EXHIBIT A

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF MGIC INVESTMENT CORPORATION

A regular meeting of the Board of Directors of MGIC Investment Corporation was held at approximately 8:00 a.m. on January 22, 1998 in the offices of the Corporation at 250 East Kilbourn Avenue, Milwaukee, Wisconsin.

Present and representing all of the members of the Board of Directors were James A. Abbott, Mary K. Bush, Karl E. Case, David S. Engelman, James D. Ericson, Daniel Gross, Kenneth M. Jastrow, II, William H. Lacy, Sheldon B. Lubar, William A. McIntosh, Leslie M. Muma, Peter J. Wallison and Edward J. Zore. Also present at this time were Curt S. Culver, President of Mortgage Guaranty Insurance Corporation ("MGIC") and an Executive Vice President of the Corporation; J. Michael Lauer, Executive Vice President and Chief Financial Officer of the Corporation; Lawrence J. Pierzchalski, Executive Vice President-Risk Management of MGIC; Gordon H. Steinbach, Executive Vice President-Credit Policy of MGIC; Jeffrey H. Lane, Senior Vice President, General Counsel and Secretary of the Corporation; James S. MacLeod, Senior Vice President-Field Operations of MGIC; Lou T. Zellner, Senior Vice President-Corporate Planning of MGIC; John D. Ludwick, Vice President-Human Resources of MGIC; and James A. McGinnis, Treasurer of the Corporation. Mr. Lacy acted as Chairman of the meeting and Mr. Lane acted as Secretary of the meeting.

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Mr. Culver presented his report on operations. Among other topics, he discussed the recent increase in mortgage insurance application volume in response to the decline in mortgage interest rates; and contract underwriting services, including the productivity of the underwriters, competitive pressures that have lead to increases in underwriter compensation, the revenues generated by this activity, new pilot pricing initiatives and the importance of contract underwriting services in preserving and strengthening relationships with lenders. Messrs. Loan

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Mr. Culver next discussed pool insurance to reduce guaranty fees on deliveries of loans to the GSEs ("GSE pool"). Mr. Culver covered pricing on 1998 GSE deliveries; pricing and terms of coverage being offered by MGIC's competitors, including that competitors were covering 80-10-10 loans, which MGIC excludes from coverage; MGIC's expectations for new GSE pool transactions in 1998; and the financial effect of writing GSE pool versus a captive mortgage reinsurance relationship. The Board then held a discussion of various matters relating to GSE pool.

Mr. Culver continued his report by discussing MGIC's captive mortgage reinsurance program. Among other subjects, Mr. Culver covered the number of active captive relationships and the terms of the related agreements, including the percentages of premium and risk ceded. He commented on MGIC's application market share and on the continuing consolidation among larger lenders and the potential effect on MGIC of several recent transactions. Mr. Culver also discussed the quality of MGIC's business, including the delinquency rate at December 31, 1997 as compared to the delinquency rates of those competitors of MGIC which were subsidiaries of publicly-traded companies, and a comparison of MGIC's recent writings with those of its competitors' on Freddie Mac deliveries segmented by FICO credit score. On both of these measures, MGIC continued to outperform its competitors. Mr. Culver concluded his report by briefing the Board on MGIC's pilot program to insure A- mortgages and the program of MGIC's affiliates to insure second mortgages, including home equity loans.

Mr. Lacy then held a discussion with the Board of various issues facing the mortgage insurance industry. These included increased penetration by the FHA into the low down payment segment of the market; increased authority granted by regulators to depository institutions to engage in insurance activities; and increased competition, through structured products and other means, among mortgage insurers, including the proposal by Bank One for a high quota share captive mortgage reinsurance arrangement to which two mortgage insurers had affirmatively responded. Mr. Lacy described the initiative by the Mortgage Insurance Companies of America ("MICA") to develop a policy statement, as requested by and directed to insurance regulators, which would define the terms on which risk sharing arrangements with lenders could be implemented consistent with sound insurance regulation. Representatives of three mortgage insurers, including MGIC, were meeting today on behalf of MICA with the Arizona Department of Insurance to discuss the policy statement; meetings had previously been held with insurance regulators in other states. Mr. Lacy distributed to the Board the materials prepared for the Arizona meeting and an article from the January 12, 1998 edition of BestWeek reporting on the MICA risk sharing initiative, both of which are attached to these minutes.

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Mr. Case said that because inclement weather had delayed his arrival at the Committee meeting, Mr. Engelman would report on the portion of the meeting occurring prior to Mr. Case's arrival. Mr. Engelman told the Board that the Committee had, among other topics, reviewed the GSE pool and captive mortgage reinsurance business;

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After the adoption of these resolutions, Messrs. Lacy, Lane and Ludwick left the meeting at approximately 11:35 a.m. and the Board continued to meet in executive session.

Jeffrey H. Lane, Secretary

cam-m:\w\board\minutes\inv\98-01-22.doc

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P.2

Captive Reinsurance
and
Other Risk Sharing Arrangements

ARIZONA DEPARTMENT OF INSURANCE

January 22, 1998

JAN 16 '98 08:22AM GEMICO RALEIGH NC

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JAN 16 '98 05:22PM GEMICO RALEIGH NC

INTRODUCTION

There has recently been a proliferation of new risk-sharing arrangements by a mortgage insurer or an affiliate thereof with a lender or an affiliate thereof, pursuant to which the payments or rate of return are, directly or indirectly, a function of the performance of an underlying book of business insured by the mortgage insurer. These arrangements include, but are not limited to, captive mortgage reinsurance, "performance notes," and other arrangements characterized as debt securities or other, so-called "derivative" instruments.

