

Fact Sheet: Joseph Otting’s Record at OneWest Bank

“As CEO, Otting arguably had more involvement in the company’s day-to-day operations than Mnuchin did as chairman.” -*Bloomberg News*

“We integrated OneWest Bank and have been addressing the legacy issues that were, frankly, more challenging than originally expected.” -Ellen Alemany, (CEO of CIT Group, which acquired OneWest) ¹

OneWest Problem	Timeframe	Otting’s Role <i>(He was hired as CEO in Oct 2010, fired in Dec. 2015¹)</i>
Fraud against US govt. results in \$89 million settlement	After whistleblower complaint, DOJ alleged OneWest division engaged in fraud from Mar. 2011 until Aug. 2016. Company agreed to \$89 million settlement in May 2017. ²	Otting was CEO for 56 of the 64 months when DOJ alleged that Financial Freedom fraudulently requested reimbursements from FHA related to reverse mortgages.
Redlining practices in California	HUD officially accepted complaint in Feb. 2017, and HUD investigation is ongoing. CRC alleges that since 2011, OneWest Bank violated Fair Housing Act as evidenced by low mortgage lending to African Americans, Latinos, Asians, and by locating branches mostly in majority white areas. ³	CRC calculated that since its inception (March 2009), OneWest was about 9 times as likely to foreclose on a homeowner in a community of color in California as it was to originate a mortgage in a community of color in California. During 2014 and 2015, OneWest originated two mortgage loans to African American borrowers in its assessment area. ⁴
Ongoing Investigation by New York Attorney General into reverse mortgage unit.	Investigation announced in Jan. 2017. <i>Reuters</i> reports that probe is focused on complaints Financial Freedom “deliberately targeted seniors with dementia and other memory-loss.” ⁵	Financial Freedom stopped originating new reverse mortgages in mid-2011, but has continued to service (and foreclose) on reverse mortgages. Using a FOIA request, CRC determined that Financial Freedom was responsible for 39% of all HECM foreclosures from April 2009- April 2016, despite servicing only an estimated 14-17% of the market. ⁶ A 2 nd FOIA request to HUD to better understand Financial Freedom’s track record has not yet been answered by HUD. ⁷

<p>Astroturf campaign to support bank merger</p>	<p>With millions of dollars on the line, in Jan 2015, Otting sent email to his Wall Street friends, business partners, and others, asking them to sign his petition to Federal Reserve Chair Yellen, urging her to not hold a public hearing on his proposed bank merger.⁸ The text read (in part):</p> <p><i>“I believe the management team and OneWest have demonstrated its commitment to our community and to serving the needs of not only their clients but the community at large and due to this, I do not believe there is a need for a public hearing.”</i></p>	<p>Regulators noted the support from the petition in their merger approval.⁹ But, CRC received an email from an alleged supporter, upset about his name being used without his authorization. After further investigation, it became clear neither the bank nor regulators used safeguards to prevent the many irregularities that emerged with “supporters” of Otting’s petition.</p> <p>In 1 attachment of 593 “supporters” of the merger:¹⁰</p> <ul style="list-style-type: none"> • 100% gave Yahoo email addresses • High number of people allegedly signed petition in the middle of the night on Feb. 14, 2015. • About 1/3 of email addresses given by supporters bounced back, including goeypooey69@yahoo.com <p>The OCC hasn’t responded yet to an expedited FOIA request on its public comment process being undermined.¹¹</p>
<p>Material weakness uncovered post-merger</p>	<p>CIT Group uncovered material weakness at Financial Freedom and disclosed to investors in Feb. 2016.</p>	<p>In Feb, 2016, CIT Group disclosed that it was delaying its annual report for 2015 after identifying this problem.¹² In July 2016 CIT Group disclosed to investors that it had recorded \$230 million in reserves because of this issue.¹³</p>
<p>Blocking protections for widowed homeowners</p>	<p>In 2015, the CA Chamber of Commerce placed a state bill, AB 244, on its notorious “jobs killer” list to scare legislators away from voting for it.¹⁴ The bill would have protected widows and widowers from unnecessary foreclosures. The Bank has also argued that it is not subject to California’s Homeowner Bill of Rights foreclosure protection law.¹⁵</p>	<p>Otting was Chair of CA Chamber of Commerce at the time, but never publicly stated if he placed the bill on this list, nor has he defended or distanced himself from the Chamber’s stance against California seniors. A successor bill overcame the Chamber’s obstruction a year later.¹⁶</p>

