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Subject: Request to testify re: OneWest-CIT merger
Date: Friday, February 20, 2015 11:23:37 AM
Attachments: [frb onewest-cit hearing testimony 150218.pdf](#)

Aloha Scott:

I would like to provide testimony to the board at the February 26, 2015 hearing regarding the OneWest-CIT merger. A mid-afternoon time slot would be preferred if available and I have ten minutes of material to present. Please advise as to technical availability of slide presentations via wifi iPad/Keynote or ppt.

The nature of the proposed testimony is set forth in the attached letter. If you are unable to accommodate this request, please make these comments part of the public record.

Thank you for convening a public hearing to review the appropriateness and public benefit of this transaction, and please feel free to call or respond by email.

Respectfully,

Michael Greenspon
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February 20, 2015

via email: sf.community.development.info@sf.frb.org

Mr. Scott Turner
Vice President, Community Engagement
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

RE: OneWest-CIT Merger Proposed Testimony for February 26, 2015 Hearing

Thank you, Chair Yellen and the board for convening a public hearing to review the appropriateness and public benefit of this transaction. My proposed testimony is as follows:

I am not opposed to the merger provided that certain conditions, outlined below, are met, because I think that as a public company, OneWest and its management will be subjected to far greater regulatory scrutiny and consumer protections, which they have thus far avoided during the past six years since their acquisition of IndyMac's assets from the FDIC at the height of the financial crisis.

During those six years, although the OTS imposed a consent decree finding "unsafe" and "unsound" default loan servicing and foreclosure practices on April 13, 2011, including OneWest's systematic making, proffering and recording of hearsay "boiler room" affidavits and falsely notarized title documents in courts and county recorders offices nationwide, and failure to adequately supervise its local counsel and service providers, it is not clear from the public record that there has been any material follow up to said consent order nor any substantial sanctions imposed nor corrective actions implemented, notwithstanding OneWest's apparent ongoing matter of course violations and deceptive practices, which I can attest to personally.

The OCC explicitly renewed the consent decree on February 20, 2014, when it conditionally approved OneWest's application for "conversion" of its charter from a thrift to a national association, and allowed OneWest to provide fiduciary services under the new charter. I would like to see all of the reports and data related to

OneWest's compliance with these orders regularly made public and directly accessible via the web. Further, it appears that although there was a July 12, 2013 publication made in the federal register regarding the July 3, 2013 conversion application, there was no mention of the fiduciary powers. No public hearings were held on that matter, nor apparently were any public comments solicited.

Given OneWest's track record for falsifying title documentation and affidavits as found by the OTS, and given that they regularly conducted said activities via their vendor Lender Processing Services (LPS) which the DOJ announced on February 15, 2014 had settled federal criminal fraud charges for its role in manufacturing the said documentation that OneWest's REO pipeline relied on to function, just prior to the May 28, 2014 announcement of LPS's \$2.9 billion reacquisition by Fidelity National Financial, a title insurance and restaurant services holding company, I suggest that the public would have had something to say about the wisdom of allowing OneWest to offer trust services as a principal part of its "business model."

Therefore, one of the conditions I would propose for the merger is that the NA charter be revoked to the extent of allowing provision of fiduciary services by the merged entity, and that it not be permitted to circumvent this restriction by subsequent merger, acquisition or combination.

Further, on April 18, 2014 I entered FOIA case number 2014-00321-F via the OCC's FOIA portal, requesting information regarding OneWest's said conversion and fiduciary services applications, all correspondence, and public comments related thereto. To date, although the request has been marked "closed", I have not received a response or production from the OCC.

Additionally, the OCC's said February 20, 2014 conditional conversion approval identified a subsidiary, OneWest Services LLC, as conducting activities which are "not permissible" for national banks. Although OneWest dissolved this services subsidiary on May 29, 2014, there seems to have been no further investigation and disclosure of the extent of the activities that the OCC determined to be "not permissible" nor any showing that these activities were actually discontinued and not merely shifted to a vendor or other intermediary, nor that the executives involved with the operations of this subsidiary would no longer have essential decision making roles in the merged entity.

Therefore, I must concur with the numerous and diverse community groups, including the California Reinvestment Coalition, who have expressed reservations regarding the proposed transaction on the basis of OneWest's inadequate transparency, disclosures, consumer protections and community reinvestment, and considering the harms caused by their voluminous REO activities.

I can also personally attest to OneWest's violations of the FDCPA and TILA statutes and abuse of the HAMP modification process, and would encourage much more stringent oversight and active ongoing evaluation of their activities by the board, the CFPB and the FTC, and complete public disclosure of all data, reports and findings.

Further, it appears that OneWest's principal owners may continue to be involved in extensive hedging activities that are not unrelated to the Abacus/Timberwolf type of transactions and conflicts of interest that the Senate Permanent Subcommittee on Investigations reviewed in its April 13, 2011 report, "Wall Street and the Financial Crisis: Anatomy of a Financial Collapse". It should seem clear to anyone willing to look under the tarp that the "big short" bet by OneWest's owners against residential mortgage-backed securities was covered to a great degree by acquiring IndyMac's assets at firesale prices from the FDIC, and then wrongfully foreclosing and evicting tens of thousands of families amidst an historical market downturn-and-churn and credit crunch engineered in large part by the collusion of these same players and their compadres.

Since according to the FDIC's disclosures of the IndyMac receivership obtained by CRC, the FDIC has incentivized the privateering profitability of the IndyMac-OneWest transaction to the tune of billions, I would make termination and restitution of the loss share a condition of the merger approval. Rather than return these funds to the FDIC insurance pool or SIFI fund however, I would designate them to support small business and community-based lending initiatives, financial education, housing counseling and legal aid, and active enforcement of consumer protection statutes.

Finally, given the foregoing landscape, I would urge the board to consider what apparent conflicts of interest exist in the management structure of the proposed merged entity, and to rectify those conflicts by requiring management to either fully commit its allegiance to the bank, shareholders, customers and community, or to resign to pursue their other, likely conflicting, non-public interests.

Thank you again for the time to provide and hear this perspective, and for an expansion of transparency, and timely and ongoing model public electronic disclosures of all available regulatory activities and data related to the proposed transaction and resulting entities.

Respectfully,



Michael C. Greenspon

Cc: Senator Brian Shatz
Senator Elizabeth Warren
Senator Barbara Boxer
Senator Jeff Merkley
Senator Charles Schumer
Senator Dick Durbin
Senator Carl Levin
Senator Bernie Sanders

Director Richard Cordray
Director Thomas Curry
Chief Counsel Amy Friend
Chairman Martin Gruenberg