All of these risk-sharing arrangements might offer potential benefits. However, if not properly controlled, they also present a threat to the overall strength and claims-paying ability of the private mortgage insurance industry. It is to address these risks that we are recommending that the Arizona Insurance Department adopt a regulation or other binding directive to impose appropriate conditions on all such arrangements irrespective of whether they are characterized as captive mortgage reinsurance or some form of security. Fundamentally, all of these arrangements involve the transfer of premium relative to risk, and should therefore be subject to the jurisdiction and supervision of the Department.

In order to simplify the discussion of the general issues relating to risk-sharing arrangements, this presentation focuses on captive mortgage reinsurance. It must be reiterated, however, that any form of regulation which does not cover the entire gamut of potential risk-sharing arrangements will be ineffective. It would be a fundamental error to permit unregulated risk-sharing arrangements merely because they are structured so as to not take the form of traditional reinsurance risk transfer.

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JAN 16 '98 05:22PM GEMICO RALEIGH NC P.4

Mortgage Insurance Principles

- A fundamental tenet of all insurance is risk dispersion. This is particularly critical for PMI companies because significant losses are driven by catastrophic events that typically occur on a regional basis, not events that can be actuarially predicted.
- Mortgage guaranty insurers insure nationally dispersed books of business from both a geographic and lender base.
- Mortgage guaranty insurance is a long-cycle business that builds reserves during strong economic times as a shock absorber during economic downturns.

Industry Position . . .

- The mortgage insurance industry supports captive reinsurance structures that transfer risk under a proper regulatory framework that assures the financial strength of our industry to protect the ultimate policyholders.
- Such structures create an alliance between lender and insurer to control and manage risk better.

Lending Industry Trends . . .

- Mortgage lending has become commoditized and very efficient, forcing lenders to look for other opportunities to generate income. Captive reinsurance is one manner in which lenders may participate, on a limited basis, in the mortgage insurance business, subject to compliance with applicable state and federal law.

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Mortgage Insurers, Lenders, Investors and Consumers . . .

- Over last 30 years, the mortgage industry and consumers have benefited from the spreading of risk through well-capitalized and supported mortgage insurance. The strong claims-paying ability of the industry gave investors the confidence to support the growth of the secondary market.
- Primary mortgage insurers are able to achieve broad and consistent geographic dispersion of risk by providing insurance to numerous lenders in all regions of the United States. Even the largest lender has only a 6% share of the origination market and thus cannot consistently match the broader diversification of risk by the average MI. In fact, only 14 lenders can claim as much as a 1% share of originations.

Risk Factors Associated With Captive Reinsurance

- Captive reinsurance structures raise some key issues for both the mortgage insurance companies and regulators. These include:
  - Segmentation
  - Compromised Risk Evaluation
  - Capital Adequacy

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JAN 16 '98 05:23PM GEMICO RALEIGH NC

Segmentation

Captive reinsurance results in the segregation of premiums pledged to support losses on limited segments of a primary mortgage insurer's overall insured portfolio. Such segregation runs counter to the basis insurance principle that an insurer's liabilities should be supported by all of its assets. If mortgage insurers are permitted to reinsure more than 25% of their business in captive reinsurance structures, locking up those premiums, this degree of segmentation will be financially detrimental to the mortgage finance industry.

Compromised Risk Evaluation

Mortgage insurance is unique, in that the "creator" of the risk is the lender, who, as an affiliate of the captive, also has an interest in the insurance. This makes a true arms-length independent judgment of risk more difficult to obtain.

Capital Adequacy

Depending on the nature and level of risk assumed, captive reinsurers should be subject to risk-to-capital requirements which are more stringent than those applicable to primary mortgage insurers.

Inducements to Insure

The nature of the relationship between the mortgage insurer and the lender is such that, absent clear regulatory guidelines, reinsurance transactions will inevitably become more and more generous to the lender until, ultimately, they are no more than revenue-sharing arrangements, under which no risk is transferred.

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JAN 15 '98 05:23PM GEMICO MARTIN NC

Recommended Actions--Adopt a regulation or other binding directive, under which mortgage insurers licensed in Arizona would be prohibited from entering into captive reinsurance and other risk- and revenue-sharing arrangements unless the following conditions were satisfied:

- There must be a legitimate transfer of risk of loss from the primary insurer to the captive.
- Reinsurance premiums must be:
  - commensurate with the risk transferred, and
  - not materially greater than the cost of comparable coverage with an unrelated reinsurer
- The requirements of FASB 113 must be satisfied
- An independent actuary or reinsurance broker must provide an opinion to all parties and to the Commissioner of Insurance of the primary insurer's state of domicile concerning transfer of risk and reasonableness of premiums ceded
- Premiums and risk ceded to the captive must not exceed 25% of premiums (less a reasonable ceding commission) and risk relating to mortgage insurance business written by the primary insurer on loans originated by any affiliate (or group of affiliates) of the captive
- The captive's risk-to-capital ratios and reserves, including its contingency reserves, must:
  - satisfy the requirements of its state of domicile;
  - not be less than what is required by the NAIC Model Mortgage Guaranty Insurance Act;
  - be segregated and dedicated solely to the reinsurance obligations of the captive;
  - consist of cash, cash equivalents or marketable, nonaffiliated, investment-grade securities;
  - be adequate to pay projected claims
- Dividends and other payments by the captive must be restricted to ensure the availability of funds to pay claims
- Ceding commissions must be reasonable
- Some geographic risk dispersion requirements should be imposed (e.g., no more than 20% of the reinsurer's book in any single SMSA)
- The captive must be monoline

MGIC is preparing a draft regulation for the Department's consideration

MGIC-CFPB00190650

Property/Casualty Edition

BESTWEEK

Insurance News and Analysis

January 12, 1998 Release 2

Mortgage Insurers, Regulators Unite To Urge Curbs on New Bank Ventures

The eight companies that comprise the U.S. mortgage insurance industry and two key insurance commissioners agree that bank-owned reinsurance subsidiaries shouldn't be allowed to accept more than a 25% share of risk and premium income on private mortgage insurance policies.

