON, D.C.

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December 18, 2014

Federal Reserve Bank of New York,
33 Liberty Street,
New York, New York 10045.

Attn: Ivan J. Hurwitz
Vice President, Bank Applications

Re: CIT Group Inc. Proposed Acquisition of IMB Holdco LLC –
Supplemental Submission

Ladies and Gentlemen:

On behalf of our clients, CIT Group Inc. and Carbon Merger Sub LLC (together, the “Applicants”), enclosed please find a supplemental submission, prepared by the Applicants, to the Applicants’ application, dated August 20, 2014, to the Board of Governors of the Federal Reserve System (the “Board”) in connection with the Applicants’ proposed acquisition of IMB Holdco LLC and certain related transactions (the “Application”).

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If you have any questions with respect to any of the matters discussed in this letter or in the materials included herewith, please feel free to contact me at (212) 558-4998 (salleys@sullcrom.com).

Very truly yours,



Stephen M. Salley

(Enclosures)

cc: Philip Bae
(Federal Reserve Bank of New York)

Adam Cohen
Andrew Hartlage
Bau Nguyen
(Board of Governors of the Federal Reserve System)

Elisa Johnson
(Federal Reserve Bank of San Francisco)

Kay E. Kowitt
(Office of the Comptroller of the Currency)

U.S. Department of Justice, Antitrust Division

G. Edward Leary
(Utah Department of Financial Institutions)

Robert J. Ingato
(CIT Group Inc.)

Joseph Otting
(IMB Holdco LLC)

H. Rodgin Cohen
Camille L. Orme
(Sullivan & Cromwell LLP)

Commenters Listed on Schedule A (public portions only)

Schedule A

Commenters

Matthew R. Lee, Esq.
Executive Director
Inner City Press/Fair Finance Watch
747 Third Avenue
New York, New York 10017

Selma Taylor
Executive Director
California Resources and Training
300 Frank Ogawa Plaza, Suite 175
Oakland, California 94612

Sharon Miller
Chief Executive Officer
Renaissance Entrepreneurship Center
275 Fifth Street
San Francisco, California 94103

Maeve Elise Brown, Esq.
Executive Director
Housing and Economic Rights Advocates
1814 Franklin Street, Suite 1040
Oakland, California 94612

Viola Gonzales
Chief Executive Officer
AnewAmerica Community Corporation
1918 University Avenue, Suite 3A
Berkeley, California 94704

Roberto Barragan
President
VEDC
SFV — Small Business Development Corporation
5121 Van Nuys Boulevard
Van Nuys, California 91403

Isela Gracian
Vice President of Operations
East LA Community Corporation
530 South Boyle Avenue
Los Angeles, California 90033

Matt Huerta
Executive Director
Neighborhood Housing Services Silicon Valley
31 North Second Street, Suite 300
San Jose, California 95133

Keith Ogden
Staff Attorney
Community Legal Services in East Palo Alto
1861 Bay Road
East Palo Alto, California 94303

Cynthia Strathmann
Executive Director
Strategic Actions for a Just Economy
152 West 32nd Street
Los Angeles, California 90007

Dawn M. Lee
Executive Director and Chief Executive Officer
Neighborhood Housing Services of the Inland Empire
1390 North D Street
San Bernardino, California 92405

John E. Taylor
President and Chief Executive Officer
National Community Reinvestment Coalition
727 15th Street, NW, Suite 900
Washington, D.C. 20005

Kerry N. Doi
President and Chief Executive Officer
Pacific Asian Consortium in Employment
1055 Wilshire Boulevard, Suite 1475
Los Angeles, California 90017

Hyepin Im
President and Chief Executive Officer
Korean Churches for Community Development
3550 Wilshire Boulevard, Suite 736
Los Angeles, California 90010

Amy Schur
Campaign Director
Alliance of Californians for Community Empowerment
3655 S. Grand Avenue, Suite 250
Los Angeles, California 90007

Sharon Kinlaw
Interim Executive Director
Fair Housing Council of the San Fernando Valley
14621 Titus Street, Suite 100
Panorama City, California 91402

Luis Granados
Executive Director
Mission Economic Development Agency
2301 Mission Street, Suite 301
San Francisco, California 94110

