United States of America

Financial Crisis Inquiry Commission

INTERVIEW OF

AMY MANNING

Tuesday, March 23, 2010

10:30 a.m. to 11:10 a.m. EST

***** Confidential *****

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MR. CUNICELLI: This is Victor Cunicelli of the Financial Crisis Inquiry Commission.

Today's date is March 23rd, 2010. The time is approximately 10:30 a.m.

I am accompanied by Tom Borgers of the FCIC and various attorneys, who will identify themselves in a moment. We are at Paul Weiss offices for the interview of Ms. Amy Manning.

This interview will be recorded with the consent of Ms. Manning.

Could I ask you to please give me your verbal consent to that on the record?

MS. MANNING: You have my consent.

MR. CUNICELLI: Okay, thank you.

Will everyone please state your full name and affiliation for the record and please spell your last name for the transcriptionist?

MR. FINUCANE: My name is Mark Finucane -- that's F-I-N-U-C-A-N-E –- a Paul Weiss associate.

MR. GARNER: I'm Jim Garner. I'm a legal counsel with Citi. The last name is G-A-R-N-E-R.

MS. PARK: April Park, general counsel for

CitiFinancial. P-A-R-K is my last name.

MS. HUANG: Joyce Huang, Paul Weiss. H-U-A-N-G.

MR. CUNICELLI: Ms. Manning?

MS. MANNING: Amy Manning. I'm the chief risk officer for CitiFinancial. M-A-N-N-I-N-G, Manning.

MR. CUNICELLI: Okay. In the way of background, the FCIC was established by statute and signed into law by the President. It's bipartisan and consists of ten commissioners. It is charged with examining the causes of the financial crisis and collapse or near-collapse of major domestic and financial institutions.

The Commission is charged with composing a report of findings to the President and Congress by 15 December 2010.

The Commission may compel attendance and testimony of witnesses and production of records.

I can provide a copy of the statute, which I happen to have with me, Ms. Manning, today, if you like.

Please be advised that the FCIC is an agency of the United States, and FCIC staff are federal employees under the aegis of 18 United States Code Section 1001 concerning false statements. False statements could be problematic.

That's it for the preamble.

What I'd like to do at the outset is just ask you to give a short bio, your educational background, your experience with Citi, your progression through the ranks at Citi.

MS. MANNING: Okay. I'm Amy Manning; and I'm currently, like I stated, the chief risk officer for CitiFinancial. I have been in my role, my current role, since December of 2008.

Let's see, I'll start with my -- I'll start at the very beginning.

I went to undergraduate school at South Alabama, in Mobile, and have a bachelor's degree in statistics. I was there from '88 to '92.

I then went to the University of Georgia, and got a master's degree in statistics. And I was there from '92 to '93.

When I graduated, I went to work for the American SIDS Institute, and I was there for two years. SIDS is "sudden infant death syndrome." So not necessarily financial services related. I was there for two years, and then joined Equifax, which is one of the credit-reporting agencies based in Atlanta. And I was there from '95 to 2000. And I was responsible for using the data and information that the credit bureau, Equifax, collected from various financial services organizations, to build credit-scoring models for both Equifax to sell as well as for various financial institutions who engaged in contracts with them.

From that point, I went to work at Washington Mutual Finance in 2000. Washington Mutual Finance was a consumer finance company. It was a branch based distributed model. And I was brought on board to bring scoring and analytics as part of the risk management discipline.

I was in that role for -- I was the assistant vice president of decision sciences for them for about two years. And then took one heading the credit risk group for Citi -- for Washington Mutual finance.

Washington Mutual Finance was then acquired by Citi in 2004. And I came to work with Citi after they acquired Washington Mutual Finance.

I worked, when I came on board, for the first couple months integrating our branches into the CitiFinancial branch model, and then went to work for Global Credit, which is part of the corporate staff role, working with CitiFinancial, CitiFinancial Auto, and some of the other consumer businesses for just a couple months.

And then was the chief -- asked to take on the chief risk officer role for CitiFinancial Auto. So I was in the auto business from about July of 2004 until I took my current role today.

I was their risk head, their chief risk officer, from July of 2004 to October of 2006. In October of 2006, I left risk management, still with the auto business, and was a business sponsor for a large systems project. So from October of 2006 to December of 2008, I was in that role.