The stance of the mortgage insurers and regulators is the most aggressive challenge yet to what they see as an especially risky example of banks' entry into the insurance business—made with the backing of Comptroller of the Currency Eugene Ludwig.

The Mortgage Insurance Association of America, the trade group of primary insurers, has called on all state insurance regulators to "act swiftly" to impose the 25% ceiling. The limitation would apply to quota-share and excess-of-loss arrangements between bank captive reinsurers and any primary mortgage insurer that is a partner.

MICA's position, outlined in a Dec. 4 letter to state regulators, is in line with the position of Vermont Insurance Commissioner Elizabeth Costle, whose state is the domicile for most national bank captive reinsurance subsidiaries.

Costle has said that based on solvency and capital-adequacy concerns, she wouldn't approve a captive reinsurance arrangement involving mortgage insurance in which a bank assumes more than 25% of the risk.

She took that position when Banc One Insurance Group, a subsidiary of Columbus, Ohio-based Bank One, approached the Vermont department last year about a license for its new captive mortgage reinsurer. (*BestWeek*, Oct. 27, 1997)

North Carolina Commissioner Jim Long, whose state is the domicile for three of the primary mortgage insurers, agrees

(continued on page 3)

Mortgage (cont'd)

by former Wisconsin Commissioner Josephine Musser, who at the time was president of the National Association of Insurance Commissioners. Long strongly urged all of his fellow commissioners to adopt the 25% limitation in their states.

"Treaties that exceed more than 25 percent begin to look less like reinsurance and more like primary mortgage guaranty insurance underwriting," said the letter.

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Since national banks don't comply with the same safety and soundness requirements as primary mortgage insurers, the letter added, "this is a dangerous precedent to set."

Costle said in an interview last week that the issue and the letters were discussed as part of the agenda of a closed commissioners' session at the December NAIC meeting in Seattle.

"We would welcome Bank One, as we would anyone else who wants to form a captive reinsurer," she said of Vermont. "But we have established our standards."

The result of all the activity and letter-writing over the past two months has been to complicate Bank One's effort to get a captive license.

Bank One received approval last year from the Office of the Comptroller of the Currency to form a captive that could assume 50%, perhaps as much as 75%, of the risk in a quota-share deal with a primary mortgage insurer.

Six national banks have received the green light from the OCC to form mortgage reinsurance captives. But Bank One has been the most aggressive in pursuing a quota-share arrangement.

The Bank One plan drew criticism not only from MICA and others in the insurance industry, but more importantly from a key congressman, Rep. John Dingell, D-Mich., the ranking member of the House Banking Committee.

Glen Milesko, president of Banc One Insurance Group, said in an interview last week that his company has been talking to several states since Vermont turned him down. He expressed confidence that Bank One will get a captive license "very soon."

But Milesko is clearly angry about what he termed MICA's "lobbying" to keep Bank One from capturing a competitive share of the mortgage insurance market. "Every state we talk to, MICA comes in and tries to put pressure on the department not to give us a license," he said

More pointedly, he said he viewed the Long-Musser letter of two months ago as evidence of "collusion" with MICA to frustrate Bank One's efforts.

"I don't know how he (Long) can comment on what we are planning to do when he has never even talked to us about it," said Milesko.

For instance, he said, Bank One is ready to capitalize its reinsurance captive to the tune of $8 million, far beyond the minimum required of incorporated primary mortgage insurers.

"That letter wasn't a responsible thing for a regulator to do," Milesko said. He said that he and others from Banc One Insurance Group are planning to meet with Long in North Carolina.

Long was away on business last week and couldn't be reached for comment.

The situation is all the more complicated because, according to various sources, some of the eight primary mortgage insurers would like to do business with Bank One. Although they signed the joint letter issued by MICA, which is their trade group, these smaller primary mortgage insurers see partnerships with national banks as a way to gain market share, even if it means ceding significant premium income and risk to a bank.

The Long-Musser letter addressed this issue directly. "In their eagerness to gain market share and short-term revenue increases," they wrote, some mortgage insurers "may be willing to give up half or more of their premium income to earn new business. We need to be vigilant to ensure that such partnerships do not result in instability in the mortgage guaranty insurance industry and in the mortgage financing system generally."

The eight companies that signed the Dec. 4 MICA letter were Amerin Guaranty Corp., Commonwealth Mortgage Assurance Co., GE Capital Mortgage Insurance Corp., Mortgage Guaranty Insurance Corp., PMI Mortgage

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Insurance Co., Republic Mortgage Insurance Co., Triad Guaranty Insurance Corp. and United Guaranty Corp.

"The big companies in MICA are trying to use their clout to protect their turf," said Milesko. He did not mention names, but GE Capital and MGIC are thought to be the leading opponents of Bank One's quota-share plan.

"I can tell you that if we don't end up being able to do what we want to do," Milesko said, "we have gathered plenty of evidence to make the case that they (MICA) have wrongfully interfered with our business."

Ellen Schweppe, MICA's director of communications, said the trade group wants "a level playing field" in the marketplace. "That is what we have been trying to express to the insurance commissioners."

She said the Dec. 4 letter "represents the industry position as a whole. I can't speak for what the individual companies might do."

The eight companies wrote in their joint letter that they are "not opposed to bank entry into captive mortgage reinsurance per se." They added that "under the right conditions," captive arrangements "can have the same economic benefits as other reinsurance products."

