

From: Kevin Stein
Sent: Friday, October 10, 2014 8:30:09 PM (UTC-05:00) Eastern Time (US & Canada)
To: NY Banksup Applications Comments
Subject: CRC opposition to CIT OWB application

To Whom It May Concern

Please find attached CRC's opposition to the proposed transaction between CIT Group and IMB Holdings/OneWest Bank. The file includes 2 attachments, the second of which includes copies of 24 comment letters from other groups which may have been sent directly to you already.

Please let me know if you should have any questions about this submission.

Thank you

Kevin

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October 10, 2014

Janet Yellen
Chair
Federal Reserve Board of Governors

Thomas Curry
Comptroller
Office of the Comptroller of the Currency

Martin Gruenberg
Chair
Federal Deposit Insurance Corporation

Mel Watt
Director
Federal Housing Finance Agency

Richard Cordray
Director
Consumer Financial Protection Bureau

Re: *Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings*

Dear Chairs Yellen and Gruenberg, Directors Watt and Cordray, and Comptroller Curry,

The California Reinvestment Coalition files this timely comment letter to register our opposition to the application by CIT Group (CIT) to purchase IMB, to merge CIT Bank and OneWest Bank (OWB), and to transfer the loss share agreement from OWB to CIT. We write to each of you given that various approvals by your agencies are required in order for this transaction to proceed.

Additionally, we call for an extension of the comment period to allow for responses to relevant Freedom of Information Act (FOIA) requests and to allow for the public to offer further comment. We also request that public hearings on this merger be held in Los Angeles to allow for the necessary input and consideration of the many issues involved in this merger and so that communities impacted by the legacy of problematic lending practices and bank failures have adequate opportunity to comment on the proposed merger of these two institutions.



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This merger should not be approved without substantial conditions that would ensure that the Bank adequately reinvests in communities where its customers reside, helps revitalize neighborhoods still suffering from the effects of the foreclosure crisis that Indymac and OWB helped create, and otherwise provides a public benefit that outweighs the continuing public costs imposed by Applicants. The California Reinvestment Coalition opposes this merger in its current form.

The California Reinvestment Coalition (CRC), based in San Francisco, is a nonprofit membership organization of nonprofit organizations and public agencies across the state of California. We work with community-based organizations to promote the economic revitalization of California's low-income communities and communities of color through access to financial institutions. CRC promotes increased access to credit for affordable housing and community economic development, and to financial services for these communities.

Legal Standards for Merger Approval Have Not Been Met

We believe this merger does not meet the legal requirements of Section 3(c) of the Bank Holding Company Act, as implemented by Section 225.13 of Regulation Y in light of:

Suspect Financial and Managerial Resources – The excessive compensation built into this transaction (with multi-million dollar signing bonuses and million dollar salaries for part time work) and the Bank's stated plans for payment of dividends before establishing itself as a SIFI that must, and does, comply with additional and complex regulatory and capital requirements calls into question the managerial resources of the Bank's leaders.

Risks to Financial Stability – A few years ago, CIT filed what was one of the largest bankruptcies ever because it was so interconnected to other companies and aspects of the economy that it faced liquidity issues. Is CIT truly less complex and interconnected now than it was at the time it filed for bankruptcy? In seeking regulatory approval to create the newest SIFI, this transaction by definition increases risks to financial stability. The regulators must exercise due diligence in evaluating risks to financial stability, and not rubber stamp this proposed merger.

Failure to Meet the Convenience and Needs of the Community – OneWest has not adequately met the convenience and needs of its communities. The Bank caters to upper



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income clients. A meager 15% of its branches are in low and moderate-income census tracts, compared to the statewide average for all institutions of 30% of bank branches in LMI tracts. According to analysis by Los Angeles Local Development Corporation, only two of the Banks' seventy-three branches are in low-income tracts. The majority of the bank's "small business" loans are to businesses with over \$1 million in revenue. The Bank has an affordable bank account product, but it does not market it. OneWest and Financial Freedom foreclosed on over 35,000 California seniors and homeowners.¹ The Bank's charitable donations are below the level of its peers, and a mere 7% of its contributions have gone to support housing and economic development work. Overall, as a percentage of its deposits in California devoted to CRA activities, we believe OneWest ranks among the worst CRA performers, based on the limited data provided by OneWest.

No Evidence This Transaction Will Provide a Public Benefit – The Bank has offered a CRA plan based on minimal community input, and this shows. The Bank has not indicated how its Plan meets community need, nor how it is a substantial enhancement to its existing activities, despite the new bank growing significantly in deposits and assets. The Plan does not include goals for MWDBE vendor contracting. The goals for community development lending and investing represent loans and investments in portfolio, not those generated on an annual basis, and it appears the Bank has already exceeded the goals it sets. In other words, it is not clear that the OWB CRA Plan represents a commitment to engage in any further community development lending or investing in the short term. OneWest must develop a strong Community Benefits and Reinvestment Plan in conjunction with community groups, sign it, make this Plan available to the public and submit it as part of the current application. At this time, the Bank has not demonstrated that the proposed transaction will provide a public benefit that outweighs the continuing public subsidy at stake.

Summary of Concerns:

We have several concerns about this proposed merger. We summarize these concerns here and discuss them more fully, below:

Too Big to Fail. With this merger, perhaps for the first time ever, the regulators would be enabling the creation of a new Systemically Important Financial Institution (SIFI), or Too

¹ ForeclosureRadar data, Urban Strategies Council analysis, October 2014.



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Big to Fail bank. The precedential nature of this application argues for close scrutiny of the proposed transaction.

Public subsidy. CIT took \$2.3 billion in TARP funds during the financial crisis. Soon thereafter, it filed one of the biggest bankruptcies in history, which wiped out its obligation to repay the U.S. taxpayer. Indymac Bank, the predecessor to OneWest, failed for having made too many problematic loans that harmed communities and families, dipped into the FDIC Deposit Insurance Fund to the tune of \$10 billion and was later taken over by the FDIC in one of the biggest bank failures in U.S. history.

Loss share. The wisdom of the FDIC selling Indymac relatively cheaply and with a risk-reducing loss share agreement in place is debatable. But the transfer of this valuable loss share agreement from OWB to CIT serves no public purpose, especially without clear evidence that OWB complied with its obligations to faithfully administer loan modification programs and otherwise comply with the terms of the loss share agreement. The FDIC should not rubber stamp this proposed transfer.

Problematic loss mitigation and need for an independent audit. OWB has a checkered history of loss mitigation, as reflected in litigation, foreclosure data, consumer complaints, and comments by housing counselors in CA. Indymac's problematic lending and OWB's problematic servicing harmed borrowers and communities in our state. The FDIC must commission an outside party to conduct an independent audit of OWB to confirm whether it has met its obligations under the loss share agreement and to make the results of this audit public before considering whether or not to allow the benefits of the agreement to transfer to CIT.

Reverse mortgages and impacts on seniors. Problematic reverse mortgage servicing by OWB affiliate Financial Freedom has led to over 2200 foreclosure sales on seniors in California. Disturbingly, Financial Freedom does not meaningfully allow for surviving spouses not listed on the loan to remain in the home. Several federal agencies have recently developed policies to protect widows and orphans and successors in interest in the conventional market. This transaction should not be approved until Financial Freedom develops adequate policies to ensure this tragedy will end.

Excess compensation. The size of investor and bank officer gains if this merger is approved is astonishing. Bank officers can receive annual salaries well in excess of what the entire



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Bank will devote to contributions to the community. Excess compensation raises questions about the bank's managerial resources.

Payment of dividends. CIT comments suggest it plans to increase shareholder dividend payouts, even before it has established itself as a SIFI and proves it can meet heightened scrutiny and new regulatory and capital requirements. Given the presumed negative market reaction to any decision to lower or eliminate dividends, CIT is therefore putting itself in a position where it will face pressure to continue to offer dividends, even if profits go down. Additionally, the payment of dividends reduces a bank's capital and the amount of money available to lend. The regulators should determine whether this is prudent for a new SIFI subject to new regulatory and capital requirements, and which also must meet community credit needs.²

Tax reductions. CIT touts its ability to use the profits generated from this proposed merger to unlock value by utilizing Net Operating Loss machinations as a means of reducing its tax obligations. First CIT used bankruptcy proceedings to wipe out its obligation to repay \$2.3 billion in TARP funds. Now it proposes to use this merger to reduce its tax obligations. Regulators must end this cycle of public losses and private gains represented by OWB and CIT actions.

Lack of transparency. OWB has not been sufficiently forthcoming regarding its CRA performance and its relation to the loss share agreement. OWB has declined to answer a set of fourteen questions CRC asks of all of the largest banks, and refuses to answer the question of how much money OWB has received from the FDIC under the loss share agreement. Additionally, the FDIC has initially denied CRC's fee waiver request relating to our FOIA filing about the loss share agreement, in light of our nonprofit organization's purported "commercial purpose," and makes the bewildering comment regarding government agency responses to the financial crisis, that this "subject matter is not now of interest to the general public."³ Further, the OCC should divulge any communications it has had with CIT and/or OWB regarding CRA assessment areas and how Internet deposits would be assigned for purposes of community reinvestment responsibilities. Finally, the California Department of Business Oversight (DBO) has denied Public Record Act requests for basic complaint data for companies affiliated with OWB and CIT, even though similar data have been provided to the public upon request in the past.

² "Banks Should Not Be Allowed to Pay Dividends Until They Are Better Capitalized," Financial Times, February 15, 2011.
³ FDIC letter to CRC re: FDIC FOIA Request Log No. 15-0008, October 7, 2014.



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No clear public benefit. The Banks fail to offer a strong, signed CRA Plan that is commensurate with its post-merger size. OWB has shared a draft plan that will not meet community credit needs or noticeably increase the bank's lending, investment and services to low and moderate income consumers, businesses, and communities. We believe that OWB is below its peers in overall CRA activity as a percentage of deposits in its past performance and under its proposed CRA Plan.

Manipulation of CRA responsibility. CIT Bank is an Internet based bank that reinvests its significant deposits primarily around its Salt Lake City, Utah headquarters, despite the fact that its customers reside throughout the United States. This frustrates the purpose of the CRA, which is to require reinvestment of deposits back into the communities from which they came.

Request for extension of the comment period and to hold public hearings. CRC formally requests an extension of the comment period. CRC maintains that additional time is necessary to develop factual information that the Federal Reserve needs for its full consideration of the application, and as other extenuating circumstances exist.

CRC formally requests an extension of the comment period so that the record can be augmented and the public can better understand the Bank's CRA performance and plans. CRC requested information from OWB at the beginning of August 2014. The information requested was the same information requested of other financial institutions and provides CRC and its members with a basis for comparing bank performance across the industry. Despite what we understood to be an early commitment to respond to this request, OWB has not responded to this letter. Similarly, the Bank held a "community meeting" during which information was presented, though the Bank's power point presentation was not made available to the public before or after the event, despite requests to do so. The bank left about 15 minutes at the end of the "community meeting" to take comments from the public. The bank did later meet with CRC and its members and did answer certain questions asked, but has not provided the same information that other institutions have.

Additionally, when asked directly how much money, if any, the FDIC has paid to OWB under the loss share agreement, the Bank responded that it would not provide that information. We believe it is important for the public to know, and have submitted a FOIA request with the FDIC for this and other information.



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Further, we are concerned that CIT and/or OWB may have had conversations with the OCC regarding its future reinvestment obligations. As this transaction raises significant and novel questions relating to how banks and their regulators view assessment areas for Internet and other non-retail banks, we believe there should be transparency around such communications. As such, we hereby request under the Freedom of Information Act (FOIA), all documents relating to communications by and between the OCC, OWB, and/or CIT regarding the future CRA assessment area of the pro forma CIT Bank.

Finally, one day before the comment period ended, the Federal Reserve Bank of New York provided over 100 pages of application materials that had previously been deemed “confidential.” One day to review over 100 pages that was sent without advanced notice is not sufficient time to review and analyze the newly public portions of the application. As such, an extension of the comment period is warranted.

We believe the comment period should be extended to allow for this information to be provided and considered as part of the application. The broad array of issues involved in this merger necessitates public hearings to further develop the record, and we urge the Federal Reserve to hold hearings in Los Angeles.

We now consider each of these issues in greater detail.

Loss sharing Agreement cannot, and should not, be transferred to CIT

On March 19, the FDIC and OWB entered into a loss share agreement that provided for OWB to absorb the first 20% on covered loan losses (approximately \$2.5 billion of “first loss” obligation), with the FDIC picking up 80% of the ensuing 10% of covered losses, then 95% of further covered losses.⁴

While it may have made sense at that time for the FDIC to sell Indymac’s assets at a discount, or with a loss share agreement that limited the risk to Indymac’s purchaser, many have questioned whether the FDIC went too far in offering a sweetheart deal to the OWB investors. Indeed, the FDIC later abandoned loss share provisions that required the FDIC to pick up 95% of certain covered losses, suggesting it realized that this was improper and unnecessary.

⁴ OneWest Shared Loss Agreement, at <https://www.fdic.gov/about/freedom/IndyMacSharedLossAgrmt.pdf>.



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None other than the American Banker noted in 2010 that “in less than a year, private equity buyers of IndyMac Bank.... have turned a \$1.6 billion profit...Yet thriving on a mess that has already cost tens of thousands of IndyMac borrowers their homes is an awkward situation, and not just for the team of billionaire backers including George Soros, John Paulson and Christopher Flowers...But it’s the terms of the FDIC deal that have yielded the bank’s outsize earnings. OneWest paid \$13.9 billion for IndyMac’s assets – a 23% discount to their face value that more than covered OneWest’s \$2.5 billion “first loss” obligation.”⁵

But just how much has the FDIC paid to OWB to cover losses under the loss share agreement? We do not know, though it is not for lack of trying. OWB refuses to answer this question, forcing us to file a FOIA request with the FDIC. The FDIC, for its part, has already indicated that it may deny our fee waiver request because, somehow, the FDIC believes our nonprofit has a “commercial purpose” in asking for this information. Even more baffling, the FDIC’s initial response to our FOIA fee waiver request suggests that the "subject matter is not now of interest to the general public."⁶

CRC believes, based on our research of publicly available data, that over \$1 billion may yet be paid by the FDIC to OWB’s billionaire investors, and that some unknown amount has already been paid. We believe the comment period on this application should be extended to ensure the public has an opportunity to receive and analyze this information.

Regardless, the FDIC should reject the transfer of the lucrative loss share agreement from OWB to CIT. Loss share agreements may have made sense during the heart of the financial crisis when the public was alarmed and the FDIC was left to run failed banks. The loss share agreements were meant to stabilize our financial system. They were not meant to enrich wealthy investors well after the peak of the crisis. If this deal is approved, investors will reap \$3.4 billion in cash and stocks, and investors may more than double their original investment between sale proceeds and dividends paid out. The transfer of the loss share agreement to CIT would serve no public purpose or interest. Loss share agreements represent needed public support during a time of crisis. They should not be bought and sold like a commodity, or traded like baseball cards. The FDIC should not rubber-stamp this request by the Applicants to approve the transfer of the agreement from OWB to CIT.

⁵ Jeff Horowitz, “OneWest Makes Money, But Making Friends is the Harder Part,” American Banker, February 23, 2010.

⁶ FDIC letter to CRC re: FDIC FOIA Request Log No. 15-0008, October 7, 2014.



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OWB Compliance with Loss Share Agreement obligations to implement loss mitigation programs must be confirmed by an independent audit and the results of that audit made public.

OWB obligations, in general. OWB's loss share agreement with the FDIC required it to adhere to certain loan modification programs, such as the FDIC and HAMP loan modification programs. Before considering whether to transfer the loss share agreement to CIT, the FDIC must first determine that OWB was in compliance with the obligations imposed on it under the loss share agreement. This is best accomplished by arranging for an independent audit of OWB's loss mitigation performance and by making the results of this audit publicly available.

Independent audit is needed. We note that the FDIC conducted at least one of its own such audits in July of 2011, in response to a letter purportedly from OWB employees alleging that they were instructed to reject as many loan modifications as possible. The FDIC found no evidence to support the allegations, and indicated it would not publicly release the report in its entirety as it included confidential commercial information. But only with an audit conducted by an independent third party and released broadly can the public have confidence that OWB complied with its obligations under the loss share agreement.

The loss share agreement provides that on a quarterly basis, the FDIC is entitled to perform its own audit of OWB's compliance with the terms of the loss share agreement. CRC requests that the FDIC identify the number of quarters during which it exercised its due diligence by conducting an audit of OWB's compliance.

Obligation to participate in loan mod programs. The loss share agreement obligates OWB to comply with the Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages, which states, in part, that "loss mitigation techniques that preserve homeownership are generally less costly than foreclosure... Where appropriate, servicers are encouraged to apply loss mitigation techniques that result in mortgage obligations that the borrower can meet in a sustained manner over the long term."⁷ OWB's track record calls into question whether it complied with the appropriate policies and loss mitigation programs.

⁷ Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages," OCC, 2007, at <http://www.occ.gov/news-issuances/bulletins/2007/bulletin-2007-38a.pdf>



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Numerous foreclosures. For one, OWB foreclosed on a large number of homeowners over the last few years. CRC believes that since OWB took over Indymac, Indymac/OWB and Financial Freedom foreclosed on over 35,000 seniors and other homeowners from California, according to data from Realtytrac.⁸

Treasury reports raise concerns. Reports on servicer HAMP performance from the Treasury Department confirm OWB was more likely to foreclose on its borrowers than other banks. In the Program Performance Report Through November 2013, out of nine servicers participating, OneWest had the second highest rate of completed foreclosures for homeowners who were not accepted for a HAMP trial, as well as for those whose HAMP permanent modification was denied.⁹ Similarly, in September of 2013, out of eight servicers participating, OneWest had the highest percentage of completed foreclosures for homeowners who were disqualified for a permanent loan modification.¹⁰

Numerous CFPB complaints. Further, consumers have filed over 450 complaints against OWB with the Consumer Financial Protection Bureau over the last 32 months, with 432 of those complaints related to mortgages and loan modifications.

Litigation: False Claims Act claim raises serious allegations. Significantly, earlier this year a federal court unsealed a False Claims Act complaint against OWB alleging that OWB routinely violated the HAMP program and FHA loss mitigation rules. In *United States ex rel Fisher vs. OneWest Bank FSB*, the complaint also alleged that OWB “almost always” added new debt to the borrower’s loan balance.

Other litigation. OWB and its servicing operations have been the subject of additional litigation, including:

- In *Sayonara Reyes et al vs. IndyMac Mortgage Services*, a division of OneWest Bank, a class action complaint was filed against OWB with claims of breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel and violation of the Massachusetts state law alleging a failure to honor trial period payment plans.

⁸ ForeclosureRadar data, Urban Strategies Council analysis, October 2014.

⁹ Making Home Affordable: Program Performance Report Through November 2013.

¹⁰ Making Home Affordable: Program Performance Report Through September 2013.



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- In *Maloney v IndyMac Mortgage Services, OneWest Bank*, a class action complaint was filed alleging that OWB required certain borrowers to purchase flood insurance in excess of what their mortgage contract and federal law requires.
- In *Fletcher vs. IndyMac/OneWest Bank*, a putative class action complaint was filed alleging OMB mishandled plaintiff's HAMP application and that OWB's practices fell into a pattern of misconduct.
- In 2013, a San Luis Obispo couple received a million dollar plus settlement from OWB for foreclosing on them while they believed they were negotiating for a loan modification.

Counselors rate OWB among the worst servicers. Additionally, housing counselors from California serving thousands of homeowners in distress have rated OWB among the worst servicers, according to surveys conducted by CRC over the years.

- In a July 2010 survey,¹¹ thirty housing counselors cited OWB as the worst offender for not offering affordable loan modifications, more than all fifteen of the other servicers surveyed.
- Later that year, only two servicers received more votes than OWB from housing counselors for being the most difficult servicer to work with in trying to help homeowners avoid foreclosure.¹²
- In June of 2011, 50% of responding counselors rated OWB as "terrible," a higher percentage than for *all* other eleven servicers considered.¹³ Counselor comments regarding OWB included:
 - "Indymac. Terrible customer service. Get the run around."
 - "IndyMac. The average processing time is 12 months. They continually request updated documents and state that they never received docs. It's so frustrating. Even when you escalate the file the same results occur, having to update docs continually for months on end."
 - "Chase and OneWest (Indymac) are in a tie. Both entities string along homeowners with hopes of obtaining a modification and ultimately denying the hardship request due to 'excessive forbearance.' It almost appears to be done intentionally rather than being a capacity issue."

¹¹ Chasm Between Words and Deeds VI: HAMP Is Not Working. California Reinvestment Coalition, July 2010.

¹² Chasm Between Words and Deeds VII. California Reinvestment Coalition, 2011.

¹³ Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California. California Reinvestment Coalition and Urban Strategies Council, July 2011.