Sandy Jolley
Reverse Mortgage Suitability and Abuse Consultant
681 Benson Way
Thousand Oaks, California 91360

Brenda J. Rodriguez
Executive Director
Affordable Housing Clearinghouse
23861 El Toro Road, Suite 401
Lake Forest, California 92630

Matt Schwartz
President and Chief Executive Officer
The California Housing Partnership Corporation
369 Pine Street, Suite 300
San Francisco, California 94104

Marcia Rosen
Executive Director
National Housing Law Project
703 Market Street, Suite 2000
San Francisco, California 94103

Neal S. Dudovitz
Executive Director
Neighborhood Legal Services of Los Angeles County
1104 East Chevy Chase Drive
Glendale, California 91205

Kevin Stein
Associate Director
California Reinvestment Coalition
474 Valencia Street, Suite 230
San Francisco, California 94103

Chancela Al-Mansour
Executive Director
Housing Rights Center
3255 Wilshire Boulevard, Suite 1150
Los Angeles, California 90010

Orson Aguilar
Executive Director
The Greenlining Institute
1918 University Avenue
Berkeley, California 94704

Ron Fong
Director
Asian Pacific Islander Small Business Program
231 E. 3rd Street, Suite G-106
Los Angeles, California 90013

Robert Villarreal
Senior Vice President
CDC Small Business Finance
2448 Historic Decatur Road, Suite 200
San Diego, California 92106

Hubert Van Tol
President
PathStone Enterprise Center
400 East Avenue
Rochester, New York 14607

Francis C. Neri
President and Chief Executive Officer
Advocates for Neighbors, Inc.
4071 Summer Gate Avenue
Vallejo, California 94591

Michael A. Chan
President
ASIAN, Inc.
1167 Mission Street, Fourth Floor
San Francisco, California 94103

Earl "Skip" Cooper, II
President and Chief Executive Officer
Black Business Association
P.O. Box 43159
Los Angeles, California 90043

Thomas P. Tenorio
Chief Executive Officer
Community Action Agency of Butte County, Inc.
P.O. Box 6369
Chico, California 95927

Lillibeth Navarro
Founder and Executive Director
Communities Actively Living Independent & Free
634 S. Spring Street, Second Floor
Los Angeles, California 90014

Robert Wiener
Executive Director
California Coalition for Rural Housing
717 K Street, Suite 400
Sacramento, California 95814

Susan M. Reynolds
President and Chief Executive Officer
Community HousingWorks
2815 Camino del Rio South, Suite 350
San Diego, California 92108

Amie Fishman
Executive Director
East Bay Housing Organizations
538 9th Street, Suite 200
Oakland, California 94607

Robert Jones
Executive Director
East Palo Alto Community Alliance and Neighborhood Development Organization
2369 University Avenue
East Palo Alto, California 94303

Mark Moulton
Executive Director
Housing Leadership Council of San Mateo County
139 Mitchell Avenue
South San Francisco, California 94080

James F. Zahradka II
Supervising Attorney
Law Foundation of Silicon Valley
152 North Third Street, Third Floor
San Jose, California 95112

Michael Rawson
Director
Public Interest Law Project
449 15th Street, Suite 301
Oakland, California 94612

Robert Monzon
President
Montebello Housing Development Corporation
1619 Paramount Boulevard
Montebello, California 90640

Dolores Golden
Chief Executive Officer
Multicultural Real Estate Alliance For Urban Change
4437 West Slauson Ave
Los Angeles, California 90043

Lori R. Gay
President and Chief Executive Officer
Neighborhood Housing Services of Los Angeles County
3926 Wilshire Boulevard, Suite 200
Los Angeles, California 90010

Glenn Hayes
President and Chief Executive Officer
NeighborWorks Orange County
128 E. Katella Avenue, Suite 200
Orange, California 92867

Eric Weaver
Founder and Chief Executive Officer
Opportunity Fund
111 W. St. John Street, Suite 800
San Jose, California 9511

Darryl Rutherford
Executive Director
Sacramento Housing Alliance
1800 21st Street, Suite 100
Sacramento, California 95811