The "prerequisites" that would need to exist to set the right conditions, MICA said, include the 25% limit, proper capitalization of the reinsurance subsidiary, adequate reserves to ensure payment of claims, and "appropriate dividending restrictions" that would preserve the safety and soundness of the mortgage guaranty industry.

In their Nov. 24 letter, Long and Musser went into greater detail about their concerns.

They listed five areas in which allowing more than a 25% share to a mortgage reinsurer owned by a bank lender would be "imprudent." They included:

• Capitalization. Captives can be incorporated with much less capital than primary insurers, and thus the captive may not be able to meet its reinsurance obligations "in a period of stress," the letter said. This, in turn, puts more pressure on the primary insurer to hold additional capital.

• Underwriting. "Lenders under pressure to increase origination volume, could be tempted to bring extra pressure to bear on mortgage guaranty insurance companies to approve loans for insurance," the letter argued.

• Diversification. Segmentation of the market by lenders "would segregate premiums shared with good lenders from being used to offset excess losses," said the letter. If 10 or more of the 25-largest lenders set up 50% quota-share deals with the four-largest mortgage guaranty insurers, the letter added, the current "stability of the primary insurance industry could be undermined seriously."

• Geographic Dispersion. Captives of lenders do business on a regional basis. This diminishes the benefits of geographic dispersion and thus undermines the "actuarial soundness" of the industry.

• Dividends. "Funds available from a poorly performing captive to pay benefits may be less than the premiums previously ceded plus investment income if the structure permits too liberal dividending policies or investment practices," the letter said.

"Whether you are a domicile for a mortgage guaranty insurance company or about to be approached as prospective domicile for a captive company, we are writing to ask you to follow Vermont's lead," Long and Musser said to their fellow regulators.

—Robert H. Gettlin

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EXHIBIT B

1 - - -
2 UNITED STATES DISTRICT COURT
3 EASTERN DISTRICT OF CALIFORNIA
4 FRESNO DIVISION
5 - - -
6 EFRAIN MUNOZ, LEONA :
LOVETTE and STEPHANIE :
7 MELANI, individually :
and on behalf of all :
8 others similarly :
situated, :
9 Plaintiffs, :
:
10 vs. : Case No.
: 1:08-CV-00759-AWI-DLB
11 :
PHH CORP., PHH MORTGAGE:
12 CORP., PHH HOME LOANS, :
LLC, and ATRIUM :
13 INSURANCE CORP., :
Defendants. :
14
- - -
15
Thursday, October 22, 2009
16
- - -
17
CONFIDENTIAL
18
- - -
19
ORAL DEPOSITION
20 PURSUANT TO FED. R. CIV. P. 30(b)(6)
OF
21 MARK R. DANAHY
22 - - -
23
24
25

- - -

Confidential Oral Deposition Pursuant to Fed. R. Civ. P. 30(b)(6) of MARK R. DANAHY taken at Braverman Kaskey, One Liberty Place, 56th Floor, 1650 Market Street, Philadelphia, Pennsylvania, commencing at 9:58 a.m., before Susan Marie Migatz, a Federally Approved Registered Merit Reporter, Certified Realtime Reporter, and Notary Public in and for the Commonwealth of Pennsylvania and the State of Delaware.

- - -

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Associate General Counsel
PHH Mortgage

- - -

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- - -

MARK R. DANAHY, 227 East Main Street, Moorestown, NJ 08057, after having been first duly sworn, was examined and testified as follows:

- - -

EXAMINATION

- - -

BY MS. MOFFA:

Q. Good morning, Mr. Danahy.

A. Good morning.

Q. We introduced ourselves before. I'm Donna Siegel Moffa. I'm here with Terry Ziegler. We are representing the plaintiffs in this lawsuit, Munoz versus PHH Corp., PHH Mortgage Corp., PHH Home Loans, and Atrium. Have you been deposed before, sir?

A. No.

Q. I will give you a couple ground rules, but first I would like to have you state your name again for the record.

A. It's Mark R. Danahy.

Q. And what is your business address?

A. 1 Mortgage Way.

Q. In Moorestown?

A. Mt. Laurel, New Jersey 08054.

Q. Okay. Your counsel has probably told you this, but I'll just review a little bit of it with you again.

This is a question-and-answer period that's done under oath in the process of this litigation just to collect information, and the information that you give and the questions I ask will be taken down by the court reporter.

Because she is taking down everything we say, it's important that we don't talk over each other, so let me finish my question and then you can answer, even if you know where I'm going.

If I talk too fast, which I generally speak pretty quickly, especially in the beginning of a deposition, let me know, I'll slow down.

MS. MOFFA: That goes for the court reporter as well.

THE COURT REPORTER: Thank you.

BY MS. MOFFA:

Q. If you need a break, that's fine.

If your counsel objects to a question, let us work that out and do as directed.

A. Okay.

Q. Are you taking anything or is there any reason today that you are unable to answer truthfully and completely the questions that are being asked?

A. No, no reason.

Q. Okay. A couple other things. Don't guess. And if you don't understand a question that I ask, please ask me to clarify it so that the record is clear that we're talking about the same thing so that the answer you give then I can rely on. Okay?

A. Okay.

MS. MOFFA: I'm going to mark a document as 30(b)(6) 1.

- - -

(Whereupon the document was marked, for identification purposes, as 30(b)(6) Exhibit 1.)

- - -

BY MS. MOFFA:

Q. You've just been handed a document that's been marked as 30(b)(6) 1. Do you recognize the document?

A. Yes.

Q. Okay. What is the document?

A. I might characterize this wrong, but I think it's the Complaint.

Q. You think it's what?

A. Oh, it's the Deposition Notice.

Q. When have you seen this document before?

A. On probably two occasions, yesterday most recently.

MS. MOFFA: And this is, for the record, the Re-Notice of Deposition Pursuant to Federal Rule 30(b)(6).