MR. CUNICELLI: Okay, all right. And a very good job on that. And that tells me that I won't need to, like, lead you with questions. You're pretty good at laying out a story.

So my next thing, I'm just going to kind of give you a framework, and that is, I'd like you if you could to give me the CitiFinancial kind of business model, how Citi is arranged, how it makes money, major sources of income, and that sort of thing.

MS. MANNING: Okay. So we'll talk --

MR. CUNICELLI: Oh, if I could stop you for one moment.

MS. MANNING: Uh-huh.

MR. CUNICELLI: I guess the time period that we're most interested in would probably be from about 2003 to about -- and I think you said you came in at about '04, you were acquired in about '04.

MS. MANNING: Uh-huh.

MR. CUNICELLI: If you don't know, you know, history before you arrived, that's fine; but I'd be interested in about '03 through maybe '07, '08.

MS. MANNING: Okay.

MS. HUANG: And just to be clear, as you know, the request indicated the relevant time period was '04 to '08. And so…

MR. CUNICELLI: I'll tell what you, '04 to '08. How's that?

Make it nice and easy.

MS. HUANG: Great.

MR. CUNICELLI: Thank you.

MS. MANNING: In regards to CitiFinancial --

MR. CUNICELLI: Sure.

MS. MANNING: -- we are a consumer finance company. We are a branch-based financial services company. We have, in the U.S., about 1,800 branches. And they are all over the U.S., with the exception of Arkansas and Alaska.

We have two predominant lending products that we offer, consumer loans, which are unsecured personal loans. The loan size goes up to about $15,000. And then we have mortgages. We do both first and second mortgages.

We do not do any purchase money lending. These are all cash-out refinance loans.

We do pretty much predominantly all of the transactions, and loans are done face-to-face in our branches with the customers coming in and dealing with our branch personnel.

In terms of how we make money, we do have, aside from our lending products, we do sell credit insurance and insurance products to the consumers.

So between the revenue, then the interest that we collect on the loans, as well as the income from the insurance products are the key drivers to where our profits come from and where our revenue streams come from.

I'll just stop there, and see where you want to go from there in terms of…

MR. CUNICELLI: Okay, how about just, how big is the consumer unsecured side in relation to real-estate secured side?

MS. MANNING: The portfolio, we typically -- we have -- and I'll just start with, CitiFinancial is based in the U.S., Canada, and Puerto Rico. So typically, when we look at things, it's all rolled up.

And I know your interested interest is

specifically on the U.S. But for the most part, it's about 50-50 portfolio. So about half of the receivables are consumer loans and about half are real-estate loans.

Our portfolio is around $34 billion. So it's about 50-50. And that holds true for the U.S. as well, if you looked predominantly -- so we do keep a very balanced -- balanced structure between the two.

That has fluctuated as the portfolio has been growing and liquidated. But I say, that's pretty much the mark that we pretty much keep.

On the mortgage front, about 80 percent of our loans are first mortgages. So predominantly of our receivables, predominantly 80 percent of them are first mortgages.

MR. CUNICELLI: Okay, and could you tell me a bit about the insurance products?

MS. MANNING: You know, the insurance products aren't something that I have a lot of details on. I can tell you that we sell credit and life insurance, we sell unemployment -- IUI, involuntary unemployment insurance. And I think that there's one other one -- disability insurance. And these are all sold at the point that the loan is at the -- through our loan closing.

On the mortgage side, they're single premium –- oh, no. I'm sorry, they're monthly bills. So the customer basically signs up -- in the mortgage front, the customer signs up for the insurance product. And we bill them on a monthly basis, and they can cancel it at any time.

MR. CUNICELLI: Okay, okay. And, let's see. The types of product that you offer, that you said first and second --

MS. MANNING: Correct.

MR. CUNICELLI: -- lien, you offer fixed-term and ARM?

MS. MANNING: Yes, we've offered -- the majority of our portfolio are fixed.

We did offer ARM, and we did have an ARM product. But we discontinued that in October of 2007. So post-October 2007, all of the loans that we've originated have been fixed-interest rates.

I would say in terms of ARMs, the vast majority of our portfolio in originations have been fixed-interest rates and our ARMs were predominantly first mortgages that we did. But we no longer offer those products have as of, like I said, 2007.