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- “We are having a difficult time with Chase’s and IndyMac’s customer service representatives. We get an entirely different request each time we call even when the documents are in their system and they can see them. They are not able to explain what else is needed.”
- “IndyMac/OneWest hardly ever gives loan mods.”
- “Indymac Bank/OneWest, they constantly lose documents.”
- “Indymac. Customer service reps are incompetent, oppositional, and frequently fail to take notes. I have established gross income figures three times in one case only to have the rep on the phone fail to find record in their notes of my previous phone call. Difficult specific RMA forms, and just plain nasty customer service rep attitudes.”
- “Indymac is one of the worst. Not willing to work with the homeowner at all.”
- In a February 2012 survey,¹⁴ 95% of responding counselors said OWB was “terrible” or “bad,” the second worst rating of all servicers considered.
- That same survey year, OWB was voted second “worst servicer.” Some comments from counselors about OWB in response to a question about the worst servicer include:
 - “Indymac: Their ability to receive documents (unless it is online) is atrocious. They seemingly are always missing docs that are already there. Their online portal is limited in data transfer capacity. Some of their loans are insured, giving them no motive to modify.”
 - “Indymac has the worst performance in terms of foreclosure prevention. Very difficult to obtain any assistance. We had a client that was a victim of dual tracking and had their home foreclosed on.”
 - “OneWest Bank/Indymac. They continue to request updated documents forever.”

Finally, Tenants Together, California’s statewide renter’s rights organization, received five complaints from tenants to its hotline regarding OneWest and Indymac. Tenants complained of Indymac/OWB issuing improper notices to tenants in REO homes, or violating local just cause ordinances protecting tenants from unlawful evictions.

¹⁴ Chasm Between Words and Deeds VIII: Lack of Bank Accountability Plagues Californians. California Reinvestment Coalition. April 2012.



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Clearly, OWB had a problematic servicing record, which is hard to reconcile with its obligations under the loss share agreement. As such, the FDIC should not make a decision about the transfer of the loss share agreement to CIT until an independent third party audit is conducted and the results are made publicly available.

Excess compensation calls into question Managerial Resources and Commitment to Community

The compensation to be paid out if this application is approved is astonishing. The Chair of the acquired institution may earn up to \$4.5 million annually working for the new CIT Bank, apparently only on a part time basis, as the offer letter appears to allow him to retain his other job of running a private equity fund.

The proposed CEO of the new Bank has two offer letters: one for up to \$5 million annually, and another for \$7.5 million in an initial Restricted Stock Unit which vests over three years, depending on performance. This exceeds even the SNL Financial estimate of median compensation for CEOs of banks with \$10 billion to \$500 billion in assets (\$4.2 million).

For both individuals, the offers confirm that in no event will either earn less than \$750,000 per year. In contrast to key Bank staff's offer of up to \$4.5 million, with a \$7.5 million signing bonus, Jamie Dimon, the CEO of the much larger JPMorgan Chase Bank earns roughly \$12 million per year.

A third officer has been offered a Restricted Stock Unit award of \$5 million to vest over three years.

CRC is concerned that this performance based executive compensation may be tax deductible,¹⁵ reducing CIT taxes paid to the U.S., providing a further cost of this merger to the US government (see below, Net Operating Loss, for more on taxes lost to the U.S. government as a result of this transaction).

The potential annual salaries of each of these officers exceed the amount of money OneWest commits to contribute to the community in 2015. This excess compensation speaks to managerial resources.

¹⁵ Steven Balsam, "Corporate tax deductions for executive pay cost U.S. \$7 billion in lost revenue in 2010." Economic Policy Institute, August 14, 2012 at <http://www.epi.org/press/corporate-tax-deductions-executive-pay-cost/>



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Prematurely increasing dividends is risky to the system and communities.

CIT comments suggest it will increase dividend payouts to its shareholders, with plans to deploy excess capital to shareholders, and that it is targeting a dividend and total payout ratio more in line with bank peers. The regulators must scrutinize whether this is appropriate given the need for a newly created SIFI to both maintain adequate capital levels, and to continue to lend and serve community credit needs.

It is established that dividends, once offered to shareholders, are difficult to reduce or eliminate, and may have an impact on a corporation's stock price. As such, it is difficult for companies to go from committing to offering dividends, to deciding to reduce or eliminate dividends, even if profits go down. Is CIT locking itself in a position of offering and maintaining dividend distributions, just as it is proposing to take on new capital and regulatory obligations that come with SIFI designation? Further, if increased dividends are paid out, this will result in less capital available to make loans to its customers, including LMI consumers.

For its part, OWB investors have reportedly taken out more than \$2 billion in dividends from the bank since it took over Indymac.¹⁶ This indicates a desire by OWB investors (and proposed future CIT shareholders) to implement an aggressive dividend distribution strategy.

If this application is approved, the new Bank should wait to see how it performs under its new SIFI regulatory obligations, and see that it is profitable, before moving to increase shareholder dividends. Other SIFI's have been denied permission to offer dividends in light of capital concerns and potential threats to financial stability. As one example, in March 2014, Citibank failed to gain approval for its capital plans even as a large bank that had been under such scrutiny since the crisis.¹⁷

Regulators must scrutinize and be transparent about how CIT's capital plans and shareholder distribution strategy relate to the new SIFI regulatory capital requirements it will be subject to, and importantly, how this strategy will impact the capital available to the Bank to adequately lend to and serve the low and moderate income communities where its customers reside.

¹⁶ Michael J. De La Merced, "2 Banks Forged in Crisis, CIT and OneWest, Are Set to Merge, to a Big Payoff," New York Times Dealbook, July 22, 2014.

¹⁷ Donna Borak, "Fed Rejects Capital Plans of Citi, 4 Others," America Banker, March 26, 2014.



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Touting tax benefits from this deal, CIT confirms continuing model of private investor gains while the public loses

Although this merger, if approved, is expected to increase CIT profits, CIT touts the ability of this transaction to reduce its tax burden by accelerating its Net Operating Loss (NOL). In a press release announcing the deal, CIT CEO John Thain, notes, “The transaction diversifies and lowers the cost of CIT’s deposits, broadens the products we can offer to our middle market clients, is accretive to earnings and return on equity, and *accelerates the utilization of our NOL...*”¹⁸ And in an investor presentation discussing the benefits of the deal, CIT notes that “OneWest’s operating profitability accelerates the rate at which CIT can utilize its NOL, benefitting cash taxes and regulator capital, and increasing present value of the NOL by \$300-\$400 million.”¹⁹ In other words, CIT through the purchase of OWB is able to take advantage of its tax-reducing asset. Unfortunately, the low and moderate income residents, and people of color living in the Bank’s assessment areas are unlikely to be able to utilize any tax reduction mechanism if their expenses exceeded their income in prior years. This is all the more distressing in light of the fact that in 2009, CIT filed for bankruptcy and wiped out its obligation to repay the U.S. its \$2.3 billion in TARP funds (representing the first reported loss to the program). Now the Bank through this purchase seeks to increase its profitability only to wipe out, or substantially reduce, its tax liability.

Problematic reverse mortgages through Financial Freedom hurt seniors and widows

OWB owns Financial Freedom, a reverse mortgage lender with a less than stellar reputation. Financial Freedom is responsible for over 2200 foreclosures of seniors in California since OWB took over. An issue of great concern to CRC members has been the rights and ability of non-borrowing spouses, or successors in interest, to remain in their homes after the passing of a loved one. CRC understands that Financial Freedom is not helpful to successors in interest on this issue.

Further, a recent state legislative bill on reverse mortgages designed to increase consumer education and protection garnered the support of 21 individuals, 19 of whom are believed to be Financial Freedom borrowers, or relatives of Financial Freedom borrowers. A representative excerpt from these letters reads, “As the daughter and heir of a Reverse

¹⁸ CIT to Acquire OneWest Bank for \$3.4 Billion in Cash and Stock.” CIT. New York, July 22, 2014 at <http://news.cit.com/press-release/cit-bank/cit-acquire-onewest-bank-34-billion-cash-and-stock>

¹⁹ CIT Acquisition of OneWest: Creating a Commercial Bank for the Middle Market. CIT investor presentation, July 22, 2014 at: <http://ir.cit.com/Cache/1500062445.PDF?Y=&O=PDF&D=&fid=1500062445&T=&iid=102820>



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Mortgage Borrower I can state with a certainty if the protections provided by this AB 1700 had been in place at the time of reverse mortgage origination my father would have understood his responsibility to ensure a reverse mortgage was suitable for his circumstances, if a reverse mortgage would meet his financial goals, provide financial security through his retirement and meet his goals for his estate and property upon his passing. Importantly, the AB1700 worksheet provides guidance to understand the consequences and risks and gives Borrowers and their family the necessary time to obtain professional financial and legal advice necessary before agreeing to a complex financial contract. After my two-year struggle with the financial institution to retain the family home after my father's passing, I feel it is crucial to require all family members to be involved in this process."²⁰

The CFPB and the OCC should ensure that Financial Freedom has policies and procedures in place to work with successors in interest and provide them a meaningful opportunity to remain in their homes after the passing of a loved one. This is especially compelling in light of recent policy changes at CFPB, Fannie, Freddie and Treasury designed to provide greater protection to these vulnerable borrowers.

Lack of transparency pervades this whole transaction.

The present applications, applicants and regulators have provided an opaque context for a complex transaction.

As noted above, in early August, CRC requested from OWB the same data we request from all institutions so that we can compare bank CRA performance across institutions. We have yet to receive a response to this request, though OWB has provided certain answers to certain other questions we have asked.

Likewise, OWB's "community meeting" saw OWB take up the vast majority of the meeting with its own presentation, allowing for just a few questions and comments from the public at the end. CRC requested data in advance of this meeting, as well as requested to see OWB's PowerPoint presentation after the meeting. These requests were denied. Further, the Bank will not answer questions about how much the FDIC has paid OWB under the loss share agreement.

²⁰ Letter of Noreen O'More to Assembly member Jose Medina in support of AB 1700, June 1, 2014.



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Nor will the Bank provide accessible CRA performance data so we can determine how the Bank stacks up to its peers, as well as its own past performance. The Bank was unwilling to provide lending and investment targets on an annual basis because it indicated that is not how it looks at CRA activity. And yet, the recently released application materials show the Bank has set annual goals for lending.²¹ With the data at our disposal, we estimate that OWB is at the bottom of the pack in terms of its overall commitment to CRA activity as a percentage of its deposits in the state.

Equally frustrating are the roadblocks put before us by the regulators. The FDIC will not grant our nonprofit a fee waiver so that we can find out more about, and share with the public the details of, the operation of the loss share agreements. Similarly, the state Department of Business Oversight has denied our Public Records Act request for complaint data relating to CIT, OWB and their affiliates. This despite the fact that CRC has made similar requests of DBO's predecessor, the Department of Corporations, and received such data for other institutions in the past. It is unclear whether DBO is reconsidering its response to our Public Records Act request.

Communities deserve better CRA performance from OWB and CIT:

Bank performance in meeting the convenience and needs of its communities is lacking. Indymac and OneWest caused great harm to communities and their residents with problematic lending, servicing and high foreclosures, and its inability to cover deposits without the FDIC stepping in.

Inflated, yet unimpressive CRA Ratings. On their most recent CRA Evaluations, both OWB and CIT received a rating of "Satisfactory." CRC believes that in the context of regulatory grade inflation (since inception of the CRA, 96% of banks have received a Satisfactory or higher), a "Satisfactory" rating is nothing to write home about, and calls into question the banks' commitment to serving their communities. We note further that OWB received a "Low Satisfactory" on the Investment test.

Few branches in LMI areas. OWB has a uniquely anemic low-to-moderate income (LMI) branch penetration. CRC urges banks to have at least 30% of branches in LMI areas, which is easily accomplished given that financial districts often are characterized as "low income"

²¹ OWB CRA Plan, Public Version of CONFIDENTIAL EXHIBIT 9, CRA Strategic Plan 2012-2015, p. 4



CALIFORNIA REINVESTMENT COALITION

based on residency. In 2012 in California, 30% of all branches for all institutions were in LMI tracts. OWB has only 15% of its branches in LMI tracts, and according to Los Angeles Local Development Corporation analysis, only 2 branches in low-income tracts. In contrast, fully 37.5% of census tracts in the Los Angeles MSA are low to moderate income.²² OWB will not commit to open new branches in LMI areas to balance out its branch network and to better serve low and moderate-income communities. CRC is concerned by Bank comments that suggest it may turn to mobile phones and other technology as a preferred vehicle to serve LMI households. The question here is, who is doing the preferring? OWB may wish to serve its LMI customers via technology, but many LMI, of color, elderly and other customers rely and depend on retail branch presence and the ability to interact face to face with bank staff. Additionally, the Bank should develop and market an affordable and sustainable bank account product that meets CRC Safe Money standards.

“Small” business lending? OWB’s small business lending consists of large loan sizes to large businesses. Over 70% of OWB’s “small business lending” is to businesses with over \$1 million in revenue. In 2012, OWB reported 101 small business loan originations, of which only 4 came in loan sizes under \$100,000, and 21 in loan sizes between \$100,000 and \$250,000. The Bank has not committed to participate in our state’s guaranteed loan program, which reaches minority owned and smaller businesses that are not often served by banks. The Bank has not committed to any specific level of support of technical assistance for small businesses. The Bank should strive to be a leader in SBA lending, and commit to offer lower loan sizes to smaller, qualified businesses.

Wither home lending? On home lending, the Bank has indicated it is not doing much, and that this is not how it sees itself serving the community. Yet, OWB has not done enough to offer good mortgage products to low income borrowers and neighborhoods, or borrowers of color and neighborhoods of color. OWB’s 2012 HMDA data show it particularly underperformed the industry in regards to serving Asian American borrowers (4.6% of OWB originations in the state and 5.9% of its originations in the Los Angeles MSA were to “Asian” borrowers, while for the industry the figures were 15.9% and 15.8%, respectively). OWB should design safe portfolio products with flexible underwriting, and develop marketing and outreach plans to offer and originate affordable and sustainable mortgage products to low and moderate income residents and to borrowers living in LMI neighborhoods.

²² OWB CRA Plan, Public Version of CONFIDENTIAL EXHIBIT 9, CRA Strategic Plan 2012-2015, p. 2.



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Contributions below peers. The Bank is behind its peer when it comes to contributions, in terms of amounts committed, as well as the percentage of contributions for housing and economic development. CRC is urging OWB to devote an amount equal to .03% of its deposits for contributions, 50% of which should support housing and economic development. The Bank has refused to commit to either benchmark. While several banks commit to half or more of contributions for housing and economic development, OWB devoted a meager 7% of its contributions to these community and wealth building purposes last year. Additionally, CRC and the Greenlining Institute have urged that OWB make a one-time \$30 million contribution in the first year of the new bank, in order to help alleviate the impacts on communities of the foreclosure crisis, and Indymac's and OWB's role in creating it. Likewise, the Bank has refused this request.

Community development lending and investment "goals?" The bank will not commit to annual goals for community development lending or investments, nor demonstrate how its portfolio-based goals relate to annual lending and investment performance. Based on limited data provided by the Bank, CRC believes OWB and CIT have already exceeded the community development lending and investment "goals" it set for itself. CRC urges that .3% of deposits be devoted for community development investments, with half of that for equity equivalent investments, and 1% of deposits be devoted for community development lending. The Bank should not rely on Mortgage Backed Securities investments, which do not add value to community development efforts. Further, the bank does not offer a multifamily loan product, and its commitment to develop a line of credit for nonprofits to purchase REOs is unclear.

No MWDBE goals. The Bank has set no goals for MWDBE vendor programs, committing only to do so in the near future.

No fees for public assistance recipients. The bank currently participates in the MoneyPass network and does not therefore charge CalWORKs recipients to access their public assistance funds at the ATM machine. But this situation may not persist, as the state is gearing up to put out a new Request for Proposal to confirm the vendor that will administer the program. That is to say that participating in MoneyPass may not be enough to ensure that recipients can access their funds for free. The Bank has not committed in writing to waive fees for EBT recipients regardless of which company controls the state contract or which system is used.



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Don't perpetuate outmoded and outdated CRA regulatory approaches that sell neighborhoods short.

An important issue implicated by this merger is the proper assessment area designation for a bank that generates its deposits, at least in substantial part, via the Internet, as the current CIT Bank does. CRC has long maintained – in challenging applications by H&R Block Bank, Charles Schwab Bank, Countrywide Bank, Capital One, and others – that it is both harmful to communities and inconsistent with the purpose of the Community Reinvestment Act to allow banks to take deposits nationally, but only reinvest in arbitrary and limited assessment areas of the bank's choosing. Such is the case currently with CIT Bank.

To their credit, CIT and OWB appear to acknowledge this dynamic in representing that current CIT internet bank customers who reside in OWB's California assessment areas, will have their deposits assigned to the California assessment areas for CRA purposes. In other words, CIT will reinvest deposits in those communities where certain CA Internet depositors reside. This is welcome. But why should this approach not be extended to the roughly \$13 billion in CIT deposits that currently only trigger reinvestment around CIT Bank's Utah headquarters?

The regulators must finally address the assessment area issue to reflect modern realities. Community groups have offered extensive testimony on this issue during bank mergers and at the CRA Hearings held in 2010. The regulators' failure to respond to changing industry practices has been detrimental to communities and the CRA itself. Here is an opportunity to start fixing the problem. This is especially an opportune time to do so if CIT decides to close its Utah bank headquarters. Those deposits should be assigned to the communities where depositors reside and where CIT generates revenue. In one precedent upon which to build, the regulators urged Charles Schwab Bank to identify and report on the top eight areas, outside of its headquarters, where it was engaged in CRA activity. The regulators and the bank here should formally designate CRA assessment areas in the twenty communities where the Bank has a relatively significant Internet depositor base and where it profits.

As noted above, CRC is concerned that OWB and CIT have begun to have such conversations with the OCC. These discussions have huge ramifications for communities, and as such, we formally request under the Freedom of Information Act, copies of all communications between OWB, CIT and the OCC relating to how Internet and CIT bank deposits will be considered for CRA assessment area purposes if the merger is approved.



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Section 3(c) of the Bank Holding Company Act, as implemented by Section 225.13 of Regulation Y, provides that regulators consider the Public Benefit to be derived from a proposed merger.

This merger will clearly provide no community benefits that would outweigh the risks and costs involved. Consumers are at risk of seeing even less convenience from an OWB that talks of moving towards more mobile and technology access for customers instead of branch access, and combining with an internet based CIT Bank. And OWB promises to maintain its outlier penetration into LMI neighborhoods. As for product offerings, consumers will not experience greater convenience as OWB and CIT products are both generally available in California. CIT is lending here already. If anything, the combination of institutions will only decrease competition.

As noted above, this transaction if approved guarantees the FDIC could remain on the hook for continuing Indymac losses through the presumed transfer of the loss share agreement, will result in CIT reducing its tax burden by virtue of its promise to investors to utilize Net Operating Loss magic, and *by definition, this SIFI-creating merger would generate increased risks to financial stability*. One \$70 billion asset institution is a greater threat to financial stability than two institutions under \$50 billion in assets.

It is possible the merger could have provided a public benefit if Applicants were prepared to make a strong and meaningful commitment to serve communities through the signing of a robust Community Benefits and Reinvestment Plan. They chose not to do so.

In light of the opportunity for the applicants to ensure this transaction provides a community benefit, and in recognition of the opinion of many groups in California that OWB is not currently meeting community credit needs, forty-five groups sent a letter to OWB outlining twenty one specific recommendations for how it could well serve low and moderate income communities and communities of color in its assessment areas (see Attachment A). The bank reviewed and discussed those recommendations, but ultimately accepted few of them, and committed to do little beyond what it is currently doing.

It is especially appropriate that OWB commit to a strong Community Benefits and Reinvestment Plan, given the harm Indymac and OneWest caused with problematic lending, servicing and high foreclosures, and given the amount of public subsidy that has been invested, and may yet be invested, in OWB and CIT and their investors.



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In contrast, Banc of California, serving the same Southern California markets, but roughly 1/10th the size of the pro forma CIT Bank, committed to a signed, strong, Community Benefits and Reinvestment Plan. The Banc agreed to commit 20% of its deposits for CRA activity annually to support small businesses, low and moderate-income borrowers and community serving institutions. We estimate that the much bigger OWB/CIT Bank has committed closer to a mere 5% of its deposits towards CRA activity depending on data the Bank has refused to provide. Banc of California also agreed to market good banking accounts for low income consumers, be a leader in SBA lending, devote a majority of its charitable giving to housing, economic development and financial literacy, and other important initiatives that OWB refuses to confirm it will do.

No rubber-stamps, No further public subsidies for private gain.

Communities of color, low-income consumers, and the public need for the regulators to do their job and scrutinize this proposed transaction. Too many mistakes have been made in the past by financial institutions which have profoundly injured neighborhoods and their residents. Too many mistakes have been made by policymakers and regulators in allowing institutions and investors to profit at the expense of taxpayers and public institutions.

Conclusion

CRC believes that in order to fully consider the appropriateness of this merger and acquisition request, the Federal Reserve Bank, the OCC, the FDIC, and the GSEs must seek additional information, extend the comment period, and conduct public hearings in Los Angeles, in order to confirm whether OWB and CIT have truly met, and will meet, the credit needs of all of its communities and whether this merger will provide the necessary public benefit.

Please feel free to contact me at (415) 864-3980 if you wish to discuss this matter further.