BY MS. MOFFA:

Q. Is it your understanding, sir, that you are here today as a designee to address the topics addressed in 30(b)(6) 1?

A. Yes.

Q. Okay. What did you do to prepare to

testify on the topics in 30(b)(6) 1?

A. Well, I met with counsel and he gave me an overview of how this process would go, advised me to be truthful; and then I've looked at various reports in preparation, just to refamiliarize myself.

Q. Okay. Did you pick the reports that you looked at?

A. Typically they're going to be the reports that were submitted to you guys under the deposition.

Q. Okay. I'm going to back up just a moment.

Are you here today on behalf of all of the defendants in the lawsuit?

A. Yes.

Q. When I speak today and I talk about "PHH," unless I specify that I'm referring to one of the particular PHH entities, I'm referring to them collectively. Is that okay? Do we understand each other?

A. Yes. If I'm not clear, I'll try and clarify.

Q. And I'll refer to Atrium Insurance

Corporation as Atrium. Is that all right with you?

A. That's fine.

Q. You said that you looked at reports. Which reports did you look at?

A. It would be some of the Atrium reports, cession statements.

Q. Go ahead.

A. Some of the Milliman data, our actuarial reports; briefly looked at financial statements.

Q. And just so the record is clear, what do you mean by the term "cession statements"?

A. That's the report that the MI companies provide us on the status of the loans underlying the reinsurance agreement, essentially their reinsurance reporting mechanism.

Q. Okay. We will get into that later.

Are those regular quarterly reports that are provided to Atrium by the MI companies?

A. Yes, quarterly; I think in some

cases monthly.

Q. Did you speak to anybody in particular in preparing for the deposition besides your counsel?

A. My staff.

Q. Who on your staff did you speak to?

A. Mike Bogansky in particular.

Q. What's his position?

A. He is vice president of financial reporting for PHH Mortgage and he is responsible for the Atrium accounting as part of that responsibility.

Q. Did you speak to anybody else?

A. No.

Q. Are you aware that at some point your counsel provided us documentation in response to the Deposition Notice that you looked at?

A. Yes.

Q. Were you involved in the preparation of that material?

A. I was aware of the preparation of the material, but I wasn't actually, you know, getting reports and handing them over. That

typically would have been Mike. But I'm familiar with the information.

Q. So did you have a chance to review the information that was provided by your counsel in response to the Deposition Notice topics?

A. Yes.

Q. Did you speak with the people who were preparing that information while it was being prepared about its preparation?

A. No.

Q. Can you tell me the names of some of the people who were involved in the preparation of the materials?

A. It would have been largely Mike Bogansky would have been the key person involved in that. Some of the folks that work for him may have been involved, but I'm not familiar with --

Q. Anybody else?

A. -- who --

Q. I'm sorry.

A. That's all right. I'm not familiar with who else besides Mike. He would have

been the lead person gathering the information.

Q. Anybody else?

A. He's got several people working for him, but I'd be guessing as to their involvement.

Q. Okay. Did you speak with Mike Bogansky -- did I say that right?

A. Yes.

Q. -- with regard to the topics in the Deposition Notice today?

A. I did.

Q. And when did you speak with him?

A. Yesterday.

Q. Did he provide information to you at that time?

A. We discussed the materials that were presented and reviewed some of the materials that were presented.

Q. Can you take a look at the topics that are listed in 30(b)(6) 1 at Pages 4 and 5 and just at the top of 6 and let me know if these are topics that you are prepared to testify about today, and you can do that by

letting me know if you see some of them here that you are not prepared to address today.

A. I can address all of them.

Q. Okay. Did you notice that there's more than one page there?

A. You specifically referenced 1 through 6.

Q. I said Pages or I believe I said --

A. Pages; my bad.

Q. -- Pages 4, 5, and 6; sorry.

A. Let me just...

Q. Sure.

A. Yes.

Q. Yes, you can address all of the topics that are listed?

A. All of the topics.

Q. Thank you.

You did mention that you spoke with Mr. Bogansky yesterday and reviewed some of the materials. Do you recall the substance of your conversation with Mr. Bogansky yesterday in preparation for your deposition?

A. Yes; in particular walking through a cession statement to familiarize myself with

the contents.

Q. Do you recall which cession statement?

A. Well, it would have been one of the ones provided to you guys as part of this process. The companies in particular I think were Radian and UGI that I looked at.

Q. Do you review cession statements normally in the course of your responsibilities?

A. Not routinely.

Q. Why don't we do a little bit of background, too, there?

What is your position?

A. For which company?

Q. Okay. Let's start with PHH.

A. With PHH Corporation?

Q. Yes.

A. I am senior vice president. For PHH Mortgage I am the president and CEO. For PHH Home Loans I am the president. For Atrium I am the president. I'm also a director for Atrium.

Q. On the board?

A. Yes.
Q. Is that what you mean by "a director"?
A. Yes.
Q. All right. Where are your offices for PHH Corporation?
A. At 1 Mortgage Way, Mt. Laurel, New Jersey.
Q. And you are senior vice president for PHH Corporation?
A. Yes.
Q. How long have you held that position?
A. I believe since 2005.
Q. Prior to that did you hold a position at PHH Corporation?
A. I don't believe so. That was the date of the spinoff of PHH Corporation from Cendant.
Q. Okay. I'll ask you for a little bit of background there. When you talk about the spinoff of PHH Corporation from Cendant, what are you referring to?
A. Cendant was the former owner of PHH

