

M E M O R A N D U M for the RECORD

FCIC Event: Interview with **Jeremy Burcham**, former Ameriquest, former American Home Mortgage, and former Citigroup

Date of Event: March 22, 2010, 9:15 a.m.

Location: FCIC office, via phone

Participants/ Non-FCIC: **Jeremy Burcham**

Participants/ FCIC Team (and Team Leaders): Vic Cunicelli, reporting investigator; Tom Borgers, senior investigator

MFR prepared by: Vic Cunicelli

MFR date: 22 March 2010

MFR Reviewed by: Alexis Simendinger, December 2, 2010

Note: This is a summary of the interview, not a complete transcript. Direct quotations appear inside quote marks.

SUMMARY OF INTERVIEW & SHORT BIO OF INTERVIEWEE :

Mr. Burcham was previously employed by Ameriquest, American Home Mortgage and Citigroup. Mr. Burcham provided a brief biographical sketch. He received his undergraduate degree from Drury University, Springfield, MO, in Criminology/Psychology in 2001. He worked briefly (9-02 through 12-02) for Ameriquest before 'learning what they were about.' Mr. Burcham said he "hated" working for Ameriquest as they were a high-pressure sales company with mandatory numbers of calls foisted upon loan officers. Mr. Burcham next worked for Republic Mortgage Insurance Company (RMIC) in Charlotte, NC. Mr. Burcham said RMIC trained him as an underwriter (UW) and he worked on contract to Citigroup from 12-02 to 5-03. In 5-03 Citigroup's director of their correspondent lending channel took a job with American Home Mortgage (AHM) and offered Mr. Burcham a job which he took. After working with AHM, Mr. Burcham did some financial advising, and in 9-09 got back into the mortgage industry working for Interthinx.

Mr. Burcham said that as an account executive at Ameriquest, he cold-called potential customers from computer generated call lists he believes Ameriquest purchased from public sources. The lists contained persons with "scratch and dent" credit histories. Mr. Burcham worked in Ameriquest's Saint Louis, MO office. He received salary and commission. Mr. Burcham said the more loan originations, and originations with discount points (fees) charged, the more money an account executive could make. Mr.

Burcham said it was not uncommon for account executives to make \$15-20K/mo. during his tenure at Ameriquest. He said Ameriquest had a sliding scale for commissions, as closings and loan revenues increased, commission percentage increased. Mr. Burcham said Ameriquest had a computer-based loan application system, which maximized Ameriquest's return per loan. He said the loans he offered consumers were 3/27 and 2/28 loans, which he was instructed to tell consumers were based on the LIBOR. When Mr. Burcham inquired what the LIBOR was, he was instructed that he didn't need to know more than to tell his clients it was stable. Mr. Burcham said his training at Ameriquest consisted of a one-hour video and receiving a Form 1003 (Uniform Residential Loan Application) with highlighter in areas loan executives had to fill out. Mr. Burcham said he witnessed account executives signing quick claim deeds and taking borrows off Forms 1003. He said he was instructed to get borrowers to settlement as fast as possible as Ameriquest had a seven-day rescission period. Mr. Burcham said he once closed a loan in one hour. Asked how loans could be closed so quickly, he said they closed without underwriting. Mr. Burcham said many of Ameriquest's loans were never funded. Mr. Burcham said he left Ameriquest because he found the environment "slimy" and he believed the products offered had no benefit for the consumer. Mr. Burcham said Ameriquest only wrote subprime mortgages, even for consumers who qualified for prime rates.

Mr. Burcham said he found working for RMIC a pleasant experience. He said he received several weeks of intense underwriting training in Dallas, TX and Atlanta, GA. He said he was trained on Desktop UW and Loan Prospector Fannie Mae and Freddie Mac's respective UW/risk assessment tools. Mr. Burcham worked for RMIC under contract to CitiMortgage at Citi's Saint Louis, MO office. Mr. Burcham said he had the lowest error rate of all UW at CitiMortgage as sampled by Citi's quality assurance personnel. Mr. Burcham received straight salary during his tenure at RMIC with no commission.

In May 2003 Mr. Burcham was hired by CitiMortgage and engaged to train Citi UWs working A-paper wholesale loans. Mr. Burcham noted UW guidelines "relaxed" during his Citi tenure and he said ultimately, the A paper loans he and his UWs were processing were far from A paper.

In August 2006 Mr. Burcham took a position as Assistant VP for Operations for AHM. He was engaged to build a direct-to-consumers lending channel with private label deals from NY Community Bank, Signature Bank, AMEX and First FL Credit Union. Loans were UW to AHM standards and AHM was to retain servicing. AHM had warehouse lines with various major banks and had Prime/Alt-A/Subprime lines. Mr. Burcham said UW guidelines were generally followed, but "With no/no loans, how could you miss?" Mr. Burcham said very few loans were declined during his tenure at AHM. What few loans Mr. Burcham did decline brought complaints from high-level sales personnel. Mr. Burcham said this insistence on writing loans fast came from a need to 'free up capital.' Mr. Burcham said that sales personnel could withdraw a loan

application that UW questioned and re-submit it with a new loan number and UW would not catch it owing to loan volume and an inability to catch such transactions in AHM's automated system. Mr. Burcham said he could not even query by SSN to determine if multiple applications had been filed using the same SSN, but he said that capability was open to sales personnel. Mr. Burcham said AHM's system had several such weak points. He said that CitiMortgage had a check whereby a loan application started in Desktop UW always had a "DU" appellation added to it. If a loan was declined for UW at Citi under Desktop UW, it could not simply be re-submitted by another application. It would carry the DU appellation forward. Mr. Burcham said AHM's software had no such check in it. A loan declined by DU could be withdrawn and re-submitted under another application such as Loan Prospector. Mr. Burcham said loan officers could 'play with a loan' until release under AHM's system. Mr. Burcham said he found working at AHM personally profitable but unsavory. He said he was compensated 36CF annual salary and 20% guaranteed bonus. Mr. Burcham said the pay kept him at AHM.

Mr. Burcham said Citi and other lenders had to lower FICO standards or risk losing competitiveness in the marketplace with loan-producing brokers. Mr. Burcham said he did not perceive Citi as a market leader in lowering standards, but more a follower of firms such as Indymac. He said Citi had a reputation as having rough loan origination standards historically. He said he thought Wells Fargo best resisted the temptation to lower credit standards. Mr. Burcham worked on the broker-sourced flow channel at Citi where loans were individually UW. He said loans on the correspondent side were UW by sampling. Mr. Burcham said Connie Moyer was Citi's head correspondent UW during his tenure at Citi.