

MEMORANDUM FOR THE RECORD – MFR

EVENT: Interview of Gary Crabtree

TYPE OF EVENT: Interview

DATE OF EVENT: August 18, 2010

TEAM LEADER(s): Kirstin Downey

LOCATION: FCIC Offices; Mr. Crabtree via telephone

PARTICIPANTS/ NON-FCIC: Gary Crabtree

PARTICIPANTS/FCIC: Kirstin Downey, Wendy Edelberg, Scott Ganz and Courtney Mayo

MFR PREPARED BY: Courtney Mayo from Kirstin Downey's notes

DATE OF MFR: January 20, 2011

SUMMARY OF INTERVIEW & SHORT BIO OF INTERVIEWEE:

This is a paraphrasing of the interview dialogue and is not a transcript and should not be quoted except where clearly indicated as such.

BIOGRAPHY:

Gary Crabtree is the owner of Affiliated Appraisers of Bakersfield, California, an independent real estate appraisal company. A Bakersfield native, he is in his 49th year of real estate valuation in Kern County. His area of expertise is in residential, residential income, forensic appraisal reviews and single-family market condition studies. He holds the coveted SRA designation (residential specialist) from the Appraisal Institute, the nation's largest professional valuation organization. Gary has served on that organization's national Board of Directors, Appraisal Standards Committee and currently serves on its Government Relations Committee and Instructor Panel. For 16 years he served as a member of the Adjunct Faculty of Bakersfield College instructing real estate appraisal courses. Gary produces

"The Crabtree Report" of Bakersfield Residential Market Conditions and is recognized as one of the leading authorities on that subject.

SUMMARY OF INTERVIEW:

Mr. Crabtree has been an appraiser for 48 years and owns Affiliated Appraisers, an appraisal firm in Bakersfield, CA.

He produces a monthly report, The Crabtree Report, with monthly Bakersfield housing market conditions. He has tracked this data since the 1990s.

Mr. Crabtree says that the San Joaquin Valley was all hit pretty hard, “it was pretty devastating and it will continue to be devastating.”

Little did we know that the “relaxation of lending standards and highly speculative markets.” He said he was very naive in 2004.

Mr. Crabtree thought the Bakersfield housing market was “finally being discovered as an affordable market to live in.” People were being priced out of the Los Angeles market. Bakersfield is approximately 110 miles north of Los Angeles.

He did a market study for the Board of Trade and found that people were moving to Bakersfield and carpooling to work in Los Angeles from their homes in Bakersfield. Costs were 50% lower than what they would pay in Los Angeles.

In 2005, he started noticing a run-up; “things weren’t making sense” with subprime loans.

Soon appraisers seemed to be “not just an appraiser but a home inspector.” He said it was “discouraging to home buyers and home sellers.”

The market went from normal to subprime. He saw that the individuals purchasing homes were not the typical home buyer. For example, he began to see neighborhoods become populated by Hispanic individuals who could not afford the price and type of home they were moving into. The neighbors became very upset.

He saw the mortgage fraud in 2007, but “no one was listening to me.” Mr. Crabtree said it was the “usual cast of characters” who were making the loans – such as SunTrust, Countrywide, New Century and Option One. Mr. Crabtree said that “SunTrust kept coming up again and again.” He called to warn, but was merely told “thank you and goodbye.”

Mr. Crabtree said “I was screaming at the top of my lungs mortgage fraud was taking place but couldn’t get anyone to listen.”

He said he would perform an appraisal on a house listed at approximately \$550,000, which would received 105% financing. As he saw this happening, he spoke with the president of the board of directors of the local association of realtors; he also sent the information to the Real Estate Board, the office of Real Estate Appraisers, the FBI and the local district attorney. Mr. Crabtree said the Real Estate Board looked into his information, and the “office real estate appraisers essentially did nothing.”

Mr. Crabtree said the local district attorney “read the case and said I don’t see any victims.” He additionally told Mr. Crabtree that “one individual you alleged is a personal friend of mine.”

Local agents became subject of FBI investigation. Many neighborhoods in the moderate to high price foreclosed. They had brown yards; the homes were blighted.

Nice neighborhoods in Bakersfield, such as Grand Island and Brighton, had “boarded up homes.”

The “median price dropped 61%,” now just bouncing along the bottom.

Mr. Crabtree says that what has been so devastating is a major push to this economy was home construction. Now there is an unfinished subdivision. Land is available for expansion. City planners kept approving building permits. The “community has suffered as a whole” and “community has been left dying on the vine.”

Mr. Crabtree’s business dropped 35%. Because there was no lender work, he began speculating in divorces or family law, as well as estate tax work.

Now he “sees more aggression out there.” More properties that have gone into foreclosure have been vandalized. Homes are left with holes in the walls. “Homeowners are so distraught.” Many have taken all the appliances out of the home.

As for the loan modification process, he calls it “a dismal failure.”

Now lenders are demanding cash and “these are people who have lost their jobs.”

A lender made a demand on one family for \$12,500 in cash to short sell their home. The family didn’t have this, so they foreclosed on them. Mr. Crabtree says that “now what’s happening is beyond comprehension.”