Very Truly Yours,

Kevin Stein
Associate Director

Paulina Gonzalez
Executive Director

cc: Jan Owen, Commissioner, California Department of Business Oversight
Ivan J. Hurwitz, Vice President, FRB NY, comments.applications@ny.frb.org

ATTACHMENT A
CRC LETTER TO ONE WEST AND CIT GROUP
SEPTEMBER 26, 2014



CALIFORNIA REINVESTMENT COALITION

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Western Center on Law and Poverty

LUIS GRANADOS
Mission Economic
Development Association

ILENE JACOBS
California Rural Legal Assistance

SHARON KINLAW
Fair Housing Council
Of the San Fernando Valley

APPASWAMY "VINO" PAJANOR
Housing Opportunities Collaborative

JOSEPH RIDOUT
Consumer Action

DANIEL RODRIGUEZ
East LA Community Corporation

NAMOCH SOKHOM
Pacific Asian Consortium in Employment

PAULINA GONZALEZ
Executive Director

September 15, 2014

Joseph Otting
OneWest Bank

John Thain
CIT Group

Dear Mr. Otting and Mr. Thain:

This letter is meant to suggest a framework for discussing how a combined OneWest/CIT Bank could effectively meet community credit needs by developing a strong and public Community Benefits and Reinvestment Plan with commitments proportional for a bank of its prospective size.

The California Reinvestment Coalition (CRC), based in San Francisco, is a nonprofit membership organization of over three hundred (300) nonprofit organizations and public agencies across the state of California. We work with community-based organizations to promote the economic revitalization of California's low-income communities and communities of color. CRC promotes increased access to credit for affordable housing and community economic development, and to financial services for these communities.

We believe that strong partnerships with local community organizations, coupled with a strong Community Benefits and Reinvestment Plan that provides a roadmap for the bank's planned CRA activity specifically geared to Southern California's low and moderate income communities and communities of color, are essential components to the overall success of the bank's CRA program and to its acceptance in the community.

We offer the following recommendations in the spirit of CRC and its members working to identify community needs and the appropriate reinvestment benchmarks for a bank of your size. CRC and its members urge the Bank to agree to a 5 year Community Reinvestment and Benefits



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Plan that the Bank would file with the Federal Reserve Board as a supplement to your application. Plan components include:

- 1) The bank will set annual goals for total CRA activity (in the areas of lending, community development investing, contributions and financial services) that exceed 25% of California deposits.
- 2) The bank will devote at least .30% of deposits annually towards community development investments. These community development investments could include affordable housing development, small business lending, and equity equivalents to California CDFIs, CDC's and other non-profit community development funds. No more than half of community development investments should be for tax credits or mortgage backed securities. The bank should set a subgoal for community development investments targeted to affordable projects at or near transit stops that are being developed in LMI communities, and actively provide both residential and commercial loan products that inspire affordable developments.
- 3) The bank will set aside an initial \$30 million philanthropic fund for community and economic development activities that target small businesses and families still hurting from the economic recession. Additionally, starting in year one, the bank will devote at least .030% of deposits annually towards contributions. Of this amount, 60% or more will be towards housing and economic development activities that support low/moderate income people including organizations providing technical assistance to small businesses, fair housing or mortgage counseling, affordable housing development, and other similar activities.
- 4) The bank should commit at least 1% of deposits for community development lending that supports the construction and rehabilitation of housing that is deed restricted as to be affordable to very low, and low income households.
- 5) The bank should develop a one stop construction to permanent loan product for multi-family housing finance.
- 6) The bank should develop a line of credit for nonprofit housing developers to enable them to acquire properties, including REOs, for the benefit of borrowers, including low to moderate income first time homebuyers.
- 7) The bank will designate at least one staff person who will work with nonprofit groups representing homeowners seeking to secure loan modifications and/or Keep Your Home California program benefits.



CALIFORNIA REINVESTMENT COALITION

- 8) The bank will develop a policy to prefer nonprofits and owner occupants in the sale of distressed loans and REO properties.
- 9) The bank will make available affordable mortgage loan products with flexible underwriting guidelines for families earning less than 120% AMI adjusted for family size. The bank should allow nonprofits, CDFIS and other affordable mortgage loan providers to become brokers through all of its distribution channels.
- 10) The bank should originate SBA loans to borrowers of color at a percentage that approximates their representation among businesses in the Bank's assessment or service area, and continue to offer loans in smaller loan sizes.
- 11) An annual goal of half of the number of CRA-qualified small business loans shall be to businesses with annual revenue of less than \$1 million or consist of loans less than \$150,000 excluding credit card loans. Small business lending in LMI census tracts should approximate the % of businesses located in LMI census tracts with the bank's assessment area.
- 12) The bank should develop a small business loan and technical assistance referral program so that businesses unable to qualify for small business loans from the bank can be referred seamlessly to local CDFIs and other nonprofit providers that may be able to make the loan and/or provide technical assistance in order to help borrowers better prepare themselves to qualify for conventional financing.
- 13) The bank will participate in the state's small business Loan Guarantee Program
- 14) The bank will develop a strong MWDBE vendor program and set a goal of 30% sourceable spend, with at least 20% spending with MBE contractors.
- 15) The bank will ensure that CalWORKs recipients accessing their funds using Electronic Benefits Transfer cards will not be assessed a fee at OneWest/CIT Bank ATM machines.
- 16) The bank will develop a bank account that complies with CRC's Safe Money standards.
- 17) The bank will commit that 30% of new branches established outside of a merger will be located in LMI census tracts.
- 18) The bank will sign the Plan, make the Plan public and file it with its application to merge.
- 19) The bank will meet annually with CRC and its members to report on progress in meeting the commitments in its CRA Community Benefit and Reinvestment Plan.
- 20) The bank will strive to have a diverse workforce that reflects the bank's customer base.
- 21) The Bank will commit to having at least one representative from the Latino, Asian American and Pacific Islander, and African-American community on its board of directors within 3 years.



CALIFORNIA REINVESTMENT COALITION

With a strong CRA plan in place, CRC and its members are willing and ready to work with the bank to further the bank's CRA and overall business objectives.

We look forward to discussing this proposal with you further when we meet in September. If you have any questions or would like to discuss further, please call Kevin Stein at (415) 864-3980. We look forward to the ongoing dialogue on behalf of California communities.

Sincerely,

Affordable Housing Clearinghouse
Affordable Housing Services
Alliance of Californians for Community Empowerment (ACCE)
AnewAmerica Community Corporation
ASIAN Inc.
Asian Pacific Islander Small Business Program
Asian Pacific Policy & Planning Council (A3PCON)
Business Resource Group
California Housing Partnership
California Reinvestment Coalition
California Resources and Training (CARAT)
CAMEO
CDC Small Business Finance
Community HousingWorks
Community Housing Development Corporation
Community Housing Improvement Program (CHIP)
Consumer Action
East Los Angeles Community Corporation
Fair Housing of Marin
Greenlining Institute
Housing and Economic Rights Advocates
Housing Leadership Council of San Mateo
Housing Rights Center
Inland Fair Housing and Mediation Board
Korean Churches for Community Development
LA Voice
Los Angeles Local Development Corporation
Multi-Cultural Real Estate Alliance for Urban Change
National Housing Law Project
Neighborhood Housing Services of the Inland Empire
Neighborhood Housing Services of Los Angeles County



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Neighborhood Housing Services of Silicon Valley
NeighborWorks Orange County
Northbay Family Homes
NPHS, Inc.
OBDC Small Business Finance
Pacific Asian Consortium in Employment (PACE)
Public Counsel
Renaissance Entrepreneurship Center
Sacramento Housing Alliance
Strategic Actions for a Just Economy (SAJE)
Suburban Alternatives Land Institute
Valley Economic Development Corporation
Vermont Slauson Economic Development Corporation
Women's Economic Ventures

ATTACHMENT B
LETTERS OF OPPOSITION FROM MEMBER ORGANIZATIONS



14621 TITUS STREET SUITE # 100
PANORAMA CITY, CA 91402
TELEPHONE: (818) 373-1185
FAX: (818) 373-1193

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: *Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings*

Dear Mr. Hurwitz,

The Fair Housing Council of the San Fernando Valley (Council), submits these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period as well as public hearings to be held in Los Angeles to fully vet this matter.

The Fair Housing Council of San Fernando Valley is a non-profit community based organization, established in 1959 and is the second oldest fair housing organization in the country. The Council's mission is the prevention and elimination of housing discrimination. The Council engages in several different programs to further its mission; its main programs include education and outreach, housing and lending policy advocacy, tenant and landlord counseling, foreclosure prevention, and fair housing counseling. These programs are designed to raise public awareness of federal and state fair housing laws and to ensure equal housing opportunity. The Fair Housing Council also advocates on a statewide, regional, and local level for integrated, accessible, and affordable housing.

The Council is familiar with and has provided counseling and loss mitigation assistance to customers of OneWest Bank. As such, the Council is very concerned about the alarming numbers of foreclosures by OneWest, complaints about unfair lending and the banks reluctance to work with homeowners to obtain sustainable loan modifications. These complaints are particularly troubling since OneWest acquired the risky IndyMac loan portfolio, whose business practices seem to mirror Countrywide Financial who was accused of "systemic racial discrimination" and discriminatory lending practices by the Department of Justice.

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HILDA FERNANDEZ
Office Manager/Counselor

REINDALDO AVILA
Bilingual Housing Coord.



The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.



- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods. Enough is enough; the despotic quest for profit by financial institutions and Wall Street along with minimal oversight by regulators has literally destroyed the wealth of African-American and Hispanic families and continues to suffocate and stifle the economic & social recovery in communities of color. We need fair lending, responsible banking practices and financial institutions that are responsive to the needs of the community. The bank should serve as a public benefit not a private trough for speculators.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 818-373-1185.

Very Truly Yours,

Sharon Kinlaw

Sharon Kinlaw

Interim Executive Director

Cc: California Reinvestment Coalition
 Janet Yellen, Chair, Federal Reserve Board of Governors
 Thomas Curry, Comptroller, OCC
 Martin Gruenberg, Chair, FDIC
 Mel Watt, Director, FHFA
 Richard Cordray, Director, CFPB





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nhlp@nhlp.org
www.nhlp.org

October 10, 2014

Sent via email: comments.applications@ny.frb.org

Ivan J. Hurwitz
Vice President
Federal Reserve Bank of New York
Bank Applications Function
33 Liberty Street, New York, NY 10045-0001

**Re: Opposition to CIT Group application to acquire IMB and OneWest Bank,
request for extension of the comment period, request for public hearings**

Dear Mr. Hurwitz:

The National Housing Law Project joins the California Reinvestment Coalition in opposing the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period and for public hearings on the matter to be held in Los Angeles.

The National Housing Law Project (NHLP) is a charitable nonprofit corporation established in 1968 whose mission is to use the law to advance housing justice for the poor by increasing and preserving the supply of decent, affordable housing; by improving existing housing conditions, including physical conditions and management practices; by expanding and enforcing tenants' and homeowners' rights; and by increasing housing opportunities for people protected by fair housing laws.

As part of NHLP's work with the California Homeowner Bill of Rights Collaborative—a partnership with the National Consumer Law Center, Western Center on Law & Poverty, and Tenants Together, and funded by a grant from the California Attorney General's Office—we provide technical assistance to California consumer attorneys working on behalf of tenants and homeowners in foreclosure. We have responded to technical assistance requests involving both OneWest and Indymac, the failed bank purchased by

OneWest. The requesting attorneys have described servicing transfer problems and suspected Homeowner Bill of Rights violations.

The merger of OneWest and CIT is of particular concern because it would create the newest “too big to fail” bank, or Systemically Important Financial Institutions (SIFI). Both OneWest and CIT are products of failed institutions that have benefited from various forms of public subsidy, and yet neither institution has provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit and regulators must therefore scrutinize the merger before approving it.

Specifically, OneWest was an outgrowth of the failed Indymac Bank, a lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement purchase price, they also obtained a favorable loss share agreement with the FDIC, providing that the FDIC would cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank in a deal that came with limited risk.

CIT Group sought and received \$2.3 billion in TARP funds and soon thereafter filed one of the biggest bankruptcies in history without repaying its TARP funds.

Our concerns about this merger include:

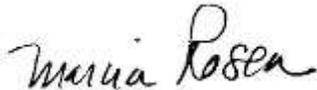
- The transfer of OneWest’s loss share agreement to CIT is inappropriate because loss share agreements are only meant to protect our financial system.
- Most of OneWest Bank’s “small business” lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that fails to increase its reinvestment activities commensurate with the dramatic its increase in its asset size.
- OneWest received a “low satisfactory” under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank’s low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.

- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and to hold hearings in Los Angeles. This will present a fuller picture about the negative impacts this merger can have on local communities, and OneWest's failure to develop and publicize a strong CRA Plan that identifies and addresses local community needs.

We urge the Federal Reserve Bank of New York to hold OneWest accountable through clear CRA benchmarks and timetables. The regulators should not approve this merger or permit the transfer of loss sharing agreements without ensuring that the Bank works to undo the damage of Indymac Bank by committing to stabilizing and revitalizing our neighborhoods.

Sincerely,



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

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



Neighborhood Legal Services
of Los Angeles County

October 10, 2014

Neal S. Dudovitz
Executive Director
(818) 834-7590
ndudovitz@nls-la.org

VIA U.S. MAIL AND E-MAIL

Ivan J. Hurwitz
Vice President, Bank Applications Function
New York Federal Reserve Bank
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank; Request for extension of the comment period; and Request for public hearings

Dear Mr. Hurwitz,

Neighborhood Legal Services of Los Angeles County (NLSLA) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for (1) an immediate extension of the comment period and (2) the prompt scheduling of public hearings on the matter in Los Angeles.

NLSLA is a steadfast advocate for individuals, families and communities throughout Los Angeles County and one of the largest and most prominent public interest law offices in California. Through a combination of individual representation, high impact litigation and public policy advocacy, NLSLA combats the immediate and long-lasting effects of poverty and expands access to health, opportunity, economic security and justice in Los Angeles' diverse neighborhoods. In 2013 alone, through its various programs NLSLA provided assistance and help to more than 100,000 Los Angeles area residents.

NLSLA was at the forefront in the battle to save people's homes from foreclosure and we remain actively involved in advocacy to help protect low-income homeowners from their ongoing problems securing mortgage adjustments that avoid foreclosures and keep individuals and families in their homes. In 2008, just as the foreclosure crisis was exploding in Los Angeles County, we went into action. As part of our strategy, we reached out to several large banks that commonly held our clients' mortgages, including Indymac Bank, to negotiate modifications in an organized manner.

In that process we engaged several high ranking Indymac executives and held a number of personal meetings/discussions with them. IndyMac (and later its successor, OneWest) were initially quite resistant to helping homeowners modify their mortgages to avoid foreclosure. They refused to recognize their role in creating the crises through their marketing strategies towards the large, immigrant communities of color that live in Los Angeles County. Nor, did IndyMac/OneWest agree to even one modification for our homeowners.

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EL MONTE OFFICE
9354 Telstar Ave
El Monte, CA 91731
Fax (626) 307-3650

GLENDALE OFFICE
1104 East Chevy Chase Dr.
Glendale, CA 91205
Fax (818) 291-1795

PACOIMA OFFICE
13327 Van Nuys Blvd
Pacoima, CA 91331
Fax (818) 896-6647

TEL: (800) 433-6251

In short, our experience is OneWest did little, if anything, to assist homeowners or help save homes from foreclosure. Today, even though the over-all volume of our foreclosure efforts has decreased, we continue to see homeowners that are struggling to save their homes from foreclosure under an IndyMac or OneWest generated mortgage.

In light of our many years of experience with the bank we are very troubled by the prospects of the proposed merger with CIT Group. The merger is particularly problematic because it would create yet another "Too Big to Fail Bank", or Systemically Important Financial Institutions (SIFI). Indeed, both of the institutions involved in the merger are themselves products of failed institutions that have benefited from various forms of public subsidy, but have a long track record of failing to provide sufficient commitments to serve our homeowner communities. This merger will not provide a clear public benefit. We urge the regulators to carefully scrutinize the merger before approving another "Too Big to Fail Institution" and to set a Los Angeles hearing to provide the homeowners that have experience with these institutions, as well as those who live in the impacted communities, a meaningful opportunity to be heard.

As you well know, OneWest was borne from the ashes of IndyMac Bank, a notorious failed lender that made too many problematic loans in our communities. The OneWest investors not only received a bargain basement price to purchase IndyMac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by IndyMac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors. Through this proposed merger, once again, it appears that OneWest investors will end up with more profits at the expense of the community.

CIT Group is also far from a model financial institution. It sought and received \$2.3 billion in TARP funds and soon thereafter filed one of the biggest bankruptcies in history, thereby failing to repay its billions of dollars of TARP funds.

In sum, our concerns about this merger include the following:

- Another "Too Big To Fail Bank" is not what our communities need.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest has a few of its branches (15%) in LMI neighborhoods, including only two branches in low income neighborhoods.

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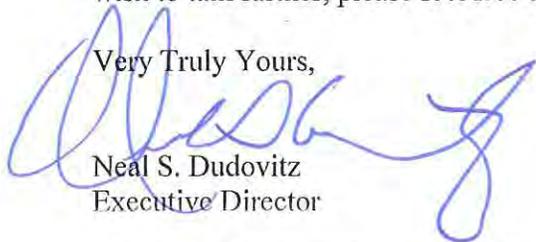
- OneWest will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- OneWest's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- OneWest has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.

For all of these reasons, we urge the Federal Reserve Bank to extend the current comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger will have on local communities, as well as the failure of OneWest Bank to develop a strong CRA Plan that identifies and addresses local community needs.

We believe it is critical that OneWest be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another "Too Big To Fail" bank without ensuring the new Bank works to undo the damage of IndyMac Bank by stabilizing and revitalizing our neighborhoods.

Thank you for considering our comments and requests. If you have any questions about this letter, or wish to talk further, please feel free to contact me directly at (818) 834-7590.

Very Truly Yours,



Neal S. Dudovitz
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
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October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Strategic Actions for a Just Economy files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

SAJE's mission is to change public and corporate policy in a manner that provides concrete economic benefit to working-class people, increases the economic rights of working class people, and builds leadership through a movement for economic justice. We organize local community members in South Los Angeles to fight for healthy housing, equitable development, and good jobs.

Given the particular history of these financial institutions we feel their merger raises key questions best addressed in public hearings.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
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- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
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- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

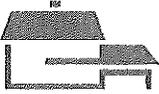
OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 213-745-9961 ext. 202.

Very Truly Yours,

Cynthia Strathmann
Executive Director, SAJE

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



Affordable Housing Clearinghouse

A network of lenders, community groups, and public agencies dedicated to the creation of quality affordable housing

October 10, 2014

23861 El Toro Road, Suite 401 • Lake Forest, CA 92630
(949) 859-9255 • FAX (949) 859-8534
www.affordable-housing.org

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Affordable Housing Clearinghouse files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles or Orange County.

Affordable Housing Clearinghouse is a nonprofit organization dedicated to helping low to moderate income and special needs populations find affordable housing in the Orange County and Los Angeles area. We help clients through the process of buying a house, starting with educational workshops focused on first time homebuyer education, budget and credit counseling as well as offer resources to down payment assistance programs.

Over the last four years, Affordable Housing Clearinghouse has reached out to OneWest Bank several times to act as a partner serving the affordable housing needs of the southern California community. In 2010, OneWest responded to our request in a written message indicating that "the Foundation is not set up to accept grant applications." Furthermore, they indicated that they hope to be in a position to accept applications later this year.

This was unfortunate since we hoped for support during a serious foreclosure crisis in Orange County communities. In 2011, we reached out again and were told our request for support was being considered. However, our request fell on deaf ears. In 2012, we again submitted a letter of intent and from February to April there was no responsible party available to provide feedback or confirmation of whether our organization would receive any support. In 2013, AHC received correspondence thanking us for our patience and that we were being considered. It is now 2014, OneWest has proven that although Orange County has 11 branches throughout our 34 cities, the region is not a priority.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but

have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
 - The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
 - OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.
 - Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
 - OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
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 - Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.
-

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles or Orange County so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 949-859-9255

Very Truly Yours,



Brenda Rodriguez

Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



COMMUNITY
LEGAL SERVICES IN
EAST PALO ALTO

October 9, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Community Legal Services in East Palo Alto files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

Community Legal Services in East Palo Alto and its predecessor agency, the East Palo Alto Community Law Project, have a long standing history of legal services in East Palo Alto and neighboring communities. Our mission is to offer transformative legal services that empower individuals to attain a thriving future and have a transformative impact on the broader community.

As a provider of foreclosure prevention services, we have seen many troubled Indymac/OneWest mortgage loans negatively impacting long-time residents of East Palo Alto and neighboring communities. Both Indymac and OneWest have been exceedingly difficult to work with, often causing needless delays during the loan modification process and providing unsatisfactory responses to reasonable inquiries and requests for information.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. Here in East Palo Alto, we have seen far too many trouble Indymac loans, and have seen abuses in servicing and various loss mitigation processes as well. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss

share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

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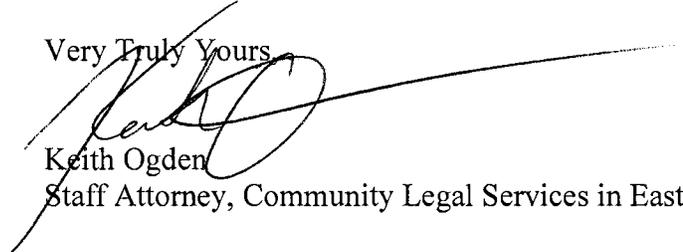
For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to

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If you have any questions about this letter, or wish to talk further, please feel free to contact me at 650-391-0346

Very Truly Yours,



Keith Ogden

Staff Attorney, Community Legal Services in East Palo Alto

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



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October 6, 2014

Ivan J. Hurwitz

Vice President, Bank Applications Function

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comments.applications@ny.frb.org

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Kansas City, KS

Arthur Washington
Nor-Cal Financial
Development
Corporation
Oakland, CA

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

California Resources and Training (CARAT) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

CARAT is a statewide, nonprofit organization that has been providing Technical Assistance services to the business development community throughout California since 1994.

