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D R A F T
M E M O R A N D U M

TO: File
FROM: V. Cunicelli
DATE: 19 March 2010, 12:00-12:50 p.m.
RE: Telephonic Interview of Robin Auerbach

Ms. Robin Auerbach was interviewed on the above date and time by reporting investigator and SA George Wahl of FCIC staff. Ms. Auerbach was interviewed concerning her employment at New Century Financial Corporation (NC), a large subprime lender.

Ms. Auerbach attended Fresno City College and Utah State University, but never obtained undergraduate degree. Ms. Auerbach started in the financial industry in 1984 with Dominion Bankshares offering government loans. Ms. Auerbach moved into branch management for approximately eight years and moved into wholesale lending with Dominion. Ms. Auerbach progressed to overseeing a subprime underwriting group at Dominion. Ms. Auerbach recalled lenders had problems with stated income loans in the 1980's. Ms. Auerbach left Dominion in the late 1990's and worked a banking consultant.

Ms. Auerbach was recruited by NC to oversee new product development in November 2002. Ms. Auerbach found NC to be weighted toward sales, she said back-end employees often reported to front-end (largely sales) staff. Ms. Auerbach said this situation was "fundamentally risky." Ms. Auerbach worked in NC's Capital Markets Group, dealing primarily with Wall Street institutions. Ms. Auerbach was tasked with measuring quality in NC's loan files. Ms. Auerbach said each loan NC sold to Wall Street firms was trackable. When firms sent loans back for repurchase by NC, it was easy to track the loan to the file and determine why the loan was sent back. Ms. Auerbach said she shared this information with NC management via a monthly report. Ms. Auerbach suspected NC's senior management did not distribute this report throughout the company.

Ms. Auerbach said front-end (sales/production) personnel did not see Capital Market's input as valuable. Ms. Auerbach said NC did not source loans to Fannie or Freddie as they could not meet the GSE's or HUD's standards.

In June 2005, Ms. Auerbach was promoted to COO, where she believed she would have more front-end responsibilities. However, Bob Cole (CEO parent company) and Pat Flanagan (President of NC Mortgage), who had put Ms. Auerbach into the post,

was fired soon after by Brad Maurice (CEOMortgages/COO parent company). Ms. Auerbach said she had received "marching orders" from Mr. Flanagan to improve underwriting and appraisal processes and quality control. Mr. Flanagan wanted Ms. Auerbach to closely track loan performance and to impose front-end policies to improve loans NC underwrote. Ms. Auerbach said she took away the authority of regional and divisional (sales) managers to overrule appraisers' valuations. Previously, Ms. Auerbach said sales staff could overrule appraisers' valuations and substitute their own, often inflated, valuations.

Ms. Auerbach said the following factors contributed to NC's bankruptcy:

- Ouster of Cole and accession of Mr. Maurice
- NC securitized their own product to build their balance sheet-this led to accounting problems
- David Einhorn (NC's largest shareholder and associate of Mr. Maurice) was a "bad actor" and was shorting NC stock (he was also responsible for Mr. Cole's ouster
- NC's portfolio experienced a lot of EPD
- Underwriting standards were driven by sales goals: exceptions to policy were granted on 30% of loans

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