As far as the mortgage products, again, we stayed very true to a simple lending model, and our products are very simple for our customers to understand. We never did any of the exotic lending products. We stayed tried and true to playing what we call plain-vanilla, vanilla lending. No interest-only. We don't do investment properties or anything. These are owner -- these are owned residential properties that we do, so…

MR. CUNICELLI: Okay. Just one clarification on that, I think. Was there a short period of time where CitiFi offered a 2/28 product or not?

MS. MANNING: No.

MR. CUNICELLI: No? Okay.

MS. PARK: When you say “CitiFi,” do you mean CitiFinancial?

MS. MANNING: CitiFinancial?

MR. CUNICELLI: Right, yes, sorry.

MR. GARNER: There's also a CitiFinancial Mortgage.

MR. CUNICELLI: Mortgage company, no. I'm well aware of that. With that understanding, I'm talking about CitiFinancial.

MS. MANNING: Okay. The branch network?

MR. CUNICELLI: The branch network.

MS. MANNING: Yes, okay.

MR. CUNICELLI: Not CFMC.

MS. MANNING: To my knowledge, no.

MS. BORGERS: Just a quick question, about the loan to value normally on the first, what's your -- your average loan to value?

MS. MANNING: Our average loan to value ranges -- it's been around 80 percent on our originations. We have a -- by policy, we have a cap of 100 percent.

I think that you'll see in some of the data and information, there were -- there was some done over 100 percent LTV, but those would have been approved exceptions through our credit, our home-office credit group. So 100 percent is the max that will go on both on first and seconds.

MS. HUANG: And just for clarification, as you know, Ms. Manning is here speaking off the top of her head, from which she knows from her head.

MR. CUNICELLI: Absolutely.

MS. HUANG: As you know, we've provided written due Data on things like that.

MR. CUNICELLI: Absolutely. And we just want to hear from the source, too.

MS. HUANG: Of course.

MR. BORGERS: Because I can tell you, I was really impressed with everything you've done. So you have some sound financial things that I've seen.

MS. MANNING: Thank you.

MR. CUNICELLI: Fine points, all understood.

At times, I might make reference to documents I've seen that CitiFinancial.

MS. MANNING: Okay.

MR. CUNICELLI: And I'm going to use "CitiFi," I think throughout, that CitiFi produced, so…

MS. MANNING: Okay.

MR. CUNICELLI: But, no, I understand that this is off the cuff.

MS. MANNING: And just to your question about loan to value, because we only do cash-out refinances, the customer has to have equity in their home to be eligible for the type of product that we offer, so…

MR. CUNICELLI: Could you discuss your underwriting standards? I think you started to with kind of the loan to value and whatnot, in terms of FICO scores and collateral and whatnot --

MS. MANNING: Yeah. Specifically, on the real-estate portfolio or the real-estate product, we have a minimum FICO score of 500, and our loan to value will go up to 100 percent.

Any exceptions to the credit or the loan to value or our ability to pay, I'd say the third arm is the ability to pay, which is very similar to a debt ratio. Just for you -- because it may be a different term that you haven't heard in some of your other dialogues, our ability to pay takes the customer's gross monthly income, we subtract out their debts that they owe, inclusive of utilities and various things, property taxes go into that. We take that, okay, so what they owe -- subtract that from the gross monthly income and divide it by the gross monthly income. So it's basically what they've got left.

Our ability to pay today, our cap is 45 percent. In the time frame that you're asking for, it was 25 percent. So we've always carried a requirement amount around the customer's ability to pay, their creditworthiness with the FICO score, and then also with the 100 percent LTV cap around the collateral requirements.

We do residential loans, and we will take mobile homes as collateral for our mortgages, as long as they're on the land and own the land.

We don't do investment properties, we don't do vacation homes, we don't do anything -- anything like that.

As part of our process, just to give you a little bit of understanding, the customer -- usually the branch personnel will call the customer or the customer will call us in terms of, you know, soliciting for a loan when the customer says that they're interested, the branch personnel will take the application. And at that point in time, when the required information is collected -- name, address, Social Security number -- the system will pull the credit report, and it's coded within our system where the geographies dictate what credit bureau we pull.

While the branch personnel is talking to the customer, typically, the credit report will come back.

And the system will tell the branch personnel what the customer is eligible for, if they're eligible for a first mortgage. If so, what's the maximum LTV we'll do, and what is the price of that loan. The same thing for seconds, as well as consumer loans.