Junious Williams
Chief Executive Officer
Urban Strategies Council
1720 Broadway, Second Floor
Oakland, California 94612

Marva Smith Battle-Bey
President
Vermont Slauson Economic Development Corporation
1130 West Slauson Avenue
Los Angeles, California 90044

Mark Masaoka
Policy Director
Asian Pacific Policy and Planning Council
905 E. 8th Street
Los Angeles, California 90021

Nora Mendez
Executive Director
Orange County Community Housing Corporation
2024 N. Broadway, Suite 300
Santa Ana, California 92709

Scott Morse
16 Claus Way
Marstons Mills, Massachusetts 02648

Svetlana Tyshkevich
Auburn, California 95603

S Patrick
Oakland, California 94609

Rebecca Boyle
DuPont, Washington 92837

Mike Healey
236 Broadway
Milford, Connecticut 06460

Lisa Marshall
337 7th Street
Manhattan Beach, California 90266

Karen Nierhake
848 Corte Briones
Martinez, California 94553

Diane Bucy
Columbus, Ohio 43228

Carol Sheppard
225 Tillotson Road
Fanwood, New Jersey 07023

Bert Thompson
Riverside, California 92503

Caarla Dimondstein
Fort Bragg, California 95437

Allana Baroni
Get Social

Vera Morales
Montebello, California 90641

Susan Batista
1074 Truxton Drive
Perth Amboy, New Jersey 08861

Mark Reback
Los Angeles, California 90042

Marie McDonnell
15 Cape Lane
Brewster, Massachusetts 02631

Dolores Golden
Culver City, California 90230

Djibril Djigal
11234 Emily Lane SW
Olympia, Washington 98512

Emily Gasner
San Francisco, California 94133

Elba Schildcrout
530 S. Boyle Ave
Los Angeles, California 90033

Geoffrey Stilwell
Fort Myers, Florida 33919

Harold Good
1 Widgeon Drive
Denver, Pennsylvania 17517

Randall Guerra
Sanger, California 93657

Theresa Martinez
Chief Executive Officer
Los Angeles Latino Chamber of Commerce
634 South Spring Street, Suite 600
Los Angeles, California 90014

Helen Kelly
P.O. Box 237
Pleasanton, California 94566

Tod Lindner
477 San Marin Drive
Novato, California 94945

Teena Colebrook
4217 W. 142nd Street
Hawthorne, California 90250

SUPPLEMENTAL SUBMISSION
IN CONNECTION WITH THE
APPLICATION
TO THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RELATING TO THE PROPOSED ACQUISITION OF
IMB HOLDCO LLC
BY
CIT GROUP INC.
AND
CARBON MERGER SUB LLC

December 18, 2014

Supplemental Submission¹

FDIC Loss Share Agreements

In its September 24, 2014 request for additional information, the Board requested that the Applicants provide the following information:

Discuss the status of the inquiries with FDIC, Federal National Mortgage Association (“FNMA”), and Federal Home Loan Mortgage Corporation (“FHLMC”) regarding the continuation of the loss share agreements and servicing agreements with OneWest Bank following consummation of proposed transaction. Provide a copy of written consent or other documentation from the FDIC, FNMA, and FHLMC regarding the status of the agreements each agency has with OneWest Bank following consummation of the proposed transaction.

As a supplement to the Applicants’ prior response, attached as Public Exhibit A is a copy of a letter, dated December 5, 2014, from the FDIC to OWB.

Also attached, as Public Exhibit B, is a copy of a letter, dated November 25, 2014, from the FDIC to California Reinvestment Coalition regarding the loss share agreements between the FDIC and OWB.

Correction to December 4, 2014 Response

In footnote 2 to the Applicants’ response, dated December 4, 2014 (the “December 4th Response”), to question 1 of the Board’s November 14, 2014 request for additional information, the Applicants stated that the pro forma ownership percentages were based on an assumed 30,423,317 shares to be issued at closing of the Transaction. The correct number of shares currently assumed to be issued at closing is 31,315,866. This revised figure does not otherwise change the December 4th Response (including the rounded percentages stated therein).