As a technical assistance provider in the economic development space, CARAT has forged strong relationships with the majority of major banks that provide services in Low-Moderate Income (LMI) communities. CARAT has worked in partnership with those banks to come up with actionable plans to provide low/no cost training and business services to small businesses within their (the banks) LMI footprints. Sadly, CIT has shown no interest in supporting the small business communities within their footprint. Our requests to develop a strategy to address the community's small business needs have been met with resistance and inaction. I strongly suspect CARAT's experiences with CIT are not unique. Many of our colleagues in the economic development community have found CIT unwilling to provide a basic plan on how they intend to support and service the local small business community.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

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For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at (510) 451-2545

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Selma Taylor". The signature is fluid and cursive, with the first name "Selma" and last name "Taylor" clearly distinguishable.

Selma Taylor
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



Pacific Asian
Consortium
in Employment

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Pacific Asian Consortium in Employment (PACE) in Los Angeles, California files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

Founded in 1976, the mission of Pacific Asian Consortium in Employment (PACE) is to create economic solutions to meet the challenges of employment, education, housing, business development, and the environment in Pacific Asian and other diverse communities. Over the past 38 years, PACE has assisted over 800,000 low-income families of diverse ethnic backgrounds. PACE has a reputation of being responsive to community needs and is known for creating innovative solutions to meet the myriad challenges faced by its target population.

PACE has had no experience with IMB, OneWest Bank or CIT Group (CIT) and questions the values of a bank corporation that refuses to commit to a strong community development plan. The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made



by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 35,000 seniors and residents of California over the last 7.5 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts



Pacific Asian
Consortium
in Employment

this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at (213) 353-3982.

Sincerely

A handwritten signature in black ink, appearing to read 'Kerry N. Doi', written in a cursive style.

Kerry N. Doi
President and CEO

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

October 9, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

AnewAmerica Community Corporation files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

AnewAmerica provides training and technical assistance to targeted communities for economic and social empowerment through a focus on green entrepreneurship, asset building, social responsibility and civic engagement. We work with traditionally challenged communities, which include new Americans (new citizens, refugees and immigrants), women, minorities and low to moderate income households, to empower them to make their American dream a reality while contributing to the economic growth and social capital of their communities.

AnewAmerica has not partnered with OneWest Bank or CIT. We find the merger of particular concern because it would create the newest Too Big to Fail Bank, or Systemically Important Financial Institution (SIFI). Both of these institutions are products of failed institutions that have benefited from various forms of public subsidy without providing sufficient commitments to our communities.

OneWest was born from the ashes of Indymac Bank, a failed lender. The OneWest investors received a bargain basement price to purchase Indymac as well as a favorable loss share agreement in which the FDIC agreed to cover a significant amount of the losses on Indymac's loans. CIT Group sought and received \$2.3 billion in TARP funds. Soon thereafter, CIT filed one of the biggest bankruptcies in history and failed to repay its TARP funds.

Our concerns about this merger include:

- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements should protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.

- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a “low satisfactory” under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank’s low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

We urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a CRA Plan that identifies and addresses local community needs. If you have any questions about this letter, or wish to talk further, please feel free to contact me at (510) 540-7785.

Very Truly Yours,



Viola Gonzales
Chief Executive Officer

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



FAIR HOUSING OF MARIN

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www.fairhousingmarin.com ▼ fhom@fairhousingmarin.com

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Fair Housing of Marin is filing these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

Founded in 1986, Fair Housing of Marin (FHOM) provides counseling, investigation, mediation and legal referrals to persons experiencing housing discrimination. **In 2009, FHOM became a HUD-certified housing counseling agency and provides pre-purchase and foreclosure prevention counseling.** In addition, FHOM conducts preventive trainings for housing providers and offers programs that educate the community about fair housing and the value of diversity.

While we have no direct experience with these banks, the merger is of particular concern because it would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.



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The following is a list of concerns about this merger shared by many of our colleagues and sister agencies:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

Sincerely,



Caroline Peattie
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

October 7, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: *Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings*

Dear Mr. Hurwitz,

Renaissance Entrepreneurship Center files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

Renaissance provides comprehensive English and Spanish small business training and support services to help lower-income women and men establish economic self-sufficiency through small business ownership.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.

- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a “low satisfactory” under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank’s low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 415.348.6204

Very Truly Yours,



Sharon Miller
CEO

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



KOREAN CHURCHES FOR COMMUNITY DEVELOPMENT

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Korean Churches for Community Development (KCCD) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

KCCD is an award-winning non-profit organization with the vision to serve as a light and bridge between the Asian American community and the greater community at large by connecting and creating private and public collaboration. We work to empower and strengthen the communities in which we serve by increasing the capacities of Asian American faith-based and community organizations, collaborating with leaders and organizations within the greater community, increasing access to resources and funds, assisting low-income individuals and immigrants, and working to revitalize neighborhoods and communities. KCCD, as a HUD-approved housing counseling agency, has on the ground experiences working with clients who have received mortgages from IndyMac, in which OneWest Bank acquired.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.



KOREAN CHURCHES FOR COMMUNITY DEVELOPMENT

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- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 213-985-1500.

Very Truly Yours,

Hyepin Im
President / CEO



KOREAN CHURCHES FOR COMMUNITY DEVELOPMENT

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



530 SOUTH BOYLE AVENUE · LOS ANGELES, CA 90033
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October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

East LA Community Corporation (ELACC) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

ELACC was founded in 1995 by a passionate, locally-based team of urban planners, attorneys, organizers, and real estate developers with a mission to create a Community Development Corporations dedicated to serving the working class Latino communities on Los Angeles' Eastside. ELACC has become a one-of-a-kind economic and social justice organization enabling low-income families to build brighter financial futures and create communities that are inclusive and financially secure with opportunity for all. Offering affordable housing, organizing, and wealth building services to over 2,000 residents, ELACC engages a mobilized base of over 1,300 members annually and has helped over 3,000 families avoid foreclosure, establish savings, and build and sustain wealth and purchase their first homes.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain

TRABAJANDO JUNTOS... WORKING TOGETHER



basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

During the worst of the economic crisis, we provided foreclosure prevention education and one-on-one counseling to thousands of families in need, working with them to stave off the loss of their home. Our experiences with Indy Mac proved to be frustrating and difficult. Their servicing practices were consistently deficient, including poor customer service that provided incorrect and contradictory information, unexplained denials, and dual tracking of borrower cases. These actions resulted in delays in the process, limited approvals for assistance, and unnecessary foreclosures.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.

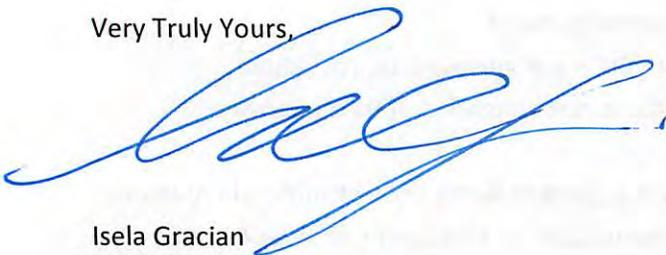
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact our Director of Community Wealth, Daniel Rodriguez, at 323-604-1952 or by email at drodriguez@elacc.org.

Very Truly Yours,



Isela Gracian
Vice President of Operations

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz:

The Los Angeles LDC, Inc. files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

The Los Angeles LDC, Inc. is a California no-profit community development financial institution. It is one of the oldest and well known mission driven community based lenders operating in the assessment area of OneWest Bank.

Our mission is to provide the needed debt or investment capital to develop and grow new, emerging or long-standing small and medium businesses throughout our targeted markets. Loans and investments funded by the LDC shall be used to encourage additional private investment and foster positive community development impacts in the greater Southern California.

Since 1995, our organization has helped to deliver \$300 million dollars in to the markets we serve. In accomplishing our double bottom line lending directive, we have worked with numerous regulated financial institutions that have a demonstrated track record of commitment to measurable community reinvestment goals in the low and moderate income and communities of color we were created to serve.

Ivan J. Hurwitz
Vice President, Bank Applications Function
October 10, 2014
Page 2

Unfortunately, OneWest Bank is not one of the regulated financial institutions we have been able to work with. Copies of prior correspondence have been attached for your reference.

We are very active in promoting investment in the low income and distressed census tracts of Los Angeles County. We have launched and lead numerous programs that are focused solely on the improvement of access to capital, in low income communities, and unlike their peers, we have found OneWest Bank to be unresponsive to engaging any of our activities. Prior to 2009, we have had one small business client that had been customers of CIT and appear to have had their credit needs met by their factoring group.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of substantial public subsidy, but have not provided any community benefit that is on par with the substantial public subsidy they have received. These facts are undeniable, and I urge you take a very close look into their meager efforts to serve our low to moderate income communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received, not only a bargain basement price to purchase Indymac but, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our struggling communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
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- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
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- The Bank has no multifamily loan product to support affordable housing development.

Ivan J. Hurwitz
Vice President, Bank Applications Function
October 10, 2014
Page 4

- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits and should be accountable to their communities.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at (213)-362-9113.

Very Truly Yours,



Michael Banner
President and CEO

Attachments

Cc: Honorable Maxine Waters, Ranking Member
House Financial Services Committee
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



January 12, 2012

Mr. Joseph Otting
President
One West Bank
888 East Walnut Street
Pasadena, CA 91101

RE: URBAN MARKETPLACE 2012

Dear Mr. Otting:

I would like to invite One West Bank to join our group of sponsors for the eleventh annual Urban Marketplace, "Real Estate Role in Creating Healthy Cities", on Thursday, March 7, 2012, at the Dorothy Chandler Pavilion.

Supported by your financial commitment to community development, we can collaborate to underwrite a shared vision to launch the Urban Marketplace Real Estate Conference and Expo for the next decade. On March 15, 2000, the Urban Marketplace was LA's only real estate conference to devote programming exclusively to the land use needs of low income neighborhoods and communities of color. Our actions were bold and innovative, and we filled a void in the market that ultimately became the place where 5,000 participants have educated themselves on the value of investing in our low income and distressed communities.

Now as we enter our second decade, a new partnership between One West Bank and ULI Los Angeles can allow the Urban Marketplace to continue to serve as a template for other conferences around the country. One West Bank can take great pride in knowing the cities of St. Louis, Houston, Atlanta, Washington, DC and Boston have already leveraged our corporate leadership and ULI's programming expertise into land use conferences that attract thousands of participants across the country.

Over the last ten years, ULI Los Angeles Urban Marketplace has become the best forum for exploring creative solutions to the unique development issues and growth opportunities in low income and distressed communities. The Urban Marketplace creates a forum for participants to make deals and create value in these communities, which are rich with opportunity. Participants include developers, community-based organizations, property owners, municipalities, faith-based groups, lenders, investors, business owners, planners, architects, brokers, realtors, retailers and others involved in urban development.

Joseph Otting
President
One West Bank
Page 2

Once again, I believe the Urban Marketplace 2012 provides One West Bank with another opportunity to demonstrate its leadership by supporting the delivery of impactful community development programming.

I have attached our sponsorship package and program information; additionally, I have included the ULI District Council Urban Marketplace template, which documents our impact nationally.

Please join the Los Angeles LDC, Inc. and other founding sponsors to provide continued leadership and financial support to make Urban Marketplace 2012 another must attend community development program.

Make a Deal, Make a Difference!

Sincerely,

A handwritten signature in cursive script that reads "Michael Banner". The signature is written in black ink and is positioned above the printed name and title.

Michael Banner,
President and CEO

CC: OWB Commercial Real Estate Group

Enclosures



November 30, 2012

Cindy Tran
CRA Manager
One West Bank
888 E. Walnut Street
Pasadena, CA 91101

RE: URBAN MARKETPLACE 2013

Dear Ms. Tran:

I missed you at the CRA Roundtable meeting held at the Federal Reserve Bank of San Francisco – Los Angeles Branch on Monday, November 26th. I have been trying to establish a working relationship with One West Bank and would welcome the opportunity to meet with you to determine if there are any opportunities for collaboration with OWB.

I have had the pleasure of working with several members of the OWB leadership team. By way of reference, both Joseph Otting and Colleen Anderson Caballero, have known of the Los Angeles LDC, Inc. and its community reinvestment activities for many years.

I attended the Milken Institute California Summit and was pleased to hear Steve Mnuchin speak about his experience with Markham Middle school in Watts. I am from that neighborhood and attended all of the public schools in Watts.

I have attached copies of correspondences from prior years regarding support of the ULI Los Angeles Urban MarketPlace conference. This conference, like many other activities that I have been involved in for the past two decades, is very impactful and could be helpful to your CRA activities, business goals, and corporate social responsibility objectives.

Please let me know how we should proceed.

Sincerely,

Michael Banner,
President and CEO

Enclosures

Successful Real Estate Strategies In The New Normal
Real Estate's Role in Supporting Economic Development

ULI Los Angeles *2011*
URBAN
MARKETPLACE
Make a Deal, Make a Difference

Sponsor Package

10th Annual

UCLA Los Angeles
URBAN
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SPONSORS

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CDC



California 400

San Diego

for



UCLA Los Angeles

URBAN
MARKETPLACE
Make a Deal, Make a Difference

MARRIOTT
Make a Deal

The Roundtables



The Panelists



The Leaders



The Exhibitors



The Attendees



URBAN MARKETPLACE 2011

MAKE A DEAL, MAKE A DIFFERENCE

WHAT

The ULI Los Angeles Urban Marketplace 2011 is a unique conference that addresses investment opportunities and development strategies for Southern California's emerging lower-income and distressed neighborhoods. The ULI LA Urban Marketplace has become a national model over the past nine years, attracting nearly 5000 real estate and related professionals as well as community and government leaders to its case studies, roundtable discussions, and exhibits. Attendees learn best practices and solidify relationships with key professionals and leaders at the forefront of revitalizing the inner city.

WHEN

Wednesday
March 16, 2011

WHERE

The Dorothy Chandler Pavilion
135 N. Grand Avenue
Los Angeles, California

AGENDA

7:00 - 8:00 am	Registration & Continental Breakfast
8:00 - 8:10 am	Opening Remarks
8:10 - 8:30 am	Keynote Speaker
8:30 - 9:30 am	Panel Discussion: Successful Real Estate Strategies In The New Normal... Real Estate's Role in Supporting Economic Development
9:30 - 9:50 am	Closing Keynote Speaker
9:50 - 10:10 am	Closing Remarks
10:15- 1:00 pm	Roundtable Sessions and Marketplace Exhibits

MARKETPLACE

After the opening session and during the roundtable rotations, attendees network and make deals with others among the hundreds of attendees and exhibitors providing resources to the inner city in the Marketplace.

ROUNDTABLES

Doors to the roundtable and exhibit hall open immediately following the opening session, and participants are invited to join any and all of the subject-focused roundtable discussions. Each is hosted by an expert practitioner and/or civic leader and participants are encouraged to discuss issues and opportunities from their own experience as they rotate among these vibrant, informal dialogues.

For More information and Registration visit:
www.uli-la.org/urban-marketpalce-2011

Urban Marketplace 2011 Sponsorship Benefits

- ✦ Only conference that directly supports revitalization in the inner city. (ULI Los Angeles developed the template for this conference, which is also now held in Atlanta, St. Louis, Washington D.C., and Houston as of 2007).
- ✦ Focus of the conference is expressly any development in the poverty and low income census tracts of Los Angeles County.
- ✦ This event brings together financial institutions, brokers, developers, city redevelopment agencies, public agencies, property owners, and community leaders who are looking to make deals in the inner city.
- ✦ The event has a proven track record of at least 500 attendees every year for the past ten years. Target for 2011 is 700 attendees.
- ✦ The event ensures inclusive, diverse participation. Corporate support makes it possible to sustain a feasible registration fee and have the ULI and conference resources available to all, not just real estate professionals who can afford or can justify expensive conference registrations.
- ✦ Deals are made and facilitated at this event.



calorganize.org

facebook.com/CalOrganize
Twitter: @CalOrganize

State Office
3655 S Grand Ave, Ste. 250
Los Angeles, CA 90007

P 877-633-9251
F 888-463-1187
info@calorganize.org

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

The Alliance of Californians for Community Empowerment (ACCE) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

ACCE is a non-profit community organization of low and moderate income families across California. Our members come together, neighborhood by neighborhood, to work for community improvements and policies that improve the quality of life for poor and working families. Our membership is predominantly Latino and African American. Our neighborhoods have suffered from terrible disinvestment and our community members often face barriers access fair and affordable bank services. Making sure that lending institutions meet the needs of our communities is a very high priority.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

Alliance of **Californians** for Community Empowerment

San Diego • Orange County • Los Angeles • San Bernardino • Fresno • Sacramento • Contra Costa • Oakland • San Francisco • San Mateo • San Jose

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
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- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger

can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at [213-804-3161]

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Amy Schur', written in a cursive style.

Amy Schur, Campaign Director
ACCE

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



October 9, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Neighborhood Housing Services Silicon Valley files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

Since 1995, NHSSV has educated over 7,500 first time homebuyers in San Jose and surrounding communities. We have also worked with over 3,000 homeowners facing foreclosure and successfully prevented 600 from losing their homes. NHSSV is a member of the NeighborWorks America Network committed to community revitalization. We are certified by the US Department of Treasury as a Community Development Financial Institution (CDFI) and the only community based non-profit corporation in California approved as a direct seller and servicer by Fannie Mae. All of our services are targeted to low and moderate income households. In the last 12 months, we invested over \$20 Million in mortgage financing and created over 100 new homeowners in one of the highest cost, most diverse markets in the country.

While we have no direct experience with OneWest or CIT, we are deeply concerned about the merger because it would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement



price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

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- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.



For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 408.279.2600.

Sincerely,

Matt Huerta
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Neighborhood Housing Services of the Inland Empire (NHSIE) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

For more than 30 years NHSIE has assisted thousands of families in attaining and maintaining homes they can afford in neighborhoods that they choose. NHSIE, a HUD certified nonprofit housing organization provides a wide range of housing stability services to Inland Empire residents. We are a proud affiliate of NeighborWorks America and the National Council of La Raza. NHSIE is a stakeholder in the economic health of the Inland Empire, specifically in the areas of ensuring quality housing opportunities, wealth building, creating jobs, increasing economic activity, improving educational outcomes, increasing public safety, reducing poverty and bringing in new investment dollars to the community.

Our mission is to make homeownership available to underserved members of the community. NHSIE serves a diverse population of low- to moderate-income first-time homebuyers, current homeowners, neighborhoods, and local business communities through our six main programs: Homebuyer Education and Financial Literacy, Construction and Rehabilitation, Lending, Real Estate Services, Foreclosure Prevention, and Community Building and Organizing. Through these programs, we provide comprehensive homebuyer/homeowner services throughout San Bernardino and Riverside counties.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

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Our concerns about this merger include:

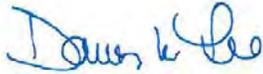
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For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

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If you have any questions about this letter, or wish to talk further, please feel free to contact me at (909) 884-6891.

Regards,



Dawn M. Lee
Executive Director/CEO, Neighborhood Housing Services of the Inland Empire
1390 North D Street
San Bernardino, CA 92405
(909) 963-5215 direct line
(909) 884-6891 x222 office
www.nhsie.org
A NeighborWorks® Organization

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: *Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings*

Dear Mr. Hurwitz,

The Mission Economic Development Agency (MEDA) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

MEDA is a community-based, local economic development corporation located in the Mission District of San Francisco. For over 40 years MEDA has worked to achieve economic justice for San Francisco's low- to moderate-income Latino families through asset development-the process of encouraging and supporting individuals and families to develop, accumulate and manage personal, social and material assets. MEDA currently leads the Mission Promise Neighborhood, a cradle to career continuum of services in partnership with 26 local agencies to increase academic performance in underperforming schools with family economic success.

MEDA has limited experience with OneWest and CIT. MEDA is concerned that an increasing amount of deposits made from our community will be held in Utah as a result of this merger, as opposed to being invested back in our community.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

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If you have any questions about this letter, or wish to talk further, please feel free to contact Gabriel Medina, Policy Manager at (415) 282-3334x150. Thank you.

Sincerely,



Luis Granados
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

The California Housing Partnership Corporation files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

The California Housing Partnership was created by the State of California to provide leadership on affordable housing finance. Over the past 25 years, we have helped more than 100 nonprofit and local government housing organizations leverage more than \$5 billion in private and public capital to create and preserve more than 20,000 affordable homes.

Although we have worked with most of the major banks in California, we have no knowledge of either CIT Group or OneWest Bank participating in Community Reinvestment Act loans, grants or investments in affordable rental homes serving lower income Californians.

The merger is of particular concern because this merger would create the newest Too-Big-to-Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Our concerns about this merger include:

- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.

SAN FRANCISCO
369 Pine Street
Suite 300
San Francisco, CA 94104
Tel: (415) 433-6804
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LOS ANGELES
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Suite 890
Los Angeles, CA 90017
Tel: (213) 892-8775
Fax: (213) 892-8776

SACRAMENTO
5325 Elkhorn Blvd.
P.O. Box 8132
Sacramento, CA 95842
Tel: (916) 683-1180
Fax: (916) 682-1194

- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a “low satisfactory” under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank’s low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at mschwartz@chpc.net or 415-433-6804 x 311.