We'll then, as the transaction -- as the discussions with the customer proceed, if the customer is, in fact, interested and is qualified and wants to take our mortgage product that we have to offer, an appraisal will then be ordered and a check for the title will also be done. And, again, that's done via our system. And it's controlled. There's no judgment or discretion in terms of what vendors we use that’s set up in the system.

MR. CUNICELLI: Did you say VR system or via?

MS. MANNING: Via our system.

MR. CUNICELLI: Via our system, okay.

MS. MANNING: The Maestro system.

MR. CUNICELLI: Thank you. That's what I was going to ask. The Maestro system, that's like Citi's proprietary –

MS. MANNING: Yes.

MR. CUNICELLI: -- automated system?

MS. MANNING: Uh-huh, uh-huh.

MR. CUNICELLI: And would that system -- that doesn't -- it gives parameters for your branch network employees that, "Okay, this person qualifies for so much," or whatnot. And if it's outside underwriting parameters, it automatically is going to tick that, "We need an authorization"?

MS. MANNING: That's correct, that's correct.

MR. CUNICELLI: Okay.

MS. MANNING: They're given various –- they're given the parameters of what they can do. Again, it's -- on the real-estate loans, it's the price, it's how much they can lend the customer -- or the LTV, the maximum LTV that will go to.

If they want to do anything outside of that or request an exception, it goes through to our centralized credit group.

In that time frame that you're referencing, we did do some pricing exceptions. Those would be referred up to the executive vice president over that area and branch operations.

So any -- nothing within the branch, exceptions to credit or pricing could not be done within the branch or their direct supervisor or their district manager. It had to go up to a pretty senior person to get that done.

MR. CUNICELLI: So exceptions are taken outside the branch?

MS. MANNING: Uh-huh.

MR. CUNICELLI: Could you give me just, I guess, the architecture of the branch network? How a branch reports up? Is there --

MS. MANNING: Sure. The branches -- the branches typically have three to four people, one staff, a branch manager and two to three customer-service reps.

A branch manager reports to -- the branch manager reports to a district supervisor, and a district supervisor typically has responsibility for about six branches.

The district supervisor reports to an area director. An area director has, roughly, eight. I mean, again, that does vary -- some a few more, some, a few less -- roughly eight district supervisors, and then the area directors roll up to the executive vice-presidents.

And we have four executive vice-presidents in the U.S. They have, roughly, eight to ten area directors. And then the executive vice-presidents reports to the president of the company, Mary McDowell.

Over the -- over this time frame, we have had some delayering. In our branch hierarchy, there used to be a region manager and a managing director level that was combined into the area director. So we did collapse a layer.

But that's -- that's the hierarchy within the operations.

MR. CUNICELLI: Okay. And we've talked about a time frame, '04 to '08.

Underwriting, did it stay fairly consistent during that period?

MS. MANNING: Yes. I just -- going back to -- I didn't really get a chance to finish the -- and I apologize, I'm kind of jumping around. But in terms of our underwriting process and how things work, once the customer -- once the customer's been approved for the loan, I would say that, to answer your original question, yes, our underwriting parameters have been fairly consistent through this time frame.

We are -- as far as all of our mortgage loans, we do have an ability to pay requirements. So there is, you know, a requirement that the customer -- around, you know, the customers being able to afford the loan.

We prove and verify all of the information. And this has been a standard practice for the business, which I think is a testament to what's helped us manage through the cycle.

We verify all income. We verify employment. And, you know, any other information that's provided is verified as well. So that's definitely been something that has helped with the performance of the portfolio, particularly to the cycle -- through the cycle that we've been in.

The other thing that I'll say in terms of 2004 to 2008, we did start tightening credit, I'd say, the end of 2007. So in terms of our processes around, you know, all of our verifications and requirements when proving income and documentation required, that's all been very standard through this. What you'll see is, as we got into the end of 2007, we did start tightening up some of our credit requirements and parameters around appraisals and things like that.

MR. CUNICELLI: Okay. You kind of segued right into my next line of questioning, and that's just performance.

Could you give me standards of performance? I guess, historically, what were detail rates on your real-estate line?

MS. MANNING: Yeah, I think we provided all of those -- that information.

MR. CUNICELLI: Yes, you did.

MS. MANNING: You know, we can go through this.

It's -- I was looking for the more general one.

Our -- I think there was -- since we're on recording, I don't want to quote –

MR. CUNICELLI: Oh, no, no, no.