¹ Capitalized terms used but not defined herein shall have the meanings set forth in the Application to the Board of Governors of the Federal Reserve System, dated August 20, 2014, relating to the proposed acquisition of IMB Holdco LLC by CIT Group Inc. and Carbon Merger Sub LLC.

PUBLIC EXHIBIT A

Letter from the FDIC, dated December 5, 2014, to OWB



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Resolutions and Receiverships

Via e-mail and certified mail

December 5, 2014

Mr. Steven Mnuchin
Chairman
OneWest Bank N.A.
888 East Walnut Street
Pasadena, California 91101-7211

Re: OneWest Bank N.A. Request for Depositor Action Regarding the Merger Involving CIT Group, Inc.

Dear Mr. Mnuchin:

We understand that on July 22, 2014, IMB Holdco LLC ("IMB Holdco"), the parent company of OneWest Bank N.A. ("OneWest Bank") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among CIT Group, Inc. ("CIT Group"), Carbon Merger Sub LLC ("Merger Sub") and JCF III HoldCo I L.P., in its capacity as the holders' representative. Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein, IMB Holdco will merge with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of CIT Group (the "Holdco Merger"). It is expected that simultaneously with the Holdco Merger, CIT Bank, a Utah state-chartered bank and wholly owned subsidiary of CIT Group, will merge with and into OneWest Bank, with OneWest Bank surviving and doing business thereafter as CIT Bank N.A.

The Federal Deposit Insurance Corporation ("FDIC"), acting in its corporate capacity and in its capacities as Receiver and Conservator for IndyMac Federal Bank, FSB ("IMFB"), Receiver for IndyMac Bank, F.S.B., Receiver for First Federal Bank of California, F.S.B. and Receiver of La Jolla Bank, FSB, as applicable, as Transferor, Seller, Participant and Initial Member, as applicable, under the agreements listed in Exhibit A and Exhibit B hereto, hereby confirms that:

- a) with respect to the agreements listed in Exhibit A, the FDIC acknowledges that, in the case of IMFB, the FDIC has no rights of consent or approval to the transactions contemplated by the Merger Agreement;
- b) with respect to the agreements listed in Exhibit A, the FDIC has further determined that, with respect to First Federal Bank of California, F.S.B. and La Jolla Bank, FSB, consent to the transactions contemplated by the Merger Agreement is not required under the terms of any of such agreements; and
- c) with respect to the agreement listed in Exhibit B, based upon your representation that the Member is a Qualified Transferee (as such terms are defined in such agreement), the FDIC hereby consents to the Change of Control (as defined in such agreement) that may result from the consummation of the transactions contemplated by the Merger Agreement.

This letter shall be governed by and construed in accordance with Federal Law, but if Federal law does not provide a rule of decision it shall be governed by and construed in accordance with the laws of the State of New York (excluding any conflict of laws rule or principal that might refer governance or the construction of this agreement to the law of another jurisdiction).

If you have further questions, please do not hesitate to call me at (202) 898-6525 or David Gearin, Senior Counsel, at (703) 562-2430.

Sincerely,

A handwritten signature in black ink that reads "Bret D. Edwards" with a stylized flourish at the end.

Bret D. Edwards
Director
Division of Resolutions and Receiverships

Cc: Christopher E. Austin, Esq.
Benet J. O'Reilly, Esq.
Cleary Gottlieb Steen & Hamilton LLP