Sincerely,



President & CEO

Cc: California Reinvestment Coalition
 Janet Yellen, Chair, Federal Reserve Board of Governors
 Thomas Curry, Comptroller, OCC
 Martin Gruenberg, Chair, FDIC
 Mel Watt, Director, FHFA
 Richard Cordray, Director, CFPB



POLICY & ACTION FROM CONSUMER REPORTS

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001

Via Email: comments.applications@ny.frbg.org

Re: Opposition to CIT Group Application to Acquire IMB and OneWest Bank, Request for Extension of Comment Period, Request for Public Hearings

Dear Mr. Hurwitz,

Consumers Union, the policy and advocacy arm of Consumer Reports, respectfully files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the acquisition to be held in Los Angeles. We join the California Reinvestment Committee in the concerns they have expressed to you regarding this merger. Additionally we offer these comments.

As part of our efforts to ensure that mortgage borrowers are treated fairly, we have engaged in specific work to ensure that senior homeowners seeking reverse mortgages are given full information about the pros and cons of these products before becoming contractually obligated and that those who have reverse mortgages are treated fairly in the loan servicing process. While reverse mortgages can benefit some seniors, indications are that they are being aggressively sold to individuals for whom the loans are not suitable. According to the most recent statistics available, as noted by the Consumer Financial Protection Bureau (CFPB), there are currently more than 54,000 reverse mortgages in default. This represents 9.4% of active HECM loans, as of the end of February 2012.¹ We note with concern that according to the CFPB Complaint Database, OneWest Bank is the subject of 131 reverse mortgage consumer complaints since January 5, 2012. This is a sizable number of complaints indicating potential issues with how OneWest Bank is treating reverse mortgage consumers. We urge the Federal Reserve Bank to closely scrutinize these complaints to better assess OneWest Bank's practices relative to the reverse mortgage consumers they serve.

Finally, we believe it would be inappropriate to approve a merger where the negative impacts a merger can have on local communities have not been fully explored. OneWest Bank's failure to develop and make public a strong Community Reinvestment Act Plan is a sure sign that a deeper investigation is warranted.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearing in Los Angeles to more fully explore the implications of this proposed merger.

Please feel free to contact me at 415 431-6747, ext 122, or by email at ngarcia@consumer.org, should you have any question about Consumers Union's position.

Sincerely,

Norma P. Garcia
Senior Attorney
Consumers Union

¹ The CFPB noted that, quoting from a HUD Presentation of the National Reverse Mortgage Lenders Association Eastern Regional Meeting (Mar. 26, 2012), as of the end of February 2012, 9.4 percent of active HECM loans were in default on taxes and/or insurance. CONSUMER FIN. PROTECTION BUREAU, REVERSE MORTGAGES: REPORT TO CONGRESS 132 (2012), available at http://files.consumerfinance.gov/a/assets/documents/201206_cfpb_Reverse_Mortgage_Report.pdf
This proportion has increased from 8.1 percent in July 2011 Id. at 129

HERA

housing and
economic
rights advocates

October 8, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

Housing and Economic Rights Advocates (HERA) files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

HERA is the only California statewide non-profit law office dedicated to Asset Preservation and Asset Building free of discrimination. Since opening in 2005, we have served over 11,000 vulnerable Californians, focusing on predatory mortgage lending, abusive mortgage servicing practices and, in more recent years, wrongful debt collection practices and credit reporting problems in other areas such as student loans, and auto loans.

HERA has not had experience with CIT, but we have had experience with OneWest as a mortgage servicer, and that experience has not generally been positive. We have found that our clients have had difficulties in reaching anyone willing to provide them with clear and professional loss mitigation assistance, and we have not always found them easy to deal with ourselves.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was born from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made

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HERACA.ORG

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by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 7 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

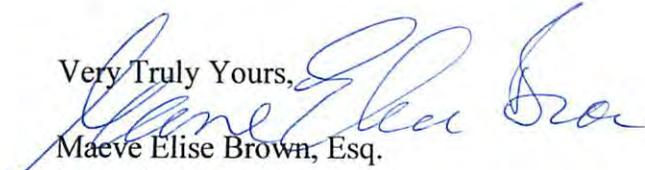
For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

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OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of *loss sharing* agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 510 271-8443 extension 307.

Very Truly Yours,



Maeve Elise Brown, Esq.
Executive Director

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

October 10, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

My name is Sandy Jolley. I am a Reverse Mortgage Suitability and Abuse Consultant and a Certified HUD HECM Counselor. My comments are in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT) based on my 9 years experience working with consumers harmed by Financial Freedom/OneWest Bank reverse mortgage lending practices. I believe it is imperative to have an extension of the comment period, and public hearings on the matter to be held in Los Angeles in order to a) hear directly from consumers regarding their experiences dealing with Financial Freedom/OneWest Bank (hereafter OWB) and, b) for this committee to examine the financial impact of OWB's business practices on the US Economy and the FHA insurance fund deficit.

In March, 2013 Carol Galante testified to the House Financial Services Committee that the HECM Insurance fund was negative \$2.8 billion. On September 30, 2013, the FHA received a \$1.7 billion bailout from the US Treasury to cover losses caused by the deceptive lending and servicing practices by OWB (and a few other reverse mortgage lenders). This is not because homeowner's were unable to pay property taxes.

In 2010 OWB signed a "Consent Order" that does not have an expiration date. The OTS identified certain deficiencies and unsafe/unsound practices in the residential mortgage servicing and in the initiation/handling of foreclosure proceedings. All of the findings in the attached consent order still exist. Additionally OWB has become more sophisticated and aggressive in the wrongful foreclosure and inflated/false FHA Claims. OWB has no accountability or liability. They are guaranteed to recover 100% of the loan, interest, costs and fees either through the sale of the property and/or the property and FHA insurance claim.

Financial Freedom was the number one (1) lender for more than 10 years and as such services a major portion of reverse mortgage loans. 80% to 90% of my clients have reverse mortgage loans made and/or serviced by OWB. I consult with Borrowers, their heirs, family members and beneficiaries to understand and exercise their HUD rights and options in Loan Servicing, Maturity, and Wrongful Foreclosure.

In the past nine (9) years, since my parents were sold a Financial Freedom Reverse Mortgage (they didn't need) while my dad was in the last month of his life with terminal cancer on narcotic pain medication and my mother had Alzheimer's disease, I have worked with hundreds of consumers who have been consistently obstructed and denied their rights and options by OWB. Just a few examples of wrongdoing:

1. OWB consistently misleads/deceives Borrowers & heirs in written and verbal communications, and fails to inform the consumer of their HUD rights and options.
2. OWB intentionally accelerates and forces mortgages into default for the purpose of making inflated claims for FHA Insurance Claim Benefits.
3. OWB consistently deprives consumers of their property by violating Federal Regulations and State Laws.
4. OWB consistently inflates appraisals of the consumer property in order to prevent the consumer from exercising the 95% option to retain or sell the property.
5. OWB knowingly falsifies loan status information to HUD in order to gain approval to foreclose.
6. Unfortunately, HUD does not have the personnel, ability or structure in place to audit, regulate, or verify claims to safeguard against lender fraud. Therefore, it is very easy for OWB to violate the duty of good faith given by HUD to make accurate and truthful claims.
7. ***Non-Borrowing Spouse – Virtually all borrowers were told by OWB to take one spouse off title. Various reasons given by the lender - to qualify faster, get more money or one wasn't yet 62. The couple was told the non-borrower would still be protected, could get their name right back on title or would automatically be on title at age 62.

Non-Borrowing Spouse – The latest guidance from HUD states ***“HUD has acknowledged that, after the court invalidated its regulation calling a HECM due and payable if a Borrowing spouse dies, there is no longer a due and payable event and HUD cannot press lenders to foreclose on the non-borrowing spouse. As a result, HUD now concedes that it must allow lenders to hold onto borrower's mortgages until they reach the maximum claim amount and then assign them to HUD, or until the spouse dies.” Unfortunately, this guidance leaves the decision up to OWB to foreclose or allow the spouse to remain in the property. ***In a recent meeting with CRC, OWB acknowledged they could make the decision to allow the non-borrowing spouse to remain in the property as stated above but “OWB chooses not to do that”.***

OWB would not lose any profit by allowing the spouse to remain in the property since they always recover 100% of the loan, fees and costs from the property and/or FHA insurance fund. At every turn when OWB has the opportunity to act in good faith and provide the consumer any benefit they choose not to.

RECOMMENDATIONS:

1. Clear consistent consumer friendly communications identifying all consumer rights
 - Give a copy of HUD FAQ's or use HUD FAQ's as basis for repayment letter.
 - Clearly state: The heir has the right to sell (or retain) the property for the lesser amount of 95% of the appraised value or payoff of the loan balance.
 - The heir can have an initial 6 month grace period (from the date of borrower's death) with 2 possible 90 day extensions to sell/retain the property per HUD regulations
2. Train Customer Support in HUD regulations to help the consumer exercise their rights (instead of accelerating foreclosure and obstructing their effort to repay the loan)
3. Allow non-borrowing spouses to remain in property for life or until loan is transferred to HUD.
 - This is the new guidance coming from HUD. Let FF take the lead showing good faith to the consumer.
 - It costs the lender nothing they will recover 100% of fees and costs from the property or FHA insurance fund claim
4. Speak to heirs about loan specific details from beginning and give them helpful information.
 - Currently, FF refuses to speak to the heirs unless probate is complete or they have legal authority to convey title.
 - Immediately after the borrower dies this is the last thing on the heir's mind.
 - In some States it is very costly and timely to get legal authority to convey title. It is FF habit to accelerate foreclosure in this circumstance..
5. Wait for completion of probate in States where it takes time before accelerating foreclosure.
6. Allow Affidavit of heirship to be used as ability to convey title in States that allow.

For all of these reasons, I urge the Federal Reserve Bank to extend the comment period and hold public hearings in Los Angeles so that a fuller picture can be presented about the negative impact this merger will have on consumers, local communities, and the failure of OneWest Bank to develop and make public any CRA Plan that identifies and addresses consumer and community needs. Consumer voices need to be heard.

This merger is yet one more way OWB seeks to avoid any responsibility or liability and transfer billions in assets to CIT. OWB must be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at (805) 402-3066

Very Truly Yours,

Sandy Jolley

Sandy Jolley
Reverse Mortgage Suitability and Abuse Consultant
Certified HUD Counselor

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

 In the Matter of)

Order No.: WN-11-011

ONEWEST BANK, FSB)

Effective Date: April 13, 2011

Pasadena, California)
 OTS Docket No. 18129)

CONSENT ORDER

The Office of Thrift Supervision (OTS), as part of an interagency horizontal review of major residential mortgage servicers, has conducted an examination of the residential real estate mortgage foreclosure processes of OneWest Bank, FSB, Pasadena, California (Association). The OTS has identified certain deficiencies and unsafe or unsound practices in the Association's residential mortgage servicing and in the Association's initiation and handling of foreclosure proceedings. The OTS has informed the Association of the findings resulting from the examination.

The Association, by and through its duly elected and acting Board of Directors (Board), has executed a "Stipulation And Consent To Issuance Of a Consent Order," dated April 13, 2011 (Stipulation and Consent), that is accepted by the OTS. By this Stipulation and Consent, which is incorporated by reference, the Association has consented to the issuance of this Consent Order (Order) by the OTS. The Association has committed to taking all necessary and appropriate steps to remedy the deficiencies and unsafe or unsound practices identified by the

OTS, and to enhance the Association's residential mortgage servicing and foreclosure processes. The Association has begun implementing procedures to remediate the practices addressed in this Order.

OTS's Findings.

The OTS finds, and the Association neither admits nor denies, the following:

1. The Association is a servicer of residential mortgages in the United States, and services a portfolio of approximately \$141 billion dollars in residential mortgage loans. During the recent housing crisis, a large number of residential mortgage loans serviced by the Association became delinquent and resulted in foreclosure actions.
2. In connection with certain foreclosures of loans in its residential mortgage servicing portfolio, the Association engaged in the following unsafe or unsound practices:
 - (a) filed or caused to be filed in state and federal courts numerous affidavits executed by its employees or employees of third-party service providers making various assertions, such as ownership of the mortgage note and mortgage, the amount of the principal and interest due, and the fees and expenses chargeable to the borrower, in which the affiant represented that the assertions in the affidavit were made based on personal knowledge or based on a review by the affiant of the relevant books and records, when, in many cases, they were not based on such personal knowledge or review of the relevant books and records;
 - (b) filed or caused to be filed in state and federal courts, or in local land records offices, numerous affidavits or other mortgage-related documents that were not properly notarized, specifically that were not signed or affirmed in the presence of a notary;

- (c) litigated foreclosure and bankruptcy proceedings and initiated non-judicial foreclosure proceedings without always ensuring that the promissory note and mortgage document were properly endorsed or assigned and, if necessary, in the possession of the appropriate party at the appropriate time;
- (d) failed to devote sufficient financial, staffing and managerial resources to ensure proper administration of its foreclosure processes;
- (e) failed to devote to its foreclosure processes adequate oversight, internal controls, policies, and procedures, compliance risk management, internal audit, third party management, and training; and
- (f) failed sufficiently to oversee outside counsel and other third-party providers handling foreclosure-related services.

Board Oversight of Compliance with Order.

3. Within five (5) days, the Board shall designate a committee to monitor and coordinate the Association's compliance with the provisions of this Order (Oversight Committee). The Oversight Committee shall be comprised of three (3) or more directors, which at least two (2) may not be employees or officers of the Association or any of its subsidiaries or affiliates.
4. Within ninety (90) days, and within thirty (30) days after the end of each quarter thereafter, the Oversight Committee shall submit a written compliance progress report to the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:
 - (a) separately list each corrective action required by this Order;
 - (b) identify the required or anticipated completion date for each corrective action; and
 - (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

5. Within ten (10) days of receipt of the Compliance Tracking Report, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions taken. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting at which such resolution was adopted.

6. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

Comprehensive Action Plan.

7. Within sixty (60) days of this Order, the Association shall submit to the Regional Director an acceptable plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with this Order (Action Plan). In the event the Regional Director asks the Association to revise the Action Plan, the Association shall make the requested revisions and resubmit the Action Plan to the Regional Director within ten (10) days of receiving any comments from the Regional Director. Following acceptance of the Action Plan by the Regional Director, the Association shall not take any action that would constitute a significant deviation from, or material change to the requirements of the Action Plan or of this Order, unless and until the Association has received a prior written determination of no supervisory objection from the Regional Director.

8. The Board shall ensure that the Association achieves and thereafter maintains compliance with this Order, including, without limitation, successful implementation of the Action Plan.

The Board shall further ensure that, upon implementation of the Action Plan, the Association achieves and maintains effective mortgage servicing, foreclosure and loss mitigation activities (as used herein, the phrase "loss mitigation" shall include, but not be limited to, activities related to special forbearances, modifications, short refinances, short sales, cash-for-keys, and deeds-in-lieu of foreclosure and be referred to as either Loss Mitigation or Loss Mitigation Activities), as well as associated risk management, compliance, quality control, audit, training, staffing, and related functions. In order to comply with these requirements, the Board shall:

- (a) require the timely reporting by Association management of such actions directed by the Board to be taken under this Order;
- (b) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (c) require corrective action be taken in a timely manner for any non-compliance with such actions.

9. The Action Plan shall address, at a minimum:

- (a) financial resources to develop and implement an adequate infrastructure to support existing and/or future Loss Mitigation and foreclosure activities and ensure compliance with this Order;
- (b) organizational structure, managerial resources and staffing to support existing and/or future Loss Mitigation and foreclosure activities and ensure compliance with this Order;
- (c) metrics to measure and ensure the adequacy of staffing levels relative to existing and/or future Loss Mitigation and foreclosure activities, such as limits for the number of loans assigned to a Loss Mitigation employee, including the single point of contact as

hereinafter defined, and deadlines to review loan modification documentation, make loan modification decisions, and provide responses to borrowers; and

(d) governance and controls to ensure full compliance with all applicable federal and state laws (including, but not limited to, the U.S. Bankruptcy Code and the Servicemembers Civil Relief Act (SCRA)), rules, regulations, court orders and requirements, as well as the Membership Rules of MERSCORP, servicing guides of the Government Sponsored Enterprises (GSEs) or investors, including those with the Federal Housing Administration and those required by the Home Affordable Modification Program (HAMP), and loss share agreements with the Federal Deposit Insurance Corporation (collectively Legal Requirements), and the requirements of this Order.

10. The Action Plan shall specify timelines for completion of each of the requirements of this Order. The timeliness in the Action Plan shall be consistent with any deadlines set forth in this Order.

Compliance Program.

11. Within sixty (60) days of this Order, the Association shall submit to the Regional Director an acceptable compliance program to ensure that the mortgage servicing and foreclosure operations, including Loss Mitigation and loan modification, comply with all applicable Legal Requirements, supervisory guidance, and the requirements of this Order and are conducted in a safe and sound manner (Compliance Program). The Compliance Program shall be implemented within one hundred twenty (120) days of this Order. Any corrective action timeframe in the Compliance Plan that is in excess of one hundred twenty (120) days must be approved by the Regional Director. The Compliance Program shall include, at a minimum:

- (a) appropriate written policies and procedures to conduct, oversee, and monitor mortgage servicing, Loss Mitigation, and foreclosure operations;
- (b) processes to ensure that all factual assertions made in pleadings, declarations, affidavits, or other sworn statements filed by or on behalf of the Association are accurate, complete, and reliable, and that affidavits, declarations, or other sworn statements are based on personal knowledge or a review of the Association's books and records when the affidavit, declaration, or sworn statement so states;
- (c) processes to ensure that affidavits filed in foreclosure proceedings are executed and notarized in accordance with state legal requirements and applicable guidelines, including jurat requirements;
- (d) processes to review and approve standardized affidavits and declarations for each jurisdiction in which the Association files foreclosure actions to ensure compliance with applicable laws, rules, and court procedures;
- (e) processes to ensure that the Association has properly documented ownership of the promissory note and mortgage (or deed of trust) under applicable state law, or is otherwise a proper party to the action (as a result of agency or other similar status) at all stages of foreclosure and bankruptcy litigation, including appropriate transfer and delivery of endorsed notes and assigned mortgages or deeds of trust at the formation of a residential mortgage-backed security, and lawful and verifiable endorsement and successive assignment of the note and mortgage or deed of trust to reflect all changes of ownership;
- (f) processes to ensure that a clear and auditable trail exists for all factual information contained in each affidavit or declaration, in support of each of the charges that are listed,

including whether the amount is chargeable to the borrower and/or claimable to the investor;

(g) processes to ensure that foreclosure sales (including the calculation of the default period, the amounts due, and compliance with notice requirements) and post-sale confirmations are in accordance with the terms of the mortgage loan and applicable state and federal law requirements;

(h) processes to ensure that all fees, expenses, and other charges imposed on the borrower are assessed in accordance with the terms of the underlying mortgage note, mortgage, or other customer authorization with respect to the imposition of fees, charges, and expenses, and in compliance with all applicable Legal Requirements and supervisory guidance;

(i) processes to ensure that the Association has the ability to locate and secure all documents, including the original promissory notes if required, necessary to perform mortgage servicing, foreclosure and Loss Mitigation, or loan modification functions;

(j) ongoing testing for compliance with applicable Legal Requirements and supervisory guidance that is completed by qualified persons with requisite knowledge and ability (which may include internal audit) who are independent of the Association's business lines;

(k) measures to ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate any changes in applicable Legal Requirements and supervisory guidance;

(l) processes to ensure the qualifications of current management and supervisory personnel responsible for mortgage servicing and foreclosure processes and operations,

including collections, Loss Mitigation and loan modification are appropriate, and a determination of whether any staffing changes or additions are needed;

(m) processes to ensure that staffing levels devoted to mortgage servicing and foreclosure processes and operations, including collections, Loss Mitigation and loan modification, are adequate to meet current and expected workload demands;

(n) processes to ensure that workloads of mortgage servicing, foreclosure and Loss Mitigation and loan modification personnel, including single point of contact personnel as hereinafter defined, are reviewed and managed. Such processes, at a minimum, shall assess whether the workload levels are appropriate to ensure compliance with the requirements of this Order, and necessary adjustments to workloads shall promptly follow the completion of the reviews. An initial review shall be completed within ninety (90) days of this Order, and subsequent reviews shall be conducted semi-annually;

(o) processes to ensure that the risk management, quality control, audit, and compliance programs have the requisite authority and status within the organization so that appropriate reviews of the Association's mortgage servicing, Loss Mitigation, and foreclosure activities and operations may occur and deficiencies are identified and promptly remedied;

(p) appropriate training programs for personnel involved in mortgage servicing and foreclosure processes and operations, including collections, Loss Mitigation, and loan modification, to ensure compliance with applicable Legal Requirements and supervisory guidance; and

- (q) appropriate procedures for customers in bankruptcy, including a prohibition on the collection of fees in violation of bankruptcy's automatic stay (11 U.S.C. § 362), the discharge injunction (11 U.S.C. § 524), or any applicable court order.

Third Party Management.