MS. MANNING: -- any numbers or anything that --

MR. CUNICELLI: I actually have taken tables, numbers that you've provided, and I've summarized them on the investigative report.

MS. MANNING: Yes.

MR. CUNICELLI: I'm just looking for your understanding of performance, 90-plus default rate, and that sort of thing.

MS. MANNING: Yes. I would say --

MR. CUNICELLI: Again, it's not a “gotcha.”

MS. MANNING: -- I would say our portfolio --

MR. CUNICELLI: I’m not looking to trip you up.

MS. MANNING: No, no. I understand.

I would say, for the most part, our portfolios performed pretty stable up until, really, the end of 2007.

We see on average our default rates running around 3 percent. And clearly -- I would say two and a half or so. And as you got towards the end of '07, you started to see those increase.

You know, aside from the facts and the data and the information it that we've given you –-

MR. CUNICELLI: Right.

MS. MANNING: -- I don't know, again, I think that's where the pressure point really -- we started to see some stress in some of our numbers and, again, started to take appropriate credit actions, including discontinuing our ARM program that we had.

MR. BORGERS: I do have a question, and I do have to say, why have you been so successful over the years -- over the last -- you know, since 2004, compared to the industry as a whole? What do you think the top reasons that you've had success and others have had major failures in the mortgage side?

MS. MANNING: I would say that one of the single biggest things that we did was around the verifications that we do at the time of originations, ensuring that the customer can afford the loan, and that the information that we get is not overstated in any way, shape, or form. I think the -- I think that that's one.

I think the other thing is, we did not get into any exotic lending products. There's no surprises with the customer around what their payments are going to be and what they're going to have to be required to owe us every single month. Even on our adjustable product -- adjustable-rate products, there was, you know, at most, I think if my memory serves me correctly, it was around 200 basis points that the rate would increase. So we had it was fully indexed and there was not near the payment shock, even on that, that our customers had experienced with the loans that we provided them.

I truly believe those are the two single, biggest things that protected our portfolio through the cycle.

MR. CUNICELLI: Okay, yes, I guess to bolster Tom's point, I guess even at 3 percent, it's a lot better than some people in the industry, perhaps even some of the other Citi silos.

Do you know offhand CitiFinancial performance as compared to any other in-house Citi silo CitiMortgage?

MS. MANNING: I do know that our portfolio hasn't seen as much stress as what we've seen in the CitiMortgage portfolio. But I can't speak to any of the specifics around how that portfolio is performing, or…

Clearly, there's difference in mix and products and things that all have to be taken into consideration. So I couldn't really speak much more than that.

MR. CUNICELLI: As chief risk officer --

MS. MANNING: For CitiFinancial.

MR. CUNICELLI: -- for CitiFinancial, could you tell me a bit about what the job entails?

MS. MANNING: Sure. I've got responsibility, like I said, for the management of the portfolios for the U.S. personal loans, the U.S. real-estate portfolios. We have portfolios in Canada and Puerto Rico that we're responsible for monitoring the performance. And that is inclusive of what the loans look like what we originate them, across the different products, mix, concentrations. It's tracking and monitoring our early indicators, first-payment defaults, delinquency rates, loss rates, and working all the way through -- through to when the loans charge off or pay off, and understanding and tracking those metrics. We look at things both on a portfolio perspective as well as on a vintage perspective. And a vintage perspective is looking at a closed block of loans, and from the time they're originated and how they perform over time.

We're responsible for ensuring that the way the loans performed tied to our P&L and pro forma expectations, to ensure that we're going to deliver the profit expectations for the business.

I've also got responsibility for managing and setting underwriting policies inclusive of the score cards that we use to make decisions. And on the real-estate portfolio, FICO specifically, we have to monitor and validate those scores on a regular basis to make sure they continue to rank order and perform in our score cut.

Score cuts are set appropriately. I've got responsibility for not just the monitoring but the data. So MIS and any metrics that we track and monitor, all of that data and information comes out of my team. And I've also got responsibility for making sure that CitiFinancial is compliant with Citigroup's internal credit and fraud policies as well.

MR. CUNICELLI: Okay. How many people report up through you?

MS. MANNING: I have approximately 40 people that report to me.

MR. CUNICELLI: Direct --

MS. MANNING: Uh-huh.

MR. CUNICELLI: -- reports? Okay.