Corporation and on January 31, I believe, they spun PHH Corporation off as an independent publicly traded company.
Q. Is there a relationship between Cendant and PHH Corporation at this point?
A. PHH Home Loans is a joint venture between PHH Mortgage and Realogy, which is a former Cendant company.
Q. Does Cendant itself exist anymore in any form?
A. No. The remnants of Cendant is now Avis Budget.
Q. Were you with Cendant prior to being with PHH Corporation?
A. I was with PHH Mortgage, which was a subsidiary of Cendant's prior to the spinoff.
Q. Okay. And you are currently the president and CEO of PHH Mortgage?
A. Correct.
Q. And how long have you had that position?
A. Since December of last year, 2008.
Q. Prior to that did you hold other positions with --

A. Chief financial officer.
Q. And how long did you hold that position for?
A. From early 2001 through December of 2008.
Q. Prior to that did you have a position with PHH Mortgage?
A. Yes. I was the controller for PHH Mortgage from December of 2000 through the date of my promotion, which I believe was April.
Q. Prior to that did you have a position with PHH?
A. I was not with PHH prior to that. I was with GE Capital Mortgage Services or GE Capital Market Services.
Q. How long were you with GE Capital?
A. I joined GE Capital in March of '97 and left in December of 2000 to join PHH.
Q. What was your position at GE Capital?
A. I was senior vice president of their Capital Market Services business, focused on their mortgage operations, and I think I

actually changed entities within GE. So I was senior vice president of GE Capital Mortgage Services for a period. I'm not exactly sure when the entity change occurred.
Q. Prior to the time you were with GE, where were you?
A. At Norwest Mortgage, and I left there in March of '97. Norwest acquired PruHome, PruHome Mortgage, which was the business I was with, and I started there in January of 1991, I believe, or March of 1991, early '91.
Q. As president and CEO of PHH Mortgage, where are your offices located for that entity?
A. 1 Mortgage Way, Mt. Laurel, New Jersey.
Q. In all of your positions with regard to each of the PHH entities and Atrium, are all of your offices all in the same location?
A. That's my physical location. Atrium has offices in New York City, but I'm not sure of the specific address. It's in the Rockefeller Plaza area.

Q. We will get back to that in a second.

So with regard to PHH Home Loans, you are the president of that entity?

A. Yes.

Q. And how long have you held that position?

A. Since its formation, I think in October of 2005.

Q. So that was another role you took on --

A. Oh, wait a minute. No, no. I'm sorry. Since probably the beginning of this year, December of last year, January of this year. I would have been named president in about the same time as I was named president of PHH Mortgage.

Q. Prior to that did you have a position with PHH Home Loans?

A. Senior vice president and CFO.

Q. And how long did you hold that position?

A. Since its formation.

Q. With regard to Atrium, you are the

president of Atrium?

A. That's right.

Q. Who are the other officers of Atrium?

A. There's a number of other officers: Bill Brown, Mark Johnson, John Erdmann, Ron Lyles. There's several others. Lee Kaplan. I don't have all of them, but those are some of the key folks.

Q. Okay. What is Bill Brown's position with Atrium?

A. I believe he is either secretary or general counsel, or perhaps both.

Q. And where are his offices located?

A. In Mt. Laurel as well.

Q. Same address, 1 Mortgage --

A. 1 Mortgage Way.

Q. And Mark Johnson, what's his position?

A. Treasurer.

Q. Is he also located in --

A. Yes.

Q. -- the same location, 1 Mortgage Way? It's 1 Mortgage Way; right?

A. Yes.

Q. John Bergman, did you say?

A. Erdmann, E-R-D-M-A-N-N, controller.

Q. Okay. Is he also located at 1 Mortgage Way?

A. Yes.

Q. Ron Lyles?

A. CFO.

Q. Is he also located at 1 Mortgage Way?

A. Yes.

Q. And Lee Kaplan?

A. I believe assistant secretary, and he is also located at 1 Mortgage Way, presuming you would ask.

Q. Does Atrium have any employees?

A. It does not.

Q. You mentioned that Atrium has an office in New York City. Is there any person in the office located there?

A. There is no person full time in that office. It is a shared space or a -- I'm trying to think of the right phrasing for that.

It's a relatively small office for a physical location in New York City.

Q. Does Atrium actually rent that space or does it --

A. Yes.

Q. Yes? Okay.

And there's nobody who actually occupies the space; is that correct?

A. Right.

Q. What is the space used for?

A. I think it's a matter of compliance with New York State insurance law that there is a physical office in New York State.

Q. Other than 1 Mortgage Way, is there any location that people who do work for Atrium are located at?

A. It is possible that there are officers of PHH located in Sparks, Maryland, and I'm not exactly sure of the number, but I think it's Ridgeback Road or Ridgebrook Road. I always put it in the GPS wrong. But that is where our fleet business is located and certain members of our corporate staff are located there.

Q. When you refer to your fleet business -- I'm sorry.
A. And when I say "corporate staff," those would be employees of PHH Corporation.
Q. And you said it's possible that there are people there?
A. You know what? When I say "possible," I'm not sure of the officer list of Atrium, but certain members of our corporate staff may be on there.
For example, Mark Johnson is a member of the corporate staff as treasurer of PHH Corporation. He's also treasurer of Atrium. There may be other corporate staff members who I'm less familiar with that are on the officer list.
Q. For Atrium --
A. For Atrium.
A. -- that may be located in the Sparks, Maryland, location?
A. Who work in Sparks, Maryland.
Q. How long have you been president of Atrium?
A. Since early this year. I believe

the board approved the change in and around the first quarter of this year, 2009.
Q. Which change are you referring to?
A. I was promoted from senior VP and CFO to president of Atrium.
Q. What are your responsibilities with regard to Atrium?
A. I really think of it in a business context, making sure that we're making good business decisions and overseeing sort of the overall business of Atrium.
Q. What is the overall business of Atrium?
A. It is at this point a reinsurance vehicle or it's a monoline insurance company whose only business is reinsurance transactions.
Q. You said "at this point." Did Atrium at a different point than now have a different line of business?
A. It has not.
Q. So since it was formed, it's always had the same monoline of reinsurance business?
A. Its only business activity has been

the reinsurance business.
Q. Let me get just a little more of the history.
How long have you been with Atrium?
A. Oh, golly. I believe I started as an officer of Atrium in 2005.
Q. Prior to that did you do any work connected with Atrium's business?
A. Yes.
Q. What were your responsibilities in that regard?
A. Well, all the work of Atrium is done through a management services agreement between Atrium and Mortgage Services, so we would have provided management services in that capacity; and as CFO and controller I would have been responsible for making sure that financial statements were accurately prepared and timely prepared.
Q. You just referred I think to Mortgage Services?
A. PHH Mortgage.
Q. Okay. That's PHH Mortgage?
A. Yes.