Exhibit A

1. Master Purchase Agreement, dated March 18, 2009, between the FDIC as Seller, IMB Holdco LLC, and OneWest Bank Group LLC (pursuant to a joinder dated March 18, 2009, OneWest Bank, FSB became party to such Master Purchase Agreement).
2. Shared-Loss Agreement, dated as of March 19, 2009, between FDIC as Receiver for Indymac Federal Bank, FSB and OneWest Bank, FSB.
 - a. Amendment No. 1 to the OneWest Bank Shared Loss Agreement, dated as of October 1, 2010.
3. Securities Sale Agreement, by and among FDIC as Receiver for IndyMac Federal Bank, FSB and OneWest Investments LLC and OneWest Bank, FSB, dated as of March 19, 2009.
4. Servicing Business Asset Purchase Agreement, by and between FDIC as Receiver for IndyMac Federal Bank, FSB and OneWest Bank, FSB, dated March 19, 2009.
5. Loan Sale Agreement, by and between FDIC as Receiver for IndyMac Federal Bank, FSB and OneWest Bank, FSB, dated March 19, 2009.
6. Participation and Servicing Agreement, by and between IndyMac Venture, LLC and FDIC as Receiver for IndyMac Federal Bank, FSB, dated as of March 19, 2009.
7. Guaranty Agreement, by and among the FDIC in its corporate capacity, IMB HoldCo LLC and each other Beneficiary that executed a joinder thereto, dated March 19, 2009.
8. Agreement with Respect to Servicing Transfer and Enforcement of Selling Representations and Warranties, dated as of March 19, 2009, by and among Freddie Mac, FDIC (in its capacity as receiver for IndyMac Bank, F.S.B. and in its capacity as conservator for IndyMac Federal Bank, FSB), and OneWest Bank, FSB.
9. Amended and Restated Agreement with Respect to Servicing Transfer and Enforcement of Selling Representations and Warranties, dated as of Sept. 24, 2010, by and among Fannie Mae, FDIC (in its corporate capacity and in its capacity as Receiver for IndyMac Bank, F.S.B. and IndyMac Federal Bank, FSB), Financial Freedom Senior Funding Corporation, OneWest Bank FSB and Financial Freedom Acquisition LLC.
10. Reverse Mortgage Business Asset Purchase Agreement, dated March 19, 2009, by and among FDIC as Receiver for IndyMac Federal Bank, FSB and Financial Freedom Senior Funding Corporation and Financial Freedom Acquisition LLC and OneWest Bank, FSB.
11. Reverse Mortgage Shared-Loss Agreement, dated as of March 19, 2009, between FDIC as Receiver for Indymac Federal Bank, FSB, OneWest Bank, FSB, and Financial Freedom Acquisition LLC.

12. Consent and Collateral Assignment Agreement, dated as of March 19, 2009, by and among Federal Home Loan Bank of San Francisco, the FDIC as Receiver of IndyMac Bank, F.S.B., the FDIC as Receiver of IndyMac Federal Bank, FSB, the FDIC in its corporate capacity, and OneWest Bank, FSB.
13. Consent Letter, dated August 13, 2013, between the FDIC and OneWest Bank, FSB regarding request for depositor consent to transfer of mortgage servicing rights to Ocwen Loan Servicing, LLC.
14. Purchase and Assumption Agreement, dated December 18, 2009, between FDIC, Receiver of First Federal Bank of California, F.S.B., and OneWest Bank, FSB, including: (i) Single Family Shared-Loss Agreement (Exhibit 4.15A), and (ii) Commercial and Other Assets Shared-Loss Agreement (Exhibit 4.15B).
15. Purchase and Assumption Agreement, dated February 19, 2010, between FDIC, Receiver of La Jolla Bank, FSB, and OneWest Bank, FSB, including: (i) Single Family Shared-Loss Agreement (Exhibit 4.15A), and (ii) Commercial and Other Assets Shared-Loss Agreement (Exhibit 4.15B).

Exhibit B

1. IndyMac Venture, LLC Operating Agreement, by and among the FDIC, as Initial Member, and IndyMac Venture, LLC, the Company, effective March 19, 2009.

PUBLIC EXHIBIT B

**Letter from the FDIC, dated November 25, 2014, to California
Reinvestment Coalition**



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Resolutions and Receiverships

Via e-mail and certified mail

November 25, 2014

Mr. Kevin Stein
Ms. Paulina Gonzalez
California Reinvestment Coalition
474 Valencia Street, Suite 230
San Francisco, CA 94103

Dear Mr. Stein and Ms. Gonzalez:

Thank you for your comment letters dated October 10, 2014, October 22, 2014, and November 25, 2014, regarding the application by CIT Group (CIT) to purchase IMB, the parent company of OneWest Bank, National Association (OWB), and to merge CIT Bank (owned by CIT) into OWB. The letters have been referred to my attention for response.