12. Within sixty (60) days of this Order, the Association shall submit to the Regional Director acceptable policies and procedures for outsourcing foreclosure or related functions, including Loss Mitigation and loan modification, and property management functions for residential real estate acquired through or in lieu of foreclosure, to any agent, independent contractor, consulting firm, law firm (including local counsel in foreclosure or bankruptcy proceedings retained to represent the interests of the owners of mortgages), property management firm, or other third-party (including any subsidiary or affiliate of the Association not specifically named in this Order) (Third-Party Providers). Third-party management policies and procedures shall be implemented within one hundred twenty (120) days of this Order. Any corrective action timetable that is in excess of one hundred twenty (120) days must be approved by the Regional Director. The policies and procedures shall include, at a minimum:

- (a) appropriate oversight to ensure that Third-Party Providers comply with all applicable Legal Requirements, supervisory guidance (including applicable portions of OTS Thrift Bulletin 82a), and the Association's policies and procedures;
- (b) measures to ensure that all original records transferred from the Association to Third-Party Providers (including the originals of promissory notes and mortgage documents) remain within the custody and control of the Third-Party Provider (unless filed with the appropriate court or the loan is otherwise transferred to another party), and are returned to the Association or designated custodians at the conclusion of the

performed service, along with all other documents necessary for the Association's files, and that the Association retains imaged copies of significant documents sent to Third-Party Providers;

(c) measures to ensure the accuracy of all documents filed or otherwise utilized on behalf of the Association or the owners of mortgages in any judicial or non-judicial foreclosure proceeding, related bankruptcy proceeding, or in other foreclosure-related litigation, including, but not limited to, documentation sufficient to establish ownership of the promissory note and/or the right to foreclose at the time the foreclosure action is commenced;

(d) processes to perform appropriate due diligence on potential and current Third-Party Provider qualifications, expertise, capacity, reputation, complaints, information security, business continuity and financial viability, and to ensure adequacy of Third-Party Provider staffing levels, training, work quality, and workload balance;

(e) processes to ensure that contracts provide for adequate oversight, including requiring Third-Party Provider adherence to Association foreclosure processing standards, measures to enforce Third-Party Provider contractual obligations, and processes to ensure timely action with respect to Third-Party Provider performance failures;

(f) processes to ensure periodic reviews of Third-Party Provider work for timeliness, competence, completeness, and compliance with all applicable Legal Requirements and supervisory guidance, and to ensure that foreclosures are conducted in a safe and sound manner;

(g) processes to review customer complaints about Third-Party Provider services;

- (h) processes to prepare contingency and business continuity plans that ensure the continuing availability of critical third-party services and business continuity of the Association, consistent with federal banking agency guidance, both to address short-term and long-term service disruptions and to ensure an orderly transition to new service providers should that become necessary;
- (i) a review of fee structures for Third-Party Providers to ensure that the method of compensation considers the accuracy, completeness, and legal compliance of foreclosure filings and is not based solely on increased foreclosure volume and/or meeting processing timelines; and
- (j) a certification process for law firms (and recertification of existing law firm providers) that provide residential mortgage foreclosure and bankruptcy services for the Association, on a periodic basis, as qualified to serve as Third-Party Providers to the Association including that attorneys are licensed to practice in the relevant jurisdiction and have the experience and competence necessary to perform the services requested.

Mortgage Electronic Registration System.

13. Within sixty (60) days of this Order, the Association shall submit to the Regional Director an acceptable plan to ensure appropriate controls and oversight of foreclosure activities within respect to the Mortgage Electronic Registration System (MERS) and compliance with MERSCORP's membership rules, terms, and conditions (MERS Requirements) (MERS Plan). The MERS Plan shall be implemented within one hundred twenty (120) days of this Order. Any corrective action timetable that is in excess of one hundred twenty (120) days must be approved by the Regional Director. The MERS Plan shall include, at a minimum:

- (a) processes to ensure that all mortgage assignments and endorsements with respect to mortgage loans serviced or owned by the Association out of MERS' name are executed only by a certifying officer authorized by MERS and approved by the Association;
- (b) processes to ensure that all other actions that may be taken by MERS certifying officers (with respect to mortgage loans serviced or owned by the Association) are executed by a certifying officer authorized by MERS and approved by the Association;
- (c) processes to ensure that the Association maintains up-to-date corporate resolutions from MERS for all Association employees and third-parties who are certifying officers authorized by MERS, and up-to-date lists of MERS certifying officers;
- (d) processes to ensure compliance with all MERS Requirements and with the requirements of the MERS Corporate Resolution Management System (CRMS);
- (e) processes to ensure the accuracy and reliability of data reported to MERSCORP, including monthly system-to-system reconciliations for all MERS mandatory reporting fields, and daily capture of all rejects/warnings reports associated with registrations, transfers, and status updates on open-item aging reports. Unresolved items must be maintained on open-item aging reports and tracked until resolution. The Association shall determine and report whether the foreclosures serviced by the Association that are currently pending in MERS' name are accurate and how many are listed in error, and describe how and by when the data on the MERSCORP system will be corrected;
- (f) an appropriate MERS quality assurance workplan, which clearly describes all tests, test frequency, sampling methods, responsible parties, and the expected process for open-item follow-up, and includes an annual independent test of the control structure of

the system-to-system reconciliation process, the reject/warning error correction process, and adherence to the Association's MERS Plan; and

(g) inclusion of MERS into the Association's third-party vendor management process, which shall include a detailed analysis of potential vulnerabilities, including information security, business continuity, and vendor viability assessments.

Foreclosure Review.

14. Within forty-five (45) days of this Order, the Association shall retain an independent consultant acceptable to the Regional Director to conduct an independent review of certain residential foreclosure actions regarding individual borrowers with respect to the Association's mortgage servicing portfolio. The review shall include residential foreclosure actions or proceedings (including foreclosures that were in process or completed) for loans serviced by the Association, whether brought in the name of the Association, the investor, the mortgage note holder, or any agent for the mortgage note holder (including MERS), that have been pending at any time from January 1, 2009 to December 31, 2010, as well as residential foreclosure sales that occurred during this time period (Foreclosure Review).

15. Within fifteen (15) days of the engagement of the independent consultant described in Paragraph 14, but prior to the commencement of the Foreclosure Review, the Association shall submit to the Regional Director for approval an engagement letter that sets forth:

(a) the methodology for conducting the Foreclosure Review, including: (i) a description of the information systems and documents to be reviewed, including the selection of criteria for files or aspects of files to be reviewed; (ii) the criteria for

evaluating the reasonableness of fees and penalties; (iii) other procedures necessary to make the required determinations (such as through interviews of employees and third parties and a process for the submission and review of borrower claims and complaints); and (iv) any proposed sampling techniques. In setting the scope and review methodology under clause (i) of this sub-paragraph, the independent consultant may consider any work already done by the Association or other third-parties on behalf of the Association. The engagement letter shall contain a full description of the statistical basis for the sampling methods chosen, as well as procedures to increase the size of the sample depending on results of the initial sampling;

- (b) expertise and resources to be dedicated to the Foreclosure Review;
- (c) completion of the Foreclosure Review and the Foreclosure Report within one hundred twenty (120) days from approval of the engagement letter; and
- (d) a written commitment that any workpapers associated with the Foreclosure Review shall be made available to the OTS immediately upon request.

16. The purpose of the Foreclosure Review shall be to determine, at a minimum:

- (a) whether at the time the foreclosure action was initiated or the pleading or affidavit or declaration filed (including in bankruptcy proceedings and in defending suits brought by borrowers), the foreclosing party or agent of the party had properly documented ownership of the promissory note and mortgage (or deed of trust) under relevant state law, or was otherwise a proper party to the action as a result of agency or similar status;
- (b) whether the foreclosure was in accordance with applicable federal and state laws, including, but not limited to, the U.S. Bankruptcy Code and the SCRA;

- (c) whether a foreclosure sale occurred when an application for a loan modification or other Loss Mitigation was under consideration when the loan was performing in accordance with a trial or permanent loan modification, or when the loan had not been in default for a sufficient period of time to authorize foreclosure pursuant to the terms of the mortgage loan documents and related agreements;
- (d) whether, with respect to non-judicial foreclosures, the procedures followed with respect to the foreclosure sale (including the calculation of the default period, the amounts due, and compliance with notice periods) and post-sale confirmations were in accordance with the terms of the mortgage loan and state law requirements;
- (e) whether a delinquent borrower's account was only charged fees and/or penalties that were permissible under the terms of the borrower's loan documents, applicable Legal Requirements, and were otherwise reasonable and customary;
- (f) whether the frequency that fees were assessed to any delinquent borrower's account (including broker price opinions) was excessive under the terms of the borrower's loan documents, applicable Legal Requirement, or were otherwise unreasonable;
- (g) whether Loss Mitigation Activities with respect to foreclosed loans were handled in accordance with the requirements of the HAMP, and consistent with the policies and procedures applicable to the Association's proprietary loan modifications or other Loss Mitigation programs, such that each borrower had an adequate opportunity to apply for a Loss Mitigation option or program, any such application was handled properly, a final decision was made on a reasonable basis, and was communicated to the borrower before the foreclosure sale; and

(h) whether any errors, misrepresentations, or other deficiencies identified in the Foreclosure Review resulted in financial injury to the borrower or the mortgagee.

17. The independent consultant shall prepare a written report detailing the findings of the Foreclosure Review (Foreclosure Report), which shall be completed within thirty (30) days of completion of the Foreclosure Review. Immediately upon completion, the Foreclosure Report shall be submitted to the Regional Director and the Board.

18. Within forty-five (45) days of submission of the Foreclosure Report to the Board, the Association shall submit to the Regional Director an acceptable plan to remediate all financial injury to borrowers caused by any errors, misrepresentations, or other deficiencies identified in the Foreclosure Report by:

- (a) reimbursing or otherwise appropriately remediating borrowers for impermissible or excessive penalties, fees or expenses, or for other financial injury identified in accordance with this Order; and
- (b) taking appropriate steps to remediate any foreclosure sale identified in the Foreclosure Report where the foreclosure was not authorized as described in this Order.

19. Within sixty (60) days after the Regional Director provides supervisory non-objection to the plan set forth in paragraph (18) above, the Association shall make all reimbursement and remediation payments and provide all credits required by such plan, and provide the Regional Director with a report detailing such payments and credits.

Management Information Systems.

20. Within sixty (60) days of this Order, the Association shall submit to the Regional Director an acceptable plan for operation of its management information systems (MIS) for foreclosure and Loss Mitigation or loan modification activities to ensure the timely delivery of

complete and accurate information to permit effective decision-making. The MIS plan shall be implemented within one hundred twenty (120) days of this Order. Any corrective action timeframe that is in excess of one hundred twenty (120) days must be approved by the Regional Director. The plan shall include, at a minimum:

- (a) a description of the various components of MIS used by the Association for foreclosure and Loss Mitigation or loan modification activities;
- (b) a description of and timetable for any needed changes or upgrades to:
 - (i) monitor compliance with all applicable Legal Requirements, supervisory guidance, and the requirements of this Order;
 - (ii) ensure the ongoing accuracy of records for all serviced mortgages, including, but not limited to, records necessary to establish ownership and/or the right to foreclose by the appropriate party for all serviced mortgages, outstanding balances, and fees assessed to the borrower; and
 - (iii) measures to ensure that Loss Mitigation, loan foreclosure, and modification staffs have sufficient and timely access to information provided by the borrower regarding loan foreclosure and modification activities; and
- (c) the testing of the integrity and accuracy of the new or enhanced MIS to ensure that reports generated by the system provide necessary information for adequate monitoring and quality controls.

Mortgage Servicing.

21. Within sixty (60) days of the Order, the Association shall submit to the Regional Director an acceptable plan, along with a timeline, for ensuring effective coordination of communications with borrowers, both oral and written, related to Loss Mitigation or loan modification and

foreclosure activities: (i) to ensure that communications are timely and effective and are designed to avoid confusion to borrowers; (ii) to ensure continuity in the handling of borrowers' loan files during the Loss Mitigation, loan modification and foreclosure process by personnel knowledgeable about a specific borrower's situation; (iii) to ensure that reasonable and good faith efforts, consistent with applicable Legal Requirements, are engaged in Loss Mitigation and foreclosure prevention for delinquent loans, where appropriate; and (iv) to ensure that decisions concerning Loss Mitigation or loan modifications continue to be made and communicated in a timely fashion. Prior to submitting the plan, the Association shall conduct a review to determine whether processes involving past due mortgage loans or foreclosures overlap in such a way that they may impair or impede a borrower's efforts to effectively pursue a loan modification and whether Association employee compensation practices discourage Loss Mitigation or loan modifications. The plan shall be implemented within one hundred twenty (120) days of this Order. Any corrective action timeframe that is in excess of one hundred twenty (120) days must be approved by the Regional Director. The plan shall include, at a minimum:

- (a) measures to ensure that staff handling Loss Mitigation and loan modification requests routinely communicates and coordinates with staff processing the foreclosure on the borrower's property;
- (b) appropriate deadlines for responses to borrower communications and requests for consideration of Loss Mitigation, including deadlines for decision-making on Loss Mitigation activities, with the metrics established not being less responsive than the timelines in the HAMP;
- (c) establishment of an easily accessible and reliable single point of contact for each borrower so that the borrower has access to an employee of the bank to obtain

information throughout the Loss Mitigation, loan modification, and foreclosure processes;

(d) a requirement that written communications with the borrower identify such single point of contact along with one or more direct means of communication with the contact;

(e) measures to ensure that the single point of contact has access to current information and personnel (in-house or third-party) sufficient to timely, accurately, and adequately inform the borrower of the current status of the Loss Mitigation, loan modification, and foreclosure activities;

(f) measures to ensure that staff are trained specifically in handling mortgage delinquencies, Loss Mitigation and loan modifications;

(g) procedures and controls to ensure that a final decision regarding a borrower's loan modification request (whether on a trial or permanent basis) is made and communicated to the borrower in writing, including the reason(s) why the borrower did not qualify for the trial or permanent modification (including the net present value calculations utilized by the Association, if applicable), by the single point of contact within a reasonable time before any foreclosure sale occurs;

(h) procedures and controls to ensure that when the borrower's loan has been approved for modification on a trial or permanent basis that: (i) no foreclosure or legal action predicate to foreclosure occurs, unless the borrower is deemed in default on the terms of the trial or permanent modification; and (ii) the single point of contact remains available to the borrower and continues to be referenced on all written communications with the borrower;

- (i) policies and procedures to enable borrowers to make complaints regarding the Loss Mitigation or loan modification process, denial of modification requests, the foreclosure process, or foreclosure activities which prevent a borrower from pursuing Loss Mitigation or loan modification options, and a process for making borrowers aware of the complaint procedures;
- (j) procedures for the prompt review, escalation, and resolution of borrower complaints, including a process to communicate the results of the review to the borrower on a timely basis;
- (k) policies and procedures to ensure that payments are credited in a prompt and timely manner, that payments, including partial payments, to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and/or escrow before fees, and that any misapplication of borrower funds is corrected in a prompt and timely manner;
- (l) policies and procedures to ensure that timely information about Loss Mitigation options is sent to the borrower in the event of a delinquency or default, including plain language notices about Loss Mitigation, loan modification, and the pendency of foreclosure proceedings; and
- (m) policies and procedures to ensure that foreclosure, Loss Mitigation, and loan modification documents provided to borrowers and third-parties are appropriately maintained and tracked, that borrowers generally will not be required to resubmit the same documented information that has already been provided, and that borrowers are notified promptly of the need for additional information; and

(n) policies and procedures to consider loan modifications or other Loss Mitigation Activities with respect to junior lien loans owned by the Association, and to factor the risks associated with such junior lien loans into loan loss reserving practices, where the Association services the associated first lien mortgage and becomes aware that such first lien mortgage is delinquent or has been modified. Such policies and procedures shall require the ongoing maintenance of appropriate loss reserves for junior lien mortgages owned by the Association and the charge-off of such junior lien loans in accordance with Federal Financial Institutions Examination Council (FFIEC) retail credit classification guidelines.

Effective Date, Incorporation of Stipulation.

22. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

23. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

24. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

25. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

26. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

27. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To the OTS¹:

Regional Director Philip A. Gerbick
OTS Western Regional Office
225 East John Carpenter Freeway, Suite 500
Irving, Texas 75062-2326

(b) To the Association:

Mr. Joseph M. Otting
President and Chief Executive Officer
OneWest Bank, FSB
888 E. Walnut Street
Pasadena, California 91101-7211

¹ Following the Transfer Date, see Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520-21 (2010), all submissions, requests, communications, consents or other documents relating to this Order shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

Scope of Board Responsibility.

28. In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Association, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Association as may be necessary for the Association to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Association management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any material non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any material non-compliance with such actions.

No Violations Authorized.

29. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Philip A. Gerbick
Regional Director, Western Region

Date: See Effective Date on page 1

that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

Consent.

3. The Association, without admitting or denying any wrongdoing, consents to the issuance by the OTS of the accompanying Order. The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

4. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

5. The Association waives the following:

- (a) the right to be served with a written notice of the OTS’s charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS’s charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and

(d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

6. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

7. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

8. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

9. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

10. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

11. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

12. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters. Nothing in this Stipulation or the Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Order.

13. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

14. For purposes of, and within the meaning of 12 C.F.R. §§ 563.555, 563.560, and 565.4, this Consent Order shall not be construed to be a "cease-and-desist order", "consent order", or "order", unless the OTS informs the Association otherwise.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation.



October 11, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

Dear Mr. Hurwitz,

SBDC files these comments in opposition to the proposed acquisition of IMB and OneWest Bank by CIT Group (CIT). We call for an extension of the comment period, and public hearings on the matter to be held in Los Angeles.

The merger is of particular concern because this merger would create the newest Too Big to Fail Bank, or Systemically Important Financial Institutions (SIFI). And yet, both of these institutions are products of failed institutions that have benefited from various forms of public subsidy, but have not provided sufficient commitments to serve our communities. This merger will not provide a clear public benefit, and as such, the regulators must scrutinize the merger before approving another Too Big to Fail Institution.

Specifically, OneWest was borne from the ashes of Indymac Bank, a failed lender that made too many problematic loans in our communities. The OneWest investors received not only a bargain basement price to purchase Indymac, they also obtained a favorable loss share agreement with the FDIC that provided for the FDIC to cover a significant amount of the losses on loans made by Indymac. In other words, OneWest investors paid little for a bank that came with limited risks to the investors.

CIT Group sought and received \$2.3 billion in TARP funds. As if that were not enough, CIT soon thereafter filed one of the biggest bankruptcies in history, and failed to repay its TARP funds.

Our concerns about this merger include:

- Another Too Big To Fail Bank is not what our communities need.

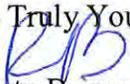
- The transfer of OneWest's loss share agreement to CIT is not appropriate. Loss share agreements are meant to protect our financial system, not enrich investors and private companies.
- Most of OneWest Bank's "small business" lending has gone to banks over \$1 million in revenue.
- OneWest and its reverse mortgage lender were responsible for foreclosing on over 40,000 seniors and residents of California over the last 4 years.
- Over 450 complaints against OneWest were filed by OneWest customers with the CFPB over the last 32 months, with 432 of those complaints relating to mortgages.
- OneWest offers a community plan that does not oblige it to noticeably increase its reinvestment activities, even though its asset size will dramatically increase.
- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
- OneWest has a low 15% of its branches in LMI neighborhoods, including only two branches in low income neighborhoods.
- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 818 907 9977 ext. 206.

Very Truly Yours,


Roberto Barragan
President

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB



VEDC

October 11, 2014

Ivan J. Hurwitz
Vice President, Bank Applications Function
33 Liberty Street, New York, NY 10045-0001
comments.applications@ny.frb.org

Re: Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings

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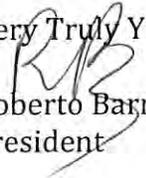
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- OneWest received a "low satisfactory" under the Investment test, in its most recent CRA Performance Evaluation.
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- The Bank will significantly underperform its peers in overall CRA activity as a percentage of its California deposits.
- The Bank's low level of charitable contributions as a percentage of its California deposits is below many of its peers, and the bank has only provided 7% of contributions to support housing and economic development activities and groups.
- The Bank has no specific goals to contract with Minority/Women/Disabled Business Enterprises.
- The Bank has no multifamily loan product to support affordable housing development.
- Though it takes deposits nationally via its internet platform, CIT Bank only reinvests in Utah, where it is headquartered, not where its depositors reside. The combined bank must reinvest where depositors live, and where CIT and OneWest earn profits.

For all of these reasons, we urge the Federal Reserve Bank to extend the comment period and hold hearings in Los Angeles so that a fuller picture can be presented about the negative impacts this merger can have on local communities, and the failure of OneWest Bank to develop and make public a strong CRA Plan that identifies and addresses local community needs.

OneWest needs to be held accountable to serving its communities through clear CRA benchmarks and timetables. The regulators must not rubber stamp this merger, allow the transfer of loss sharing agreements, and create another Too Big To Fail bank without ensuring the Bank works to undo the damage of Indymac Bank by stabilizing and revitalizing our neighborhoods.

If you have any questions about this letter, or wish to talk further, please feel free to contact me at 818 907 9977 ext. 206.