<p>Consent order for robo-signing foreclosures</p>	<p>In 4th quarter of 2010, bank regulator(s) conducted on-site reviews at OneWest and identified numerous problems in the bank's foreclosure practices.¹⁷</p>	<p>Otting and Mnuchin signed a consent order in April 2011. As CEO, Otting was supposed to oversee changes, but OCC order was not terminated until July 2015. Federal Reserve still has not terminated its order as of March 16, 2017.¹⁸</p>
<p>Bad merger integration</p>	<p>CIT Group's board cited the poor merger integration in reducing then CEO John Thain's salary 9%, awarding him only 2 out of a possible 20 points for that part of his review.¹⁹</p>	<p>Merger was announced in July 2014, and conditionally approved in July 2015. Otting was fired 5 months later, though according to the <i>WSJ</i>, he "earned" \$24.9 million in 2015, including \$12 million in severance.²⁰</p>
<p>Obstruction of investigation by California AG's office.</p>	<p>Attorneys in CA AG's office identified foreclosure documents that were back-dated to before OneWest existed, and that bank improperly used "credit bids" at foreclosure sales to avoid paying taxes. The memo also cited OneWest efforts to obstruct an investigation into whether a predecessor to OneWest ever improperly sold reverse mortgages to seniors without providing legally required counseling.</p>	<p>Otting has never publicly explained what role he played (if any) in OneWest's efforts to obstruct the AG's office from gathering evidence. The leaked memo is dated Jan 18, 2013, and cites the 2011 consent order (signed by Otting) as one of the reasons for the investigation.²¹</p>
<p>One of weakest CRA records of all CA Banks</p>	<p>OneWest's track record of reinvesting into communities is one of the weakest of all California banks, according to CRC analysis.²²</p>	<p>OneWest's CRA performance under Joseph Otting and its future CRA commitments means the bank is one of the weakest CRA performers in California.²³</p>
<p>"Laggard" at lending to small businesses</p>	<p><i>LAT</i> called OneWest a "laggard": "In June 2015, the final quarter before it was acquired, OneWest had a still-meager portfolio of just \$125 million in small-business loans, or about 0.6% of its assets. Other similarly sized banks averaged about 5.6% of their assets in small-business lending."²⁴</p>	<p>CRC highlighted to bank regulators that in 2014, OneWest's CRA reportable small business lending was a meager 70 loans, with only one loan of less than \$100,000.²⁵</p> <p>The <i>LAT</i> also noted that starting in 2012, the bank reported making an above average number of insider loans, including to a bank studio where Mnuchin was on the board. That studio later filed bankruptcy.</p>

¹ Hiring: <http://www.businesswire.com/news/home/20101027006123/en/OneWest-Bank-Names-Joseph-Otting-President-Chief> and firing: <https://www.americanbanker.com/news/cit-fires-otting-13-more-executives-in-post-onewest-shuffling>

² Settlement press release: <https://www.justice.gov/opa/pr/financial-freedom-settles-alleged-liability-servicing-federally-insured-reverse-mortgage>

Note: in June, House Financial Services Committee Ranking Member Maxine Waters and Ranking Member of the Subcommittee on Oversight and Investigations Al Green called on House Financial Services Committee Chair Jeb Hensarling to investigate the administration's settlement with, and investigations into OneWest and Financial Freedom. Letter: https://democrats-financialservices.house.gov/uploadedfiles/06.30.2017_onewest_letter_to_hensarling.pdf

³ <http://www.calreinvest.org/news/hud-accepts-crcs-redlining-complaint-against-cit-groups-onewest-bank>

⁴ <http://www.calreinvest.org/news/hud-accepts-crcs-redlining-complaint-against-cit-groups-onewest-bank> For original press release, see: <http://www.calreinvest.org/news/cit-group-accused-of-redlining-and-violating-fair-housing-act>

⁵ <http://www.reuters.com/article/us-financial-freedom-settlement-idUSKCN18C2FL>

⁶ <https://badbankmerger.com/cit-groups-financial-freedom-is-responsible-for-nearly-40-of-hecm-reverse-mortgage-foreclosures-since-april-2009/>

⁷ <http://www.calreinvest.org/system/resources/W1siZiIsIjIwMTcvMDcvMjQvMTgvMDMvMzUvNzAzL0NSQ19hbmRfSkFMQV9GT0lBX1JlcXVlc3RfdG9fSFVFNkZiZjIjXQ/CRC and JALA FOIA Request to HUD.pdf>

⁸ <https://www.americanbanker.com/news/onewests-otting-seeks-wall-streets-help-lobbying-yellen-on-cit>