Your letters raise a number of questions and concerns regarding the proposed CIT acquisition, including the regulatory approvals required for the acquisition, the right of OWB to transfer to CIT the Shared-Loss Agreement between OWB and the FDIC as Receiver for IndyMac Federal Bank, FSB (Receiver), and OWB's compliance with the terms of the Shared-Loss Agreement.

As a preliminary matter, we note that the Federal Reserve Board, as the primary regulator for bank holding companies, is currently considering CIT's application to acquire IMB. Also, because CIT Bank is being merged into OWB as part of the CIT transaction, the Office of the Comptroller of the Currency (OCC) is the agency with authority to approve the bank merger transaction in this case. While the FDIC does not have an application to act upon relating to the proposed CIT acquisition and related bank merger, we appreciate your concerns and want to respond to points you made with respect to the Shared-Loss Agreement between OWB and FDIC-Receiver. Please also note that the FDIC will be responding to your FOIA request #15-0008 (as amended in the letter dated October 14, 2014) under separate cover.

Your letters ask for the basis on which the FDIC will decide whether to allow the transfer of the Shared-Loss Agreement from OWB to CIT. In addition, your letters ask for criteria that the FDIC uses in determining whether to approve a transfer of a Shared-Loss Agreement.

OWB acquired assets from three failed banks – IndyMac Federal Bank, FSB (“IMFB”), First Federal Bank of California, and La Jolla Bank, FSB (the “Failed Banks”). The FDIC entered into Shared-Loss Agreements with OWB in these acquisitions with respect to certain of the acquired assets.¹ Generally, Section 6.2 (Successors and Assigns) of the FDIC's Shared-Loss

¹ The Shared-Loss Agreements with OWB can be found on FDIC.gov:
<https://www.fdic.gov/about/freedom/IndyMacSharedLossAgrmt.pdf>
https://www.fdic.gov/bank/individual/failed/firstfederal-ca_P_and_A.pdf
https://www.fdic.gov/bank/individual/failed/lajolla_P_and_A.pdf

Agreement governs the assignment and transfer of a Shared-Loss Agreement to an acquirer and the requirements, if any, for obtaining consent from the FDIC to an assignment or transfer.

Section 2.6 (Sale or Assignment of Shared-Loss Loans) on page 11 of the Shared-Loss Agreement for IMFB contains additional language regarding change of ownership or control, a merger, or sale of the assets that is unique to the IMFB Shared-Loss Agreement:

Notwithstanding the foregoing, the Receiver shall not be relieved of its obligations under this Agreement in the case of, and the Purchaser shall be permitted to sell or assign its rights under this Agreement in connection with, (i) any change in the ownership or control of the Purchaser, (ii) a merger by the Purchaser with or into any other entity, (iii) a sale by the Purchaser of all or substantially all of its assets....

Based on the terms in Section 2.6 of the IMFB Shared-Loss Agreement, the FDIC has no rights of consent or approval with respect to the proposed CIT acquisition.

Secondarily, after review of the filings in the pending CIT applications, the FDIC has further determined that OWB is not required to obtain the FDIC's consent to the transaction under the First Federal Bank of California and La Jolla Bank, FSB Shared-Loss Agreements because OWB will be the surviving bank post-merger. Under the Shared-Loss Agreements for these banks, FDIC consent is only required if OWB merged with and into another insured institution (that is, OWB would not be the surviving bank).

To the extent that you may still be interested more generally in the standards for FDIC review where the FDIC's consent is required, the FDIC looks at the facts and circumstances presented. Among other things, the FDIC may consider continuity of asset servicing and management policies and practices post-transaction, whether the same asset management team will remain in place, and assurance that covered assets will continue to be managed and serviced in compliance with the provisions of the Shared-Loss Agreement. When FDIC consent is provided, we would remind an acquirer that FDIC consent is strictly pursuant to the Shared-Loss Agreement requirement, and that it must separately pursue and receive any and all other regulatory approvals related to the transaction.

Your letters ask how much has been paid to reimburse OWB for losses on assets covered under the Shared-Loss Agreements for IMFB, First Federal Bank of California, and La Jolla Bank, FSB.