Very Truly Yours,


Roberto Barragan
President

Cc: California Reinvestment Coalition
Janet Yellen, Chair, Federal Reserve Board of Governors
Thomas Curry, Comptroller, OCC
Martin Gruenberg, Chair, FDIC
Mel Watt, Director, FHFA
Richard Cordray, Director, CFPB

From: [NY Banksup Applications Comments](#)
To: [Whidbee, Robin](#); [McCune, Crystall](#); [Caetano, Ruth](#); [Brannon, Lisa](#)
Subject: FW: Hi, CRC comments on OneWest CIT
Date: Monday, October 13, 2014 6:20:55 PM
Attachments: [CRC Opposition Letter to Bank Merger 10.13.14.pdf](#)

From: Kevin Stein
Sent: Monday, October 13, 2014 6:17:58 PM (UTC-05:00) Eastern Time (US & Canada)
To: Boyd, Anna A (Board); Fishbein, Allen J (Board); Firschein, Joseph A (Board); NY Banksup Applications Comments
Subject: Hi, CRC comments on OneWest CIT

Dear Anna, Allen, Joseph and New York Fed staff,

Attached are the comments of CRC and a number of our members in opposition to the application by CIT Group to acquire OneWest Bank and its holding company. We submitted the comments of CRC and 24 groups on Friday. This file includes those letters, plus 5 additional letters from groups that have submitted comments over the weekend. We expect there will be more and may periodically update you.

Can you share this letter with Chair Yellen? Thanks!

Kevin

--

Kevin Stein
California Reinvestment Coalition
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CALIFORNIA REINVESTMENT COALITION

October 10, 2014

Janet Yellen
Chair
Federal Reserve Board of Governors

Thomas Curry
Comptroller
Office of the Comptroller of the Currency

Martin Gruenberg
Chair
Federal Deposit Insurance Corporation

Mel Watt
Director
Federal Housing Finance Agency

Richard Cordray
Director
Consumer Financial Protection Bureau

Re: *Opposition to CIT Group application to acquire IMB and OneWest Bank, request for extension of the comment period, request for public hearings*

Dear Chairs Yellen and Gruenberg, Directors Watt and Cordray, and Comptroller Curry,

The California Reinvestment Coalition files this timely comment letter to register our opposition to the application by CIT Group (CIT) to purchase IMB, to merge CIT Bank and OneWest Bank (OWB), and to transfer the loss share agreement from OWB to CIT. We write to each of you given that various approvals by your agencies are required in order for this transaction to proceed.

Additionally, we call for an extension of the comment period to allow for responses to relevant Freedom of Information Act (FOIA) requests and to allow for the public to offer further comment. We also request that public hearings on this merger be held in Los Angeles to allow for the necessary input and consideration of the many issues involved in this merger and so that communities impacted by the legacy of problematic lending practices and bank failures have adequate opportunity to comment on the proposed merger of these two institutions.



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This merger should not be approved without substantial conditions that would ensure that the Bank adequately reinvests in communities where its customers reside, helps revitalize neighborhoods still suffering from the effects of the foreclosure crisis that Indymac and OWB helped create, and otherwise provides a public benefit that outweighs the continuing public costs imposed by Applicants. The California Reinvestment Coalition opposes this merger in its current form.

The California Reinvestment Coalition (CRC), based in San Francisco, is a nonprofit membership organization of nonprofit organizations and public agencies across the state of California. We work with community-based organizations to promote the economic revitalization of California's low-income communities and communities of color through access to financial institutions. CRC promotes increased access to credit for affordable housing and community economic development, and to financial services for these communities.

Legal Standards for Merger Approval Have Not Been Met

We believe this merger does not meet the legal requirements of Section 3(c) of the Bank Holding Company Act, as implemented by Section 225.13 of Regulation Y in light of:

Suspect Financial and Managerial Resources – The excessive compensation built into this transaction (with multi-million dollar signing bonuses and million dollar salaries for part time work) and the Bank's stated plans for payment of dividends before establishing itself as a SIFI that must, and does, comply with additional and complex regulatory and capital requirements calls into question the managerial resources of the Bank's leaders.

Risks to Financial Stability – A few years ago, CIT filed what was one of the largest bankruptcies ever because it was so interconnected to other companies and aspects of the economy that it faced liquidity issues. Is CIT truly less complex and interconnected now than it was at the time it filed for bankruptcy? In seeking regulatory approval to create the newest SIFI, this transaction by definition increases risks to financial stability. The regulators must exercise due diligence in evaluating risks to financial stability, and not rubber stamp this proposed merger.

Failure to Meet the Convenience and Needs of the Community – OneWest has not adequately met the convenience and needs of its communities. The Bank caters to upper



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income clients. A meager 15% of its branches are in low and moderate-income census tracts, compared to the statewide average for all institutions of 30% of bank branches in LMI tracts. According to analysis by Los Angeles Local Development Corporation, only two of the Banks' seventy-three branches are in low-income tracts. The majority of the bank's "small business" loans are to businesses with over \$1 million in revenue. The Bank has an affordable bank account product, but it does not market it. OneWest and Financial Freedom foreclosed on over 35,000 California seniors and homeowners.¹ The Bank's charitable donations are below the level of its peers, and a mere 7% of its contributions have gone to support housing and economic development work. Overall, as a percentage of its deposits in California devoted to CRA activities, we believe OneWest ranks among the worst CRA performers, based on the limited data provided by OneWest.

No Evidence This Transaction Will Provide a Public Benefit – The Bank has offered a CRA plan based on minimal community input, and this shows. The Bank has not indicated how its Plan meets community need, nor how it is a substantial enhancement to its existing activities, despite the new bank growing significantly in deposits and assets. The Plan does not include goals for MWDBE vendor contracting. The goals for community development lending and investing represent loans and investments in portfolio, not those generated on an annual basis, and it appears the Bank has already exceeded the goals it sets. In other words, it is not clear that the OWB CRA Plan represents a commitment to engage in any further community development lending or investing in the short term. OneWest must develop a strong Community Benefits and Reinvestment Plan in conjunction with community groups, sign it, make this Plan available to the public and submit it as part of the current application. At this time, the Bank has not demonstrated that the proposed transaction will provide a public benefit that outweighs the continuing public subsidy at stake.

Summary of Concerns:

We have several concerns about this proposed merger. We summarize these concerns here and discuss them more fully, below:

Too Big to Fail. With this merger, perhaps for the first time ever, the regulators would be enabling the creation of a new Systemically Important Financial Institution (SIFI), or Too

¹ ForeclosureRadar data, Urban Strategies Council analysis, October 2014.



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Big to Fail bank. The precedential nature of this application argues for close scrutiny of the proposed transaction.

Public subsidy. CIT took \$2.3 billion in TARP funds during the financial crisis. Soon thereafter, it filed one of the biggest bankruptcies in history, which wiped out its obligation to repay the U.S. taxpayer. Indymac Bank, the predecessor to OneWest, failed for having made too many problematic loans that harmed communities and families, dipped into the FDIC Deposit Insurance Fund to the tune of \$10 billion and was later taken over by the FDIC in one of the biggest bank failures in U.S. history.

Loss share. The wisdom of the FDIC selling Indymac relatively cheaply and with a risk-reducing loss share agreement in place is debatable. But the transfer of this valuable loss share agreement from OWB to CIT serves no public purpose, especially without clear evidence that OWB complied with its obligations to faithfully administer loan modification programs and otherwise comply with the terms of the loss share agreement. The FDIC should not rubber stamp this proposed transfer.

Problematic loss mitigation and need for an independent audit. OWB has a checkered history of loss mitigation, as reflected in litigation, foreclosure data, consumer complaints, and comments by housing counselors in CA. Indymac's problematic lending and OWB's problematic servicing harmed borrowers and communities in our state. The FDIC must commission an outside party to conduct an independent audit of OWB to confirm whether it has met its obligations under the loss share agreement and to make the results of this audit public before considering whether or not to allow the benefits of the agreement to transfer to CIT.

Reverse mortgages and impacts on seniors. Problematic reverse mortgage servicing by OWB affiliate Financial Freedom has led to over 2200 foreclosure sales on seniors in California. Disturbingly, Financial Freedom does not meaningfully allow for surviving spouses not listed on the loan to remain in the home. Several federal agencies have recently developed policies to protect widows and orphans and successors in interest in the conventional market. This transaction should not be approved until Financial Freedom develops adequate policies to ensure this tragedy will end.

Excess compensation. The size of investor and bank officer gains if this merger is approved is astonishing. Bank officers can receive annual salaries well in excess of what the entire



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Bank will devote to contributions to the community. Excess compensation raises questions about the bank's managerial resources.

Payment of dividends. CIT comments suggest it plans to increase shareholder dividend payouts, even before it has established itself as a SIFI and proves it can meet heightened scrutiny and new regulatory and capital requirements. Given the presumed negative market reaction to any decision to lower or eliminate dividends, CIT is therefore putting itself in a position where it will face pressure to continue to offer dividends, even if profits go down. Additionally, the payment of dividends reduces a bank's capital and the amount of money available to lend. The regulators should determine whether this is prudent for a new SIFI subject to new regulatory and capital requirements, and which also must meet community credit needs.²

Tax reductions. CIT touts its ability to use the profits generated from this proposed merger to unlock value by utilizing Net Operating Loss machinations as a means of reducing its tax obligations. First CIT used bankruptcy proceedings to wipe out its obligation to repay \$2.3 billion in TARP funds. Now it proposes to use this merger to reduce its tax obligations. Regulators must end this cycle of public losses and private gains represented by OWB and CIT actions.

Lack of transparency. OWB has not been sufficiently forthcoming regarding its CRA performance and its relation to the loss share agreement. OWB has declined to answer a set of fourteen questions CRC asks of all of the largest banks, and refuses to answer the question of how much money OWB has received from the FDIC under the loss share agreement. Additionally, the FDIC has initially denied CRC's fee waiver request relating to our FOIA filing about the loss share agreement, in light of our nonprofit organization's purported "commercial purpose," and makes the bewildering comment regarding government agency responses to the financial crisis, that this "subject matter is not now of interest to the general public."³ Further, the OCC should divulge any communications it has had with CIT and/or OWB regarding CRA assessment areas and how Internet deposits would be assigned for purposes of community reinvestment responsibilities. Finally, the California Department of Business Oversight (DBO) has denied Public Record Act requests for basic complaint data for companies affiliated with OWB and CIT, even though similar data have been provided to the public upon request in the past.

² "Banks Should Not Be Allowed to Pay Dividends Until They Are Better Capitalized," Financial Times, February 15, 2011.
³ FDIC letter to CRC re: FDIC FOIA Request Log No. 15-0008, October 7, 2014.



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No clear public benefit. The Banks fail to offer a strong, signed CRA Plan that is commensurate with its post-merger size. OWB has shared a draft plan that will not meet community credit needs or noticeably increase the bank's lending, investment and services to low and moderate income consumers, businesses, and communities. We believe that OWB is below its peers in overall CRA activity as a percentage of deposits in its past performance and under its proposed CRA Plan.

Manipulation of CRA responsibility. CIT Bank is an Internet based bank that reinvests its significant deposits primarily around its Salt Lake City, Utah headquarters, despite the fact that its customers reside throughout the United States. This frustrates the purpose of the CRA, which is to require reinvestment of deposits back into the communities from which they came.

Request for extension of the comment period and to hold public hearings. CRC formally requests an extension of the comment period. CRC maintains that additional time is necessary to develop factual information that the Federal Reserve needs for its full consideration of the application, and as other extenuating circumstances exist.

CRC formally requests an extension of the comment period so that the record can be augmented and the public can better understand the Bank's CRA performance and plans. CRC requested information from OWB at the beginning of August 2014. The information requested was the same information requested of other financial institutions and provides CRC and its members with a basis for comparing bank performance across the industry. Despite what we understood to be an early commitment to respond to this request, OWB has not responded to this letter. Similarly, the Bank held a "community meeting" during which information was presented, though the Bank's power point presentation was not made available to the public before or after the event, despite requests to do so. The bank left about 15 minutes at the end of the "community meeting" to take comments from the public. The bank did later meet with CRC and its members and did answer certain questions asked, but has not provided the same information that other institutions have.

Additionally, when asked directly how much money, if any, the FDIC has paid to OWB under the loss share agreement, the Bank responded that it would not provide that information. We believe it is important for the public to know, and have submitted a FOIA request with the FDIC for this and other information.



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Further, we are concerned that CIT and/or OWB may have had conversations with the OCC regarding its future reinvestment obligations. As this transaction raises significant and novel questions relating to how banks and their regulators view assessment areas for Internet and other non-retail banks, we believe there should be transparency around such communications. As such, we hereby request under the Freedom of Information Act (FOIA), all documents relating to communications by and between the OCC, OWB, and/or CIT regarding the future CRA assessment area of the pro forma CIT Bank.

Finally, one day before the comment period ended, the Federal Reserve Bank of New York provided over 100 pages of application materials that had previously been deemed “confidential.” One day to review over 100 pages that was sent without advanced notice is not sufficient time to review and analyze the newly public portions of the application. As such, an extension of the comment period is warranted.

We believe the comment period should be extended to allow for this information to be provided and considered as part of the application. The broad array of issues involved in this merger necessitates public hearings to further develop the record, and we urge the Federal Reserve to hold hearings in Los Angeles.

We now consider each of these issues in greater detail.

Loss sharing Agreement cannot, and should not, be transferred to CIT

On March 19, the FDIC and OWB entered into a loss share agreement that provided for OWB to absorb the first 20% on covered loan losses (approximately \$2.5 billion of “first loss” obligation), with the FDIC picking up 80% of the ensuing 10% of covered losses, then 95% of further covered losses.⁴

While it may have made sense at that time for the FDIC to sell Indymac’s assets at a discount, or with a loss share agreement that limited the risk to Indymac’s purchaser, many have questioned whether the FDIC went too far in offering a sweetheart deal to the OWB investors. Indeed, the FDIC later abandoned loss share provisions that required the FDIC to pick up 95% of certain covered losses, suggesting it realized that this was improper and unnecessary.

⁴ OneWest Shared Loss Agreement, at <https://www.fdic.gov/about/freedom/IndyMacSharedLossAgrmt.pdf>.



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None other than the American Banker noted in 2010 that “in less than a year, private equity buyers of IndyMac Bank.... have turned a \$1.6 billion profit...Yet thriving on a mess that has already cost tens of thousands of IndyMac borrowers their homes is an awkward situation, and not just for the team of billionaire backers including George Soros, John Paulson and Christopher Flowers...But it’s the terms of the FDIC deal that have yielded the bank’s outsize earnings. OneWest paid \$13.9 billion for IndyMac’s assets – a 23% discount to their face value that more than covered OneWest’s \$2.5 billion “first loss” obligation.”⁵

But just how much has the FDIC paid to OWB to cover losses under the loss share agreement? We do not know, though it is not for lack of trying. OWB refuses to answer this question, forcing us to file a FOIA request with the FDIC. The FDIC, for its part, has already indicated that it may deny our fee waiver request because, somehow, the FDIC believes our nonprofit has a “commercial purpose” in asking for this information. Even more baffling, the FDIC’s initial response to our FOIA fee waiver request suggests that the "subject matter is not now of interest to the general public."⁶

CRC believes, based on our research of publicly available data, that over \$1 billion may yet be paid by the FDIC to OWB’s billionaire investors, and that some unknown amount has already been paid. We believe the comment period on this application should be extended to ensure the public has an opportunity to receive and analyze this information.

Regardless, the FDIC should reject the transfer of the lucrative loss share agreement from OWB to CIT. Loss share agreements may have made sense during the heart of the financial crisis when the public was alarmed and the FDIC was left to run failed banks. The loss share agreements were meant to stabilize our financial system. They were not meant to enrich wealthy investors well after the peak of the crisis. If this deal is approved, investors will reap \$3.4 billion in cash and stocks, and investors may more than double their original investment between sale proceeds and dividends paid out. The transfer of the loss share agreement to CIT would serve no public purpose or interest. Loss share agreements represent needed public support during a time of crisis. They should not be bought and sold like a commodity, or traded like baseball cards. The FDIC should not rubber-stamp this request by the Applicants to approve the transfer of the agreement from OWB to CIT.

⁵ Jeff Horowitz, “OneWest Makes Money, But Making Friends is the Harder Part,” American Banker, February 23, 2010.

⁶ FDIC letter to CRC re: FDIC FOIA Request Log No. 15-0008, October 7, 2014.



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OWB Compliance with Loss Share Agreement obligations to implement loss mitigation programs must be confirmed by an independent audit and the results of that audit made public.

OWB obligations, in general. OWB's loss share agreement with the FDIC required it to adhere to certain loan modification programs, such as the FDIC and HAMP loan modification programs. Before considering whether to transfer the loss share agreement to CIT, the FDIC must first determine that OWB was in compliance with the obligations imposed on it under the loss share agreement. This is best accomplished by arranging for an independent audit of OWB's loss mitigation performance and by making the results of this audit publicly available.

Independent audit is needed. We note that the FDIC conducted at least one of its own such audits in July of 2011, in response to a letter purportedly from OWB employees alleging that they were instructed to reject as many loan modifications as possible. The FDIC found no evidence to support the allegations, and indicated it would not publicly release the report in its entirety as it included confidential commercial information. But only with an audit conducted by an independent third party and released broadly can the public have confidence that OWB complied with its obligations under the loss share agreement.

The loss share agreement provides that on a quarterly basis, the FDIC is entitled to perform its own audit of OWB's compliance with the terms of the loss share agreement. CRC requests that the FDIC identify the number of quarters during which it exercised its due diligence by conducting an audit of OWB's compliance.

Obligation to participate in loan mod programs. The loss share agreement obligates OWB to comply with the Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages, which states, in part, that "loss mitigation techniques that preserve homeownership are generally less costly than foreclosure... Where appropriate, servicers are encouraged to apply loss mitigation techniques that result in mortgage obligations that the borrower can meet in a sustained manner over the long term."⁷ OWB's track record calls into question whether it complied with the appropriate policies and loss mitigation programs.

⁷ Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages," OCC, 2007, at <http://www.occ.gov/news-issuances/bulletins/2007/bulletin-2007-38a.pdf>



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Numerous foreclosures. For one, OWB foreclosed on a large number of homeowners over the last few years. CRC believes that since OWB took over Indymac, Indymac/OWB and Financial Freedom foreclosed on over 35,000 seniors and other homeowners from California, according to data from Realtytrac.⁸

Treasury reports raise concerns. Reports on servicer HAMP performance from the Treasury Department confirm OWB was more likely to foreclose on its borrowers than other banks. In the Program Performance Report Through November 2013, out of nine servicers participating, OneWest had the second highest rate of completed foreclosures for homeowners who were not accepted for a HAMP trial, as well as for those whose HAMP permanent modification was denied.⁹ Similarly, in September of 2013, out of eight servicers participating, OneWest had the highest percentage of completed foreclosures for homeowners who were disqualified for a permanent loan modification.¹⁰

Numerous CFPB complaints. Further, consumers have filed over 450 complaints against OWB with the Consumer Financial Protection Bureau over the last 32 months, with 432 of those complaints related to mortgages and loan modifications.

Litigation: False Claims Act claim raises serious allegations. Significantly, earlier this year a federal court unsealed a False Claims Act complaint against OWB alleging that OWB routinely violated the HAMP program and FHA loss mitigation rules. In *United States ex rel Fisher vs. OneWest Bank FSB*, the complaint also alleged that OWB “almost always” added new debt to the borrower’s loan balance.

Other litigation. OWB and its servicing operations have been the subject of additional litigation, including:

- In *Sayonara Reyes et al vs. IndyMac Mortgage Services*, a division of OneWest Bank, a class action complaint was filed against OWB with claims of breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel and violation of the Massachusetts state law alleging a failure to honor trial period payment plans.

⁸ ForeclosureRadar data, Urban Strategies Council analysis, October 2014.

⁹ Making Home Affordable: Program Performance Report Through November 2013.

¹⁰ Making Home Affordable: Program Performance Report Through September 2013.



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- In *Maloney v IndyMac Mortgage Services, OneWest Bank*, a class action complaint was filed alleging that OWB required certain borrowers to purchase flood insurance in excess of what their mortgage contract and federal law requires.
- In *Fletcher vs. IndyMac/OneWest Bank*, a putative class action complaint was filed alleging OMB mishandled plaintiff's HAMP application and that OWB's practices fell into a pattern of misconduct.
- In 2013, a San Luis Obispo couple received a million dollar plus settlement from OWB for foreclosing on them while they believed they were negotiating for a loan modification.

Counselors rate OWB among the worst servicers. Additionally, housing counselors from California serving thousands of homeowners in distress have rated OWB among the worst servicers, according to surveys conducted by CRC over the years.

- In a July 2010 survey,¹¹ thirty housing counselors cited OWB as the worst offender for not offering affordable loan modifications, more than all fifteen of the other servicers surveyed.
- Later that year, only two servicers received more votes than OWB from housing counselors for being the most difficult servicer to work with in trying to help homeowners avoid foreclosure.¹²
- In June of 2011, 50% of responding counselors rated OWB as "terrible," a higher percentage than for *all* other eleven servicers considered.¹³ Counselor comments regarding OWB included:
 - "Indymac. Terrible customer service. Get the run around."
 - "IndyMac. The average processing time is 12 months. They continually request updated documents and state that they never received docs. It's so frustrating. Even when you escalate the file the same results occur, having to update docs continually for months on end."
 - "Chase and OneWest (Indymac) are in a tie. Both entities string along homeowners with hopes of obtaining a modification and ultimately denying the hardship request due to 'excessive forbearance.' It almost appears to be done intentionally rather than being a capacity issue."

¹¹ Chasm Between Words and Deeds VI: HAMP Is Not Working. California Reinvestment Coalition, July 2010.

¹² Chasm Between Words and Deeds VII. California Reinvestment Coalition, 2011.

¹³ Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California. California Reinvestment Coalition and Urban Strategies Council, July 2011.



