

\* Mark Hughes CEO Bayhan 9/20/10

Krebs, Hantz  
←→

3:41 Fordham Univ BA Business <sup>Admin</sup> 86"  
86 Solomon Bros <sup>integrate</sup> Sycors (Mgt Operation Dept),  
Fycors Mgt Finance Group until 1948  
99 Capital Group (Law DD <sup>is</sup> provided) 6 months  
Sep 99 Bayhan (Sales Rep, 4 Bayhan) '99-2008  
Business Development, Chief Business, President's Chief Operating  
officer

5:35 Out toward loan files reviews. Indy Buyers  
of myt Loans. Engaged to provide loan level Revu.

\* The scope & process would vary

6:00 Confidentiality Agreements exclude Bayhan from naming w/  
your clients

8:31 - Contact - look at the scope of the review & use what they  
wanted, time frame, we would evaluate our resources &  
then determine if we could meet the review.

8:45 - Most "DD" reviews were performed on the sellers site.

9:00 - <sup>of myt the Team</sup> The Project Manager would be in charge, CD would review  
the quality of the results of the UW team & then there would  
be stated underwriters.

10:40 Sometimes they knew the size of the pool & sometimes we did not.

12:06 - Received UW guidelines from the seller rep.

12:48 - On occasion they ~~was~~ were asked to add additional overlays to the guidelines. ~~Overlays~~

15:00 - Principal Customers were the "S" Firms.

15:15 - Don't Recall Put Back Loans to the originators.

15:52 - Some Firms may have hired them to perform PD on Loans that would ~~do~~ ~~on~~ their portfolios, ~~and~~

16:43 - Loan Rankings "Disposition Code for Each Loan."

1. If loan met guidelines

2. Met Guidelines, but there were compensating factors

3. Out side the guidelines and the loan ~~had~~ <sup>that year</sup> materially outside the guidelines & no compensating factors.

4. Incomplete Information and could not complete the evaluation

→ The client would make the determination as to whether the loan was accepted in the pool or kicked out

14:55 - Client's took Bighans results & then made their own determination as to what to do w/ the ~~resulting~~ individual loan in the portfolio

→ In some cases ~~sometimes~~ Bogan was notified as to whether the event 3's were accepted or rejected.

21:00 - → 3  
D. Missing Docs  
Take a few days  
Documents

23:33 - The Reason why DD firms

"They came to us via sample of loans to understand if the loans in the representative sample met the UW guidelines that they provided along with those loans."

26:20

~~Understanding Standards~~  
Application for DD work ~~not~~ the UW standards were not on the system

27:12

We loaded the data file into the application & we may have loaded rules.

28:45

~~material~~  
- Immaterial 2 & material 3

Bayhamp group did not determine the materiality. They only determined what loans fell in the guidelines and which loans did not. The client made the decisions.

30:27

- The Lead would determine if the compensating factors were significant. The lead would then present this info to the client

32:30

~~the~~ After presenting the 2's to the client, the ~~lead~~ would then make a decision as to whether the 2 was acceptable or not. If Bayhamp did not have feedback <sup>from the client</sup> about whether the 2 was acceptable from the client w.r. respect to the 2

32:00

↓ it was assumed that the 2 was accepted by the client  
"If they didn't ask us to change <sup>the results</sup> it was a

33:20

← The Lead would provide a project book to the views & the qc people.

35:33

### Top Delta Report / Changes to June Report

generate  
Info ->

would show the key data fields & any discrepancies in the initial type ~~vs~~ what was found as a result of "DD" review  
Data Export Report - Sent after the conclusion of the review. This would be an excel file that would key data points & comments from the review w respect to compensating factors found.

36:11

Loan Level Detail - 2-3 ~~page~~ PDF style report & synopsis of relevant characteristics of the loan & it would include the disposition code as well. (UW's <sup>specific</sup> QC comments) -  
Exception Report - List the <sup>specific</sup> exceptions found & the # of Loans.