Q. So PHH Mortgage provided management services to Atrium?
A. That's right.
Q. And you had responsibilities in connection with that with regard to financial statements?
A. Right.
Q. How long did you have those type of responsibilities?
A. That would have been up through 2005.
Q. Starting when?
A. And actually probably up through 2005, and then from 2005 as CFO of PHH Mortgage I would have had those ongoing responsibilities.
Q. You said "up through 2005." Starting about when?
A. Oh, with my starting with PHH Mortgage as controller in December of 2000.
Q. You mentioned Mark Johnson was employed by PHH. Is Bill Brown employed by PHH as well?
A. Yes.

EXHIBIT C

In the Matter of:

Captive Reinsurance

August 13, 2013
Samuel Rosenthal

Condensed Transcript with Word Index

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CONSUMER FINANCIAL PROTECTION BUREAU

In Re:)

CAPTIVE REINSURANCE)

- - - - - - - - - - - - - - - -)

Tuesday, August 13, 2013
Weiner Brodsky Kider, P.C.
1300 19th Street, N.W.
Washington, D.C. 20036

C O N F I D E N T I A L

The above-entitled matter came on for investigational hearing, pursuant to notice, at 9:01 a.m.

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APPEARANCES:

ON BEHALF OF THE CFPB:

DONALD R. GORDON, ESQ.

KIMBERLY J. RAVENER, ESQ.

TROY SCHULER, Law Clerk

FATIMA MAHMUD, Paralegal

Consumer Financial Protection Bureau

1700 G Street, N.W.

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PHH Mortgage In-House Counsel

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C O N F I D E N T I A L
P R O C E E D I N G S
- - - - -

Whereupon--

SAMUEL L. ROSENTHAL,

a witness, called for examination, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. GORDON:

Q. Good morning, Mr. Rosenthal. I'm Don Gordon, I'm an enforcement attorney with the Consumer Financial Proctection Bureau. It is just after 9 a.m.

We are at the offices of Weiner Brodsky on 19th Street in Washington, D.C. It is August 13th. This is an investigational hearing being conducted by the CFPB pursuant to 12 USC Section 5562 and the Bureau's final investigational rules which are at 12 CFR part 1080.

Objections that may be properly raised are limited as set forth in those rules. Also as set forth in those rules, this hearing may not be recorded by any means except by the official court reporter.

Mr. Rosenthal, would you please state your first and last name?

A. Samuel Rosenthal.

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Q. And, Mr. Rosenthal, are you represented by counsel today?

A. I am not, personally.

MR. GORDON: You may --

THE WITNESS: Yes, you are -- yes, I am. Yes, I am.

MR. GORDON: I'll invite counsel to make appearances for the record.

MR. SOUDERS: Dave Souders for Weiner Brodsky representing Mr. Rosenthal.

MS. RUST: Rosanne Rust from Weiner Brodsky Kider, PC, as well, representing Sam Rosenthal.

MR. WRONKA: Walter Wronka, I'm in-house counsel with PHH Mortgage Corp.

MR. GORDON: Just to clarify, Mr. Wronka, are you here representing Mr. Rosenthal personally?

MR. WRONKA: No.

MR. GORDON: Also present from the Bureau today -- actually, I'm sorry, please go ahead.

MS. RAVENER: Kim Ravener representing CFPB.

MR. GORDON: And also present for the Bureau are Fatima Mahmud, paralegal, and Troy Schuler, law clerk.

BY MR. GORDON:

Q. Mr. Rosenthal, who is your current employer?

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A. PHH Mortgage.
Q. And where is your employer located?
A. Mount Laurel, New Jersey.
Q. And what's your current position at PHH Mortgage?
A. Vice president.
Q. Is there a, is it vice president for a particular category?
A. Capital markets, balance sheet risk management.
Q. I just want to as a preliminary matter explain to you some things about how today's hearing will proceed.
For the purposes of this hearing, Ms. Ravener and I are officers of the United States.
Do you understand that we're here in an official capacity on behalf of the United States Government?
A. Yes.
Q. And, Mr. Rosenthal, you're appearing today pursuant to a Bureau Civil Investigative Demand; is that right?
A. Yes.
Q. Okay. And I'm going to hand you what has been pre-marked as Exhibit 203. This is a multi-page

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document which is headed at the top of the first page CFPB and Civil Investigative Demand.
Mr. Rosenthal, if you'd take a moment and just review that document and you can give me a nod when you've had a chance to look it through, look it over.
A. (Witness examining document)
Q. Mr. Rosenthal, I don't mean to interrupt, you should take your time; but I just want to let you know, the only thing I'm going to ask about in particular is the document as a whole and the last two pages. But feel free to review whatever you need to.
A. No, thank you. I'll glance through it quickly.
(Witness examining document)
Q. Okay. Is this document the Civil Investigative Demand pursuant to which you are appearing today?
A. Yes.
Q. Okay. If you would turn to the last two pages, that's the portion headed on page Exhibit 203-0017, notice to persons supplying information; do you see that?
A. Yes.
Q. There are two sections with headers on that