And do you have other disciplines? I mean, is audit separate from you?

MS. MANNING: Yes, yes.

MR. CUNICELLI: Audit is?

MS. MANNING: Yes. I would say the only other discipline, per se, that I do have responsibility for is in terms of setting policies, we also set fraud policies. So I've got responsibility, and the policies are inclusive of fraud management. But around any type of internal audits, compliance reviews, those are all -- those all report into a different group. They don't report in to me.

MR. CUNICELLI: Okay, and your 40 direct reports, are they regional or divisional risk officers or…

MS. MANNING: They -- I would say they're -- I'm not -- could you repeat that question? When you say "regional or differential," do you mean, are they all located in the same place, are they dispersed? What do you mean by that?

MR. CUNICELLI: That's kind of what I'm getting at.

MS. MANNING: Okay. I have -- my team is basically located in one of three areas. Baltimore is predominantly where the majority of the team is. And every -- anyone that supports the U.S. portfolio is in our home office in Baltimore.

The team that supports Canada and Puerto Rico -- and there's about seven of them -- they're located in Canada, in London, Ontario. And then I have three people in Dallas who work with our centralized collections shop. So for the most part, the team's located in Baltimore.

One other area that you should know, although I don't have direct-report responsibility, there is a dotted-line relationship. We have a credit-quality review team. They report directly in through our compliance group. There's a dotted-line reporting relationship in to risk. They do sampled reviews of loans that are originated to ensure that, you know, although everything is controlled by our system, to make sure that all aspects, documentation, everything from our policies and procedures are adhered to.

So if, for some reason, if there's anything that we either need to tighten up on or maybe some of the manual processes that aren't controlled by the system, we track and monitor that.

And then I also have our centralized credit group, our centralized credit decisioning group, our home-office credit where, if we -- any exceptions to our policies are made, they go through this team. There's a dotted-line reporting relationship into risk as well.

MR. CUNICELLI: Okay.

MS. MANNING: So the 40-plus -- the 40 people are who directly report to me. These other two units -- like I said, the credit-quality group reports in through compliance and the home-office credit group reports directly through the branch operations.

MR. BORGERS: You're giving a great presentation, really. Thank you. And you always hit on the stuff that I'm about to ask about.

About the exceptions.

MS. MANNING: Uh-huh.

MR. BORGERS: You know, how often are exceptions to policy made and how high does it have to go up of in the authority scale?

MS. MANNING: Yes, exceptions, there's -- whether it's a credit, which would be the FICO score or

ATP exemptions did -- and we'll talk about just real estate, because I think that's the area that you guys are really concerned about.

MR. CUNICELLI: Right, yes.

MS. MANNING: Our exceptions are pretty -- I would say almost nonexistent. We've got very, very low exception rates around credit parameters.

One is, like I said, I think our minimum -- our minimum is typically around 500. And we just -- we just don't make a lot of credit exceptions.

Now, if we do, again, the branch personnel cannot make those decisions. It has to go into our home-office credit group.

And our home-office credit group will look at the application, and then they'll make the determination of whether or not the exceptions should be granted.

And typically, they're looking for compensating factors on the loans to warrant granting the credit decision.

There is a hierarchy within our home-office credit group. And, you know, we do have specialized people that look at the real-estate loans. So they're made there, outside of the branch personnel.

They are much more senior and seasoned underwriting staff to where, you know, they're much more adequately and appropriately trained to make the exceptions if needed.

MR. CUNICELLI: So it's the credit and underwriting areas that are making those decisions --

MS. MANNING: That's right.

MR. CUNICELLI: -- decisions on the exception?

MS. MANNING: That's right, that’s right.

The other areas that our centralized group will have to look at is as well -- and they're not necessarily -- they're not exceptions but within our branch personnel, when they take the application, there's loan-authority limits that the personnel are established. And it's based on experience and tenure and judgment.

So if -- and I'll use a hypothetical example -- if the -- in the branch, let's say the branch manager only has authority to approve for a real-estate transaction it up to $75,000, and the person applying, it's a $90,000 loan, that would have to go to home-office credit for approval. Not an exception, because it's meets all of our guidelines and parameters, but because we do have additional layers around that looks at the branch personnel's experience and tenure to make sure that we've got appropriate lending authority set from that perspective as well. And those are all set by the system.