⁹ The Federal Reserve noted: "A large number of commenters supported the proposal... Approximately 2,177 commenters supported the proposal, of which approximately 2,093 commenters submitted substantially identical form letters..." Source: (Page 3: <https://www.federalreserve.gov/newsevents/pressreleases/files/orders20150721a1.pdf>)

¹⁰ [http://www.calreinvest.org/system/resources/W1siZiIsIjIwMTUvMTIvMDEvMTIvMDRfMjRfMTcw3B1YmtpY19ib21tZW50c19jaXRfb25ld2VzdF9mZWJfOF8yMDE1XzFfLnkZiZjIjXQ/public-comments-cit-onewest-feb-8-2015%20\(1\).pdf](http://www.calreinvest.org/system/resources/W1siZiIsIjIwMTUvMTIvMDEvMTIvMDRfMjRfMTcw3B1YmtpY19ib21tZW50c19jaXRfb25ld2VzdF9mZWJfOF8yMDE1XzFfLnkZiZjIjXQ/public-comments-cit-onewest-feb-8-2015%20(1).pdf)

¹¹ The California Reinvestment Coalition and Inner City Press submitted a Freedom of Information Act request to the Office of the Comptroller of the Currency, asking for information about the email issue, as well as: number of complaints the regulator received; what safeguards the OCC uses to prevent fake support for bank mergers; if the OCC conducted any investigations into problems with Financial Freedom and reverse mortgage originations; if the bank had conversations with federal bank regulators related to pre-emption, HBOR, the AG investigation, Joseph Otting's firing, and more. To read the FOIA, click here: [FOIA REQUEST TO OCC](#). Note: CRC was tipped off to irregularities with Otting's petition after receiving an [email from a Vallejo, California resident](#) who discovered his name had been signed onto the petition without his knowledge. In subsequent research, CRC identified that of 593 emails in an [attachment](#) of "supporters," 100% of them had Yahoo email addresses (Yahoo has about 3% market share), a great deal of the signatures were submitted in the middle of the night. CRC was informed that about 1/3 of the emails "bounced back" after an email was sent to them. The email CRC received is below, and included a copy of the fake email that was submitted supposedly in support of the email: *I am writing your this email regarding this bogus email (cut and pasted below), sent to comments.applications@ny.frb.org and We.licensing@occ.treas.gov by you on my behalf which I came across on the internet today, the email address *****@yahoo is not mine and I did not authorize or send this email, and I did not authorize for you to use my name and address to be used for any support of One West and CIT Merger, I have no affiliation or whatsoever to this companies and would like you to stop using my name, address or email address, or I will have to go through legal action and notify proper authorities regarding this matter. I value my privacy and identity and take this matter seriously. thanks, ***** ****** For more on the emails, see: <http://www.politico.com/story/2016/11/mnunchin-treasury-foundation-trump-232016>

¹² https://www.sec.gov/Archives/edgar/data/1171825/000089109216012893/e68535_nt10k.htm

¹³ <http://www.businesswire.com/news/home/20160728005491/en/CIT-Reports-Quarter-2016-Net-Income-14>

¹⁴ <http://www.calreinvest.org/news/nonprofits-blast-california-chamber-of-commerce-for-picking-on-widowed-homeowners>

¹⁵ <https://www.eastbayexpress.com/oakland/saving-the-homeowner-bill-of-rights/Content?oid=4132390>

¹⁶ <http://abc7news.com/travel/proposed-bill-could-protect-widows-children-from-foreclosures/1405648/>

¹⁷ <https://www.occ.gov/news-issuances/news-releases/2011/nr-occ-2011-47a.pdf>

¹⁸ <http://ir.cit.com/doc.aspx?iid=102820&did=39861647>

¹⁹ <https://www.wsj.com/articles/cit-chief-john-thain-takes-9-pay-cut-on-his-way-out-1458588182>

²⁰ <https://www.wsj.com/articles/cit-chief-john-thain-takes-9-pay-cut-on-his-way-out-1458588182>

²¹ <https://theintercept.com/2017/01/03/treasury-nominee-steve-mnuchins-bank-accused-of-widespread-misconduct-in-leaked-memo/>

²² <https://badbankmerger.com/citna-bank-cra-exam/>

²³ <https://www.americanbanker.com/opinion/cra-goals-are-the-casualty-of-cit-onewest-merger>

²⁴ <http://www.latimes.com/business/la-fi-mnuchin-onewest-lending-20170117-story.html>

²⁵ <https://badbankmerger.com/citna-bank-cra-exam/>