39:11  
Sub P &

The amount of review that was Prime was negligible in recent years. It was predominately Alt A it's hard to distinguish between the 2 products.  
~~There was~~ (more than 75% was Suspline and or Alt A)

41:05

UW staff were temporary employees.  
UW's were paid

42:00

UW signed in and out Project Mortgage signed <sup>off</sup> on the time worked

44:33

- Training for the QC - Drawn from experienced people who were once underwriters and they demonstrated proficiency <sup>experience</sup> ~~in~~ being able to ~~review~~ <sup>over time in analysing loans.</sup>

46:00

→ 45 hr PM, 35 <sup>hr</sup> QC, Staff UW varied low 30's tiering were experienced UW that were compensated more than some QC UW's

47:45

Charged clients on a loan-by-loan basis. and independent on the depth of the warranted interview.

49:20 - There was typically more "DD" performed on subprime than prime.

50:23 - 50% Pools Reverses - Late 90's early 2000's

51:50 Bayham is Dormant right. Company sold its BRAIN <sup>now</sup> application ~~and its assets~~ <sup>software</sup> was sold to First American Core Logic

51:00 Reports <sup>may</sup> ~~are~~ currently <sup>be</sup> on the screen

56:36 Based on your experience at Bayham group ~~was it your~~ ~~experience~~ did "UW" standards ~~decrease~~ decline.

57:02 - "UW guidelines were expanded during that time".  
~~to~~ I would <sup>not</sup> say expanded & requirements reduced over time.

"Based on your experience at Bayham group did you see 'UW' standards deteriorating over ~~the~~ your tenure?"  
It's my understanding that UW were expanded in that time period.

57:20 Did they expand ~~and~~ on the side that said they were better loans or did they expand on the side that said they were worse loans?

I ~~would~~ <sup>were</sup> wouldn't say better or worse. I would say they expanded and that requirements were reduced over time.

57:50 ~~We were at Bayham was not involved in the~~

Jon Ryner, <sup>Fitch</sup> Gibson Jr  
~~Don Ryner~~

Sep 21  
Lou Rabinovitch  
Jon

~~2:50:10~~ Never called to testify before the NY AG, Never testified for any AG, or Regulator, or the Plaintiff's Bar

1:01:18 ~~1:01:18~~ - <sup>Meetings</sup> RA Moody's, Fitch, S & P. [don't recall when the ~~meets~~ meetings occurred]  
Purpose To formalize the RA w/ the Bony Group & the work that we perform for clients and more ~~to~~ give them a general background into the group. 'How the company operated'

1:02:47 To Mr. [unclear] knowledge no RA referred to the fact that DD had been performed by the "B" Group (Not the to sell them into)

No Perspectives mentioned "B" "DD"

\* 1:05:27 In most cases the clients see the "S" Firm & not the originators  
Did some work for "O" around the issue of "CQ"

Checked on the quality of originators CQ

10:6:41 Don: Does not recall the 'DD' Re M&A Deals.

1:07:5 Does not have an opinion about who the better/best origination firms were.

~~1:08:43~~ ~~1:08:43~~ ~~1:08:43~~

1:04:45 Full scope DD would have included a review of appraisal Credit & Compliance \$125-\$145 a file.

An underwriter in a day would typically review 6-7 loan files in a day.

1:11:07 ~~B~~ ~~B~~ Boyan had a bonus system set up around the

1:17:31

Exceptional Client Service, & quality of Delivery of Results

1:13:00

"PM" could get a year based on the companies performance & other factors

1:16:24

Most of our clients used us & other firms. ~~Some~~

1:12:50

Could not ~~not~~ remember any specific instances where a specific client wasn't satisfied w/ Clayton's "~~PM~~" service and stopped using their services.

1:18:5

- ~~Put Back~~ Not aware of any specific put back reviews. Boykin might have done a couple.

Custodian of Records for Boykin's Paul Boykin