MR. BORGERS: I just have one -- if you don't mind. Obviously, your success is tied to knowing your customer and many other good underwriting foundation and such.

How long does a process normally take to -- do you have any idea of how long it would take for a person to get a mortgage? Is it --

MS. MANNING: Well, in terms of knowing whether or not they qualify, it's literally just a matter of a minute or so from the system. But then, again, we have to get all of the required documents from the customer.

I will tell you, our customers know and understand, these are policies that we've had for a long time. So a lot of times, if they're coming and, you know, and want to do business, they know that there part of it, that there are things that they need to bring in is to be expected.

I'd say throughout the process, on our side, one of the longest things is the appraisal. And that can take up to about three days.

So, you know, within -- I'd say it's not a long period of time. But once the appraisal comes back and we can verify and validate the value of the property and that we can make an agreed-to transaction in terms of the amount that the customer would get. Some states do have a waiting period in terms of, you know, from when we -- and I know that this varies state by state -- but in terms of our processes, the appraisals, typically, the longest piece, and that can take up to three days. You know, again, that's one average.

MR. CUNICELLI: You mentioned fraud.

MS. MANNING: Uh-huh.

MR. CUNICELLI: SAR reports, with respect to mortgages, do they come through you or do you get reported to you aggregate numbers of mortgage SARs?

MS. MANNING: Any suspicious activity report, yes, that will come through me.

MR. CUNICELLI: Okay.

MS. MANNING: My team does not compile them, but I do -- am included on those. Our fraud, in the business, because of the full documentation requirements, is very low; but we do report up any suspicious activity. And like I said, that does come through me. I do see those.

MR. CUNICELLI: In the relevant time period, '04 to '08, did you see an increase in SAR reporting?

MS. MANNING: I wasn't in the role in that time frame.

I will tell you that in -- we did see our fraud spike up. And I'm trying to think if it was '07. We did see the fraud levels increase. But I think it peaked around $5 million. And if memory serves me correctly in terms of information that was provided, a large portion of that was due to fraud activity outside of the U.S.

So I would say that relative to the volume of loans and the transactions that we were doing, and just if you looked at the credit losses that the business took even in our peak, our fraud losses were a minuscule amount of the overall losses that the business took on.

MR. CUNICELLI: And you mentioned a moment ago about appraisals.

MS. MANNING: Uh-huh.

MR. CUNICELLI: You don't have appraisers on staff? That's external?

MS. MANNING: It's external. That's correct.

MR. CUNICELLI: Okay, and do you have policy on no contact between CitiFinancial employees taking the application and the appraiser or --

MS. MANNING: The appraisals are ordered, and we have approved vendors that are set up. They do vary. We do use different vendors, depending upon the geographic location.

So it's -- it's an order that goes out.

You know, I'll tell you, I can't speak as far back to '04 because I'm not as familiar with that. But I can tell you in the more recent time, there's -- so it's an automated order. And, again, they don't -- they don't choose or pick of a list of, "These are your three approved people." It's ordered, and that's out of the control of the branch.

MR. CUNICELLI: Okay.

Anything else, Tom?

MR. BORGERS: Just on the -- any exceptions to appraisal at all?

MS. MANNING: There is a process that the branches can dispute or question the appraisal. It goes through a team of people. And we track and monitor that every month in terms of, you know, not only how many, but where did they come from, were they isolated to specific branches, did -- you know, are we seeing concentrations or pockets where there could be some potential issues around, you know, trying to inflate the appraisal value. So we have monthly tracking and monitoring through our vendors around that.

MR. BORGERS: And so the exception would go through credit underwriting area also, right?

MS. MANNING: Yes, it goes -- it does go back to the appraisal company. But there are some -- there are connections -- we have an appraisal steering committee. And one of the chairs for the appraisal steering committee is in risk management. So, you know, that's part of what that steering committee looks at, are the exceptions and the process around that.

MR. CUNICELLI: Okay. All right, that's all I have for you. So I appreciate you coming in.

I've got 11:10, and I'm going to stop the recorder, unless there's anything else that anybody has.

MR. BORGERS. There was just one other thing.

MR. CUNICELLI: Go ahead, sorry.

MR. BORGERS: If you can keep this confidential. We ask all our people that do testify, interview, to keep it confidential.

MS. MANNING: Okay.

MR. BORGERS: Thank you.

MR. CUNICELLI: Thank you.

(End of interview with Amy Manning)

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