The FDIC's Division of Resolutions and Receiverships does not release shared-loss payment information on individual acquirers or assets because those records often contain material, non-public information, and their release could harm the negotiating posture of the acquirer with respect to a particular borrower or asset, thereby potentially increasing the amount of a covered loss to the FDIC.

However, by statute the FDIC is required to provide an annual accounting or report for each conservatorship or receivership, upon request. These unaudited reports consist of a Statement of Assets and Liabilities in Liquidation, a Statement of Operations, and accompanying footnotes. The Statement of Operations includes a line item detailing aggregate Year-to-Date and Inception-to-Date Payments on Loss Share and Other Asset Claims. In response to the FOIA request submitted by CRC on October 3, 2014 (and amended on October 14, 2014), the FDIC will provide you with copies of quarterly receivership reports for IMFB, First Federal Bank of California, and La Jolla Bank, FSB, the three banks acquired by OWB, from their respective failure dates through September 30, 2014.

Your letters note that the FDIC has the right to conduct quarterly audits of OWB's compliance with the terms of the Shared-Loss Agreements, and ask how many independent audits have been performed and whether the audits will be released to the general public.

The FDIC has directed seven compliance reviews of OWB's performance under the Shared-Loss Agreements by external Compliance Monitoring Contractors (CMCs): two each in 2010 and 2011, one each in 2012, 2013, and 2014. In addition, the FDIC Office of Inspector General (OIG) conducted the July 2011 review referenced in your letters.

All compliance reviews, excluding the review by the FDIC OIG, have been conducted by third parties under contract to the FDIC's Division of Resolutions and Receiverships.

The FDIC uses eight Compliance Monitoring Contractors (CMCs) to assist the FDIC in monitoring compliance with the Shared-Loss Agreements. CMCs are third-party contractors operating under a defined Statement of Work. The CMCs were selected by the FDIC under a competitive bidding process, which included a review of technical capabilities of the applicants deemed necessary for the conduct of appropriate compliance reviews. These technical requirements were established by internal FDIC subject matter experts, who then evaluated bidder proposals against the pre-established technical evaluation criteria to determine the firms' qualifications. Additional information regarding the compliance monitoring program is attached.

The FDIC does not release CMC reviews publicly because the reports contain confidential personal and business information.

Your letters ask whether OWB, including Financial Freedom, is in compliance with the loan modification and foreclosure terms of the Shared-Loss Agreements.

Based on the above mentioned audits, FDIC has concluded that OWB is currently in compliance with the terms of the Shared-Loss Agreements, including the loan modification and foreclosure terms.

Regarding Financial Freedom (a subsidiary of OWB), most of what Financial Freedom acquired in the OWB acquisition of IMFB assets was contractual rights to service loans owned by other investors and not the loans themselves. These servicing rights are not subject to the FDIC's Shared-Loss Agreement. As noted in your letters, the OCC and the Consumer Financial

Protection Bureau are the primary federal regulators of OWB and, thus, have principal responsibility for supervising OWB's mortgage servicing practices, including with respect to reverse mortgages.

Your letters ask whether an independent audit will be conducted prior to completion of the merger.

Because the most recent compliance review on OWB was completed in July 2014, we do not anticipate additional independent audits outside of the current compliance monitoring schedule. The next compliance review on OWB is currently scheduled to commence in May 2015.

We have attached additional information regarding the resolution process for failed banks and the FDIC's shared-loss program.

I thank you again for your interest in this matter. If you have further questions, please do not hesitate to call me at (202) 898-6525 or Pamela Farwig, Deputy Director, at (571) 858-8209.

Sincerely,

A handwritten signature in black ink, appearing to read "Bret D. Edwards". The signature is fluid and cursive, with a large initial "B" and "E".

for Bret D. Edwards
Director
Division of Resolutions and Receiverships

Enclosure

Additional Information Regarding FDIC's Shared-Loss Program

Throughout the recent financial crisis, the FDIC has worked to maintain financial stability and public confidence in the banking system by providing insured depositors of failed banks quick and easy access to their funds and resolving failed banks in a least cost manner, as required by law, while minimizing disruptions to depositors, borrowers and local communities.