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- “We are having a difficult time with Chase’s and IndyMac’s customer service representatives. We get an entirely different request each time we call even when the documents are in their system and they can see them. They are not able to explain what else is needed.”
- “IndyMac/OneWest hardly ever gives loan mods.”
- “Indymac Bank/OneWest, they constantly lose documents.”
- “Indymac. Customer service reps are incompetent, oppositional, and frequently fail to take notes. I have established gross income figures three times in one case only to have the rep on the phone fail to find record in their notes of my previous phone call. Difficult specific RMA forms, and just plain nasty customer service rep attitudes.”
- “Indymac is one of the worst. Not willing to work with the homeowner at all.”
- In a February 2012 survey,¹⁴ 95% of responding counselors said OWB was “terrible” or “bad,” the second worst rating of all servicers considered.
- That same survey year, OWB was voted second “worst servicer.” Some comments from counselors about OWB in response to a question about the worst servicer include:
 - “Indymac: Their ability to receive documents (unless it is online) is atrocious. They seemingly are always missing docs that are already there. Their online portal is limited in data transfer capacity. Some of their loans are insured, giving them no motive to modify.”
 - “Indymac has the worst performance in terms of foreclosure prevention. Very difficult to obtain any assistance. We had a client that was a victim of dual tracking and had their home foreclosed on.”
 - “OneWest Bank/Indymac. They continue to request updated documents forever.”

Finally, Tenants Together, California’s statewide renter’s rights organization, received five complaints from tenants to its hotline regarding OneWest and Indymac. Tenants complained of Indymac/OWB issuing improper notices to tenants in REO homes, or violating local just cause ordinances protecting tenants from unlawful evictions.

¹⁴ Chasm Between Words and Deeds VIII: Lack of Bank Accountability Plagues Californians. California Reinvestment Coalition. April 2012.



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Clearly, OWB had a problematic servicing record, which is hard to reconcile with its obligations under the loss share agreement. As such, the FDIC should not make a decision about the transfer of the loss share agreement to CIT until an independent third party audit is conducted and the results are made publicly available.

Excess compensation calls into question Managerial Resources and Commitment to Community

The compensation to be paid out if this application is approved is astonishing. The Chair of the acquired institution may earn up to \$4.5 million annually working for the new CIT Bank, apparently only on a part time basis, as the offer letter appears to allow him to retain his other job of running a private equity fund.

The proposed CEO of the new Bank has two offer letters: one for up to \$5 million annually, and another for \$7.5 million in an initial Restricted Stock Unit which vests over three years, depending on performance. This exceeds even the SNL Financial estimate of median compensation for CEOs of banks with \$10 billion to \$500 billion in assets (\$4.2 million).

For both individuals, the offers confirm that in no event will either earn less than \$750,000 per year. In contrast to key Bank staff's offer of up to \$4.5 million, with a \$7.5 million signing bonus, Jamie Dimon, the CEO of the much larger JPMorgan Chase Bank earns roughly \$12 million per year.

A third officer has been offered a Restricted Stock Unit award of \$5 million to vest over three years.

CRC is concerned that this performance based executive compensation may be tax deductible,¹⁵ reducing CIT taxes paid to the U.S., providing a further cost of this merger to the US government (see below, Net Operating Loss, for more on taxes lost to the U.S. government as a result of this transaction).

The potential annual salaries of each of these officers exceed the amount of money OneWest commits to contribute to the community in 2015. This excess compensation speaks to managerial resources.

¹⁵ Steven Balsam, "Corporate tax deductions for executive pay cost U.S. \$7 billion in lost revenue in 2010." Economic Policy Institute, August 14, 2012 at <http://www.epi.org/press/corporate-tax-deductions-executive-pay-cost/>



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Prematurely increasing dividends is risky to the system and communities.

CIT comments suggest it will increase dividend payouts to its shareholders, with plans to deploy excess capital to shareholders, and that it is targeting a dividend and total payout ratio more in line with bank peers. The regulators must scrutinize whether this is appropriate given the need for a newly created SIFI to both maintain adequate capital levels, and to continue to lend and serve community credit needs.

It is established that dividends, once offered to shareholders, are difficult to reduce or eliminate, and may have an impact on a corporation's stock price. As such, it is difficult for companies to go from committing to offering dividends, to deciding to reduce or eliminate dividends, even if profits go down. Is CIT locking itself in a position of offering and maintaining dividend distributions, just as it is proposing to take on new capital and regulatory obligations that come with SIFI designation? Further, if increased dividends are paid out, this will result in less capital available to make loans to its customers, including LMI consumers.

For its part, OWB investors have reportedly taken out more than \$2 billion in dividends from the bank since it took over Indymac.¹⁶ This indicates a desire by OWB investors (and proposed future CIT shareholders) to implement an aggressive dividend distribution strategy.

If this application is approved, the new Bank should wait to see how it performs under its new SIFI regulatory obligations, and see that it is profitable, before moving to increase shareholder dividends. Other SIFI's have been denied permission to offer dividends in light of capital concerns and potential threats to financial stability. As one example, in March 2014, Citibank failed to gain approval for its capital plans even as a large bank that had been under such scrutiny since the crisis.¹⁷

Regulators must scrutinize and be transparent about how CIT's capital plans and shareholder distribution strategy relate to the new SIFI regulatory capital requirements it will be subject to, and importantly, how this strategy will impact the capital available to the Bank to adequately lend to and serve the low and moderate income communities where its customers reside.

¹⁶ Michael J. De La Merced, "2 Banks Forged in Crisis, CIT and OneWest, Are Set to Merge, to a Big Payoff," New York Times Dealbook, July 22, 2014.

¹⁷ Donna Borak, "Fed Rejects Capital Plans of Citi, 4 Others," America Banker, March 26, 2014.



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Touting tax benefits from this deal, CIT confirms continuing model of private investor gains while the public loses

Although this merger, if approved, is expected to increase CIT profits, CIT touts the ability of this transaction to reduce its tax burden by accelerating its Net Operating Loss (NOL). In a press release announcing the deal, CIT CEO John Thain, notes, “The transaction diversifies and lowers the cost of CIT’s deposits, broadens the products we can offer to our middle market clients, is accretive to earnings and return on equity, and *accelerates the utilization of our NOL...*”¹⁸ And in an investor presentation discussing the benefits of the deal, CIT notes that “OneWest’s operating profitability accelerates the rate at which CIT can utilize its NOL, benefitting cash taxes and regulator capital, and increasing present value of the NOL by \$300-\$400 million.”¹⁹ In other words, CIT through the purchase of OWB is able to take advantage of its tax-reducing asset. Unfortunately, the low and moderate income residents, and people of color living in the Bank’s assessment areas are unlikely to be able to utilize any tax reduction mechanism if their expenses exceeded their income in prior years. This is all the more distressing in light of the fact that in 2009, CIT filed for bankruptcy and wiped out its obligation to repay the U.S. its \$2.3 billion in TARP funds (representing the first reported loss to the program). Now the Bank through this purchase seeks to increase its profitability only to wipe out, or substantially reduce, its tax liability.

Problematic reverse mortgages through Financial Freedom hurt seniors and widows

OWB owns Financial Freedom, a reverse mortgage lender with a less than stellar reputation. Financial Freedom is responsible for over 2200 foreclosures of seniors in California since OWB took over. An issue of great concern to CRC members has been the rights and ability of non-borrowing spouses, or successors in interest, to remain in their homes after the passing of a loved one. CRC understands that Financial Freedom is not helpful to successors in interest on this issue.

Further, a recent state legislative bill on reverse mortgages designed to increase consumer education and protection garnered the support of 21 individuals, 19 of whom are believed to be Financial Freedom borrowers, or relatives of Financial Freedom borrowers. A representative excerpt from these letters reads, “As the daughter and heir of a Reverse

¹⁸ CIT to Acquire OneWest Bank for \$3.4 Billion in Cash and Stock.” CIT. New York, July 22, 2014 at <http://news.cit.com/press-release/cit-bank/cit-acquire-onewest-bank-34-billion-cash-and-stock>

¹⁹ CIT Acquisition of OneWest: Creating a Commercial Bank for the Middle Market. CIT investor presentation, July 22, 2014 at: <http://ir.cit.com/Cache/1500062445.PDF?Y=&O=PDF&D=&fid=1500062445&T=&iid=102820>



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Mortgage Borrower I can state with a certainty if the protections provided by this AB 1700 had been in place at the time of reverse mortgage origination my father would have understood his responsibility to ensure a reverse mortgage was suitable for his circumstances, if a reverse mortgage would meet his financial goals, provide financial security through his retirement and meet his goals for his estate and property upon his passing. Importantly, the AB1700 worksheet provides guidance to understand the consequences and risks and gives Borrowers and their family the necessary time to obtain professional financial and legal advice necessary before agreeing to a complex financial contract. After my two-year struggle with the financial institution to retain the family home after my father's passing, I feel it is crucial to require all family members to be involved in this process."²⁰

The CFPB and the OCC should ensure that Financial Freedom has policies and procedures in place to work with successors in interest and provide them a meaningful opportunity to remain in their homes after the passing of a loved one. This is especially compelling in light of recent policy changes at CFPB, Fannie, Freddie and Treasury designed to provide greater protection to these vulnerable borrowers.

Lack of transparency pervades this whole transaction.

The present applications, applicants and regulators have provided an opaque context for a complex transaction.

As noted above, in early August, CRC requested from OWB the same data we request from all institutions so that we can compare bank CRA performance across institutions. We have yet to receive a response to this request, though OWB has provided certain answers to certain other questions we have asked.

Likewise, OWB's "community meeting" saw OWB take up the vast majority of the meeting with its own presentation, allowing for just a few questions and comments from the public at the end. CRC requested data in advance of this meeting, as well as requested to see OWB's PowerPoint presentation after the meeting. These requests were denied. Further, the Bank will not answer questions about how much the FDIC has paid OWB under the loss share agreement.

²⁰ Letter of Noreen O'More to Assembly member Jose Medina in support of AB 1700, June 1, 2014.



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Nor will the Bank provide accessible CRA performance data so we can determine how the Bank stacks up to its peers, as well as its own past performance. The Bank was unwilling to provide lending and investment targets on an annual basis because it indicated that is not how it looks at CRA activity. And yet, the recently released application materials show the Bank has set annual goals for lending.²¹ With the data at our disposal, we estimate that OWB is at the bottom of the pack in terms of its overall commitment to CRA activity as a percentage of its deposits in the state.

Equally frustrating are the roadblocks put before us by the regulators. The FDIC will not grant our nonprofit a fee waiver so that we can find out more about, and share with the public the details of, the operation of the loss share agreements. Similarly, the state Department of Business Oversight has denied our Public Records Act request for complaint data relating to CIT, OWB and their affiliates. This despite the fact that CRC has made similar requests of DBO's predecessor, the Department of Corporations, and received such data for other institutions in the past. It is unclear whether DBO is reconsidering its response to our Public Records Act request.

Communities deserve better CRA performance from OWB and CIT:

Bank performance in meeting the convenience and needs of its communities is lacking. Indymac and OneWest caused great harm to communities and their residents with problematic lending, servicing and high foreclosures, and its inability to cover deposits without the FDIC stepping in.

Inflated, yet unimpressive CRA Ratings. On their most recent CRA Evaluations, both OWB and CIT received a rating of "Satisfactory." CRC believes that in the context of regulatory grade inflation (since inception of the CRA, 96% of banks have received a Satisfactory or higher), a "Satisfactory" rating is nothing to write home about, and calls into question the banks' commitment to serving their communities. We note further that OWB received a "Low Satisfactory" on the Investment test.

Few branches in LMI areas. OWB has a uniquely anemic low-to-moderate income (LMI) branch penetration. CRC urges banks to have at least 30% of branches in LMI areas, which is easily accomplished given that financial districts often are characterized as "low income"

²¹ OWB CRA Plan, Public Version of CONFIDENTIAL EXHIBIT 9, CRA Strategic Plan 2012-2015, p. 4



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based on residency. In 2012 in California, 30% of all branches for all institutions were in LMI tracts. OWB has only 15% of its branches in LMI tracts, and according to Los Angeles Local Development Corporation analysis, only 2 branches in low-income tracts. In contrast, fully 37.5% of census tracts in the Los Angeles MSA are low to moderate income.²² OWB will not commit to open new branches in LMI areas to balance out its branch network and to better serve low and moderate-income communities. CRC is concerned by Bank comments that suggest it may turn to mobile phones and other technology as a preferred vehicle to serve LMI households. The question here is, who is doing the preferring? OWB may wish to serve its LMI customers via technology, but many LMI, of color, elderly and other customers rely and depend on retail branch presence and the ability to interact face to face with bank staff. Additionally, the Bank should develop and market an affordable and sustainable bank account product that meets CRC Safe Money standards.

“Small” business lending? OWB’s small business lending consists of large loan sizes to large businesses. Over 70% of OWB’s “small business lending” is to businesses with over \$1 million in revenue. In 2012, OWB reported 101 small business loan originations, of which only 4 came in loan sizes under \$100,000, and 21 in loan sizes between \$100,000 and \$250,000. The Bank has not committed to participate in our state’s guaranteed loan program, which reaches minority owned and smaller businesses that are not often served by banks. The Bank has not committed to any specific level of support of technical assistance for small businesses. The Bank should strive to be a leader in SBA lending, and commit to offer lower loan sizes to smaller, qualified businesses.

Wither home lending? On home lending, the Bank has indicated it is not doing much, and that this is not how it sees itself serving the community. Yet, OWB has not done enough to offer good mortgage products to low income borrowers and neighborhoods, or borrowers of color and neighborhoods of color. OWB’s 2012 HMDA data show it particularly underperformed the industry in regards to serving Asian American borrowers (4.6% of OWB originations in the state and 5.9% of its originations in the Los Angeles MSA were to “Asian” borrowers, while for the industry the figures were 15.9% and 15.8%, respectively). OWB should design safe portfolio products with flexible underwriting, and develop marketing and outreach plans to offer and originate affordable and sustainable mortgage products to low and moderate income residents and to borrowers living in LMI neighborhoods.

²² OWB CRA Plan, Public Version of CONFIDENTIAL EXHIBIT 9, CRA Strategic Plan 2012-2015, p. 2.



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Contributions below peers. The Bank is behind its peer when it comes to contributions, in terms of amounts committed, as well as the percentage of contributions for housing and economic development. CRC is urging OWB to devote an amount equal to .03% of its deposits for contributions, 50% of which should support housing and economic development. The Bank has refused to commit to either benchmark. While several banks commit to half or more of contributions for housing and economic development, OWB devoted a meager 7% of its contributions to these community and wealth building purposes last year. Additionally, CRC and the Greenlining Institute have urged that OWB make a one-time \$30 million contribution in the first year of the new bank, in order to help alleviate the impacts on communities of the foreclosure crisis, and Indymac's and OWB's role in creating it. Likewise, the Bank has refused this request.

Community development lending and investment "goals?" The bank will not commit to annual goals for community development lending or investments, nor demonstrate how its portfolio-based goals relate to annual lending and investment performance. Based on limited data provided by the Bank, CRC believes OWB and CIT have already exceeded the community development lending and investment "goals" it set for itself. CRC urges that .3% of deposits be devoted for community development investments, with half of that for equity equivalent investments, and 1% of deposits be devoted for community development lending. The Bank should not rely on Mortgage Backed Securities investments, which do not add value to community development efforts. Further, the bank does not offer a multifamily loan product, and its commitment to develop a line of credit for nonprofits to purchase REOs is unclear.

No MWDBE goals. The Bank has set no goals for MWDBE vendor programs, committing only to do so in the near future.

No fees for public assistance recipients. The bank currently participates in the MoneyPass network and does not therefore charge CalWORKs recipients to access their public assistance funds at the ATM machine. But this situation may not persist, as the state is gearing up to put out a new Request for Proposal to confirm the vendor that will administer the program. That is to say that participating in MoneyPass may not be enough to ensure that recipients can access their funds for free. The Bank has not committed in writing to waive fees for EBT recipients regardless of which company controls the state contract or which system is used.



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Don't perpetuate outmoded and outdated CRA regulatory approaches that sell neighborhoods short.

An important issue implicated by this merger is the proper assessment area designation for a bank that generates its deposits, at least in substantial part, via the Internet, as the current CIT Bank does. CRC has long maintained – in challenging applications by H&R Block Bank, Charles Schwab Bank, Countrywide Bank, Capital One, and others – that it is both harmful to communities and inconsistent with the purpose of the Community Reinvestment Act to allow banks to take deposits nationally, but only reinvest in arbitrary and limited assessment areas of the bank's choosing. Such is the case currently with CIT Bank.

To their credit, CIT and OWB appear to acknowledge this dynamic in representing that current CIT internet bank customers who reside in OWB's California assessment areas, will have their deposits assigned to the California assessment areas for CRA purposes. In other words, CIT will reinvest deposits in those communities where certain CA Internet depositors reside. This is welcome. But why should this approach not be extended to the roughly \$13 billion in CIT deposits that currently only trigger reinvestment around CIT Bank's Utah headquarters?

The regulators must finally address the assessment area issue to reflect modern realities. Community groups have offered extensive testimony on this issue during bank mergers and at the CRA Hearings held in 2010. The regulators' failure to respond to changing industry practices has been detrimental to communities and the CRA itself. Here is an opportunity to start fixing the problem. This is especially an opportune time to do so if CIT decides to close its Utah bank headquarters. Those deposits should be assigned to the communities where depositors reside and where CIT generates revenue. In one precedent upon which to build, the regulators urged Charles Schwab Bank to identify and report on the top eight areas, outside of its headquarters, where it was engaged in CRA activity. The regulators and the bank here should formally designate CRA assessment areas in the twenty communities where the Bank has a relatively significant Internet depositor base and where it profits.

As noted above, CRC is concerned that OWB and CIT have begun to have such conversations with the OCC. These discussions have huge ramifications for communities, and as such, we formally request under the Freedom of Information Act, copies of all communications between OWB, CIT and the OCC relating to how Internet and CIT bank deposits will be considered for CRA assessment area purposes if the merger is approved.



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Section 3(c) of the Bank Holding Company Act, as implemented by Section 225.13 of Regulation Y, provides that regulators consider the Public Benefit to be derived from a proposed merger.

This merger will clearly provide no community benefits that would outweigh the risks and costs involved. Consumers are at risk of seeing even less convenience from an OWB that talks of moving towards more mobile and technology access for customers instead of branch access, and combining with an internet based CIT Bank. And OWB promises to maintain its outlier penetration into LMI neighborhoods. As for product offerings, consumers will not experience greater convenience as OWB and CIT products are both generally available in California. CIT is lending here already. If anything, the combination of institutions will only decrease competition.

As noted above, this transaction if approved guarantees the FDIC could remain on the hook for continuing Indymac losses through the presumed transfer of the loss share agreement, will result in CIT reducing its tax burden by virtue of its promise to investors to utilize Net Operating Loss magic, and *by definition, this SIFI-creating merger would generate increased risks to financial stability*. One \$70 billion asset institution is a greater threat to financial stability than two institutions under \$50 billion in assets.

It is possible the merger could have provided a public benefit if Applicants were prepared to make a strong and meaningful commitment to serve communities through the signing of a robust Community Benefits and Reinvestment Plan. They chose not to do so.

In light of the opportunity for the applicants to ensure this transaction provides a community benefit, and in recognition of the opinion of many groups in California that OWB is not currently meeting community credit needs, forty-five groups sent a letter to OWB outlining twenty one specific recommendations for how it could well serve low and moderate income communities and communities of color in its assessment areas (see Attachment A). The bank reviewed and discussed those recommendations, but ultimately accepted few of them, and committed to do little beyond what it is currently doing.

It is especially appropriate that OWB commit to a strong Community Benefits and Reinvestment Plan, given the harm Indymac and OneWest caused with problematic lending, servicing and high foreclosures, and given the amount of public subsidy that has been invested, and may yet be invested, in OWB and CIT and their investors.



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In contrast, Banc of California, serving the same Southern California markets, but roughly 1/10th the size of the pro forma CIT Bank, committed to a signed, strong, Community Benefits and Reinvestment Plan. The Banc agreed to commit 20% of its deposits for CRA activity annually to support small businesses, low and moderate-income borrowers and community serving institutions. We estimate that the much bigger OWB/CIT Bank has committed closer to a mere 5% of its deposits towards CRA activity depending on data the Bank has refused to provide. Banc of California also agreed to market good banking accounts for low income consumers, be a leader in SBA lending, devote a majority of its charitable giving to housing, economic development and financial literacy, and other important initiatives that OWB refuses to confirm it will do.

No rubber-stamps, No further public subsidies for private gain.

Communities of color, low-income consumers, and the public need for the regulators to do their job and scrutinize this proposed transaction. Too many mistakes have been made in the past by financial institutions which have profoundly injured neighborhoods and their residents. Too many mistakes have been made by policymakers and regulators in allowing institutions and investors to profit at the expense of taxpayers and public institutions.

Conclusion

CRC believes that in order to fully consider the appropriateness of this merger and acquisition request, the Federal Reserve Bank, the OCC, the FDIC, and the GSEs must seek additional information, extend the comment period, and conduct public hearings in Los Angeles, in order to confirm whether OWB and CIT have truly met, and will meet, the credit needs of all of its communities and whether this merger will provide the necessary public benefit.

Please feel free to contact me at (415) 864-3980 if you wish to discuss this matter further.

Very Truly Yours,

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