The most common, and preferred, method for resolving a failing institution is a purchase and assumption (P&A) transaction, where a healthy institution (Assuming Institution) agrees to purchase some or all of the assets and assume some or all of the liabilities (including insured deposits) of the failed institution. When the FDIC is unable to effectuate a P&A transaction, the FDIC, as receiver for the failed bank, assumes ownership of all of the failed bank's assets and must manage, market, and sell the assets. The impact of this type of resolution is the most disruptive for failed bank customers, failed bank employees, and the surrounding community.

In November 2008, the FDIC reintroduced P&A transactions with shared-loss coverage in order to effect as many P&A transactions as possible in the least costly manner. The goal of shared-loss arrangements is to lessen the loss to the Deposit Insurance Fund (DIF) by keeping as many assets as possible in the private sector with a lending institution and recognizing losses over time (as opposed to selling at a large discount), and to have the assets managed by the Assuming Institution through incentives that closely align the interests of the Assuming Institution with the interests of the FDIC.

Upon notification of a potential failure, the FDIC begins the process of marketing the failing institution to a group of approved potential bidders. The criteria used to select approved potential bidders include geographic location, minority-owned status, asset size, capital level, and regulatory ratings. Once the bidders list has been generated, the FDIC must obtain the consent from each potential bidder's regulatory authority in order to allow the bidder to participate in the failing bank resolution. Parties other than insured depository institutions wishing to bid on a failing institution must have adequate funds and be engaged in the process of obtaining a charter to create a new depository institution. A competitive bidding process is then conducted to market the failed institution.

The Federal Deposit Insurance Act requires the FDIC to choose the least costly option to the DIF when resolving a failing financial institution. To that end, the FDIC performs a least cost analysis to compare the cost of liquidating the failing financial institution to the cost of bids received.

OWB's acquisition of certain of the assets and liabilities of each of the failed IMFB, First Federal Bank of California, and La Jolla Bank, FSB was the result of a competitive bidding process and a determination by the FDIC that the transaction, including the Shared-Loss Agreements, was the least costly resolution of the Failed Bank.

The general guidelines for the Assuming Institution's servicing and management of the assets subject to the Shared-Loss Agreements are as follows: (1) manage and administer each asset in accordance with usual and prudent business and banking practices and the Assuming Institution's written internal credit policy guidelines; (2) exercise its best business judgment in managing, administering and collecting amounts owed on the assets; (3) make best efforts to maximize collections and recoveries with respect to losses on the assets; and (4) use best efforts to maximize collections without regard to the effect on other assets held by the Assuming Institution.

The FDIC recognizes that prudent workouts for loans are often in the best interest of the Assuming Institution and creditworthy borrowers. The Shared-Loss Agreements require Assuming Institutions to consider loss mitigation options including modification of non-performing loans, and the FDIC monitors performance under Shared-Loss Agreements through monthly and quarterly reporting by, and annual compliance reviews of, the Assuming Institution.

Compliance Monitoring Contractors (CMCs) assist the FDIC in monitoring compliance with the Shared-Loss Agreements by validating the appropriateness of loss share claims, reviewing efforts to maximize recoveries, ensuring consistent application of policies and procedures across both shared-loss and legacy portfolios, and confirming that the Assuming Institution has sufficient internal controls, including adequate staff, reporting, and recordkeeping systems in accordance with common industry practices.

Among other things, CMCs interview key servicing and asset management personnel, review the operational aspects of each business unit, and perform loan-level file review. Routine claims sampling evaluates the accuracy and validity of loss claims filed during the target review period. Sampled loan modification-related loss claims are reviewed to confirm that modifications complied with the elected Loan Modification Program. The Assuming Institution's policies and procedures are routinely reviewed for compliance, including for asset management and single-family loss mitigation. In the event concerns or exceptions are identified, the FDIC requires the Assuming Institution to take corrective action and/or to lose loss share coverage or repay previous paid amounts under the Shared-Loss Agreements.

The Assuming Institution owns, and makes all credit decisions on, assets covered under the Shared-Loss Agreements. While the agreements contain certain requirements, including properly documenting the loss mitigation options considered and how the chosen course of action maximizes collections, individual resolution strategies are determined solely by the Assuming Institution.