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page; one labeled A, false statements, semi colon, perjury, and two, labeled B, the Fifth Amendment, your right to counsel.
I just wanted to make sure that you've had a chance to review those sections. Have you?
A. Yes.
Q. Great. You can put that aside.
Do you know of any reason you might not be able to give truthful, complete and accurate testimony today?
A. No.
Q. And I just wanted to ask you a little bit or talk a little bit about kind of the ground rules under which we'll proceed today.
So first of all, I want to ask you, have you ever given testimony before in a deposition or in trial?
A. No.
Q. So here's in broad terms how we'll proceed. I'll be asking you a series of questions.
You understand that you're under oath and you are sworn to tell the truth just as if you were in a Court of law?
A. Yes.
Q. And I'll ask for a couple of understandings

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from you.
First, that as you have noticed, we have a court reporter writing down everything we say, so please make all of your responses verbally.
Can you do that?
A. Yes.
Q. I will do my very best not to start my question before you've finished your answer and I would ask you the same courtesy, to wait until I finish the question before you begin your answer.
Can you do that?
A. Yes.
Q. If you don't understand a question, please let me know and I'll try to ask a better question.
If you answer my question, I will assume you understood.
Is that fair?
A. Yes.
Q. We'll take breaks periodically throughout the day. If you would like to take a break, please let me know and I'll try to accommodate you as soon as I can. I would only ask one thing from you and that is, if there's a question pending, that you answer the question before we take a break.
Do you understand?

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eight times as large as the wholesale. We were never very large in wholesale. There was a period of time when correspondent grew to approximately 40 percent of our business, which would have been in the 2009, '10, '11 time frame, in that time.

Q. But before and after that it was substantially less?

A. Correct.

Q. So you were telling me about how retail mortgages get assigned to MI.

How do correspondent mortgages get assigned to MI?

A. It is my understanding that the correspondent can choose the MI provider or the, or the correspondent can ask PHH to select the MI provider. So loans go down two paths.

Q. And when you say it's your understanding, what's the basis of your understanding?

A. There's a symbol in our system which is called correspondent to choose MI and based upon that symbol, I've been told the correspondent choose that MI or the, or the correspondent asked PHH to choose that MI.

Q. Was there ever any financial consequence to the correspondent choosing one or another MI for a

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PHH Mortgage?

A. There have been price hits on our rate sheet if the correspondent chooses an MI who didn't have a systematic relationship with PHH where all the systems and protocols were set up. So it would become a more manual process.

Q. And that, those providers that were set up that way, are those the ones who were called preferred providers?

A. I'm not real familiar with the term preferred provider, but from a conceptual standpoint, yes.

Q. So with respect to the dialer and the retail mortgages, in your experience what are the factors PHH has used to decide how the dialer is set or how business is allocated to a particular MI or MIs?

A. The decisions on the dialer have been made based upon the counter-party strength of the MI. They've been made upon the payment history, the default payment, do they pay the claims when we need them to pay the claims. They've been based upon do we have, you know, transmissions all set up on the, you know, between the two computer systems. Those have been the driving -- oh, also, yeah, just, just those things and you want to make sure that it's balanced

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between, you know, balance between the two so you have a breadth of product offering.

Q. Balance between?

A. Balance between the multiple MIs, whatever MIs are in the system. So the product offering of the different MIs is varied through time, so they don't all just close loans like the product offering of MI one doesn't necessarily equal the product offering of MI number two.

Q. Are there any other factors you can think of?

A. No.

Q. Have those factors changed over time?

A. Yes. The product offering in the old days, pre 2006, 7, wasn't quite as important because the product offerings between the MIs were very, very similar prior to that time.

When the market began to experience difficulties, that's when the product offerings started to diverge. So that has gained further importance more recently.

The counter-party strength, we've always looked at it, but it's become much more important in the recent years as some of the MIs have begun to struggle.

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One other thing, I'm sorry. Sometimes the MIs, they had big marketing forces in the field and they would, they are out there selling to other correspondents and they are driving correspondents to sell loans to us, so to the extent they drove volume in to us, we, you know, they were helping us and we would choose to send more business to them.

Q. So that, does that just apply to the correspondent channel or generally in your business?

A. Mostly the correspondent channel because they really didn't drive a retail borrower to us.

Q. But in terms -- I'm sorry, were you finished?

A. Yes.

Q. In terms of your priorities for allocating business to them, that was retail business as a result of these correspondent?

A. Oh, now I understand. Yes. It would have been retail or correspondent business. We, we didn't distinguish so much between the two.

Q. During your time at PHH or during the time that you've been working on MI matters, to which MIs, if any, has PHH sent the most business?

A. At the beginning it was UGI. In 2000 or 2001 we began doing business with Genworth and then it

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was kind of a, you know, back and forth between the two as to who was getting more business in the mixture.

And then in mid-2006 or 7 we opened up the dialer to more entities.

Q. I was going to ask you a little bit more about that a little bit later, but wanted to clarify, I think you had said UGI and that's United Guaranty?

A. Yes.

Q. Okay. And Genworth I understand used to be called Gemico, G-E-M-I-C-O; is that the same entity?

A. I, I am not certain of how the names changed through time, but it's the same entity through time, I believe. It just was spun off.

Q. Okay. So based on what you just told me about UGI at the beginning and then Genworth starting around 2000 or 2001, I take it that not all of the MIs were always on the dialer; is that correct?

A. That is correct.

Q. Do you know why that is?

A. It's expensive to put somebody on to the dialer. It cost resources and IT and the business to program it properly to make sure that eligible loans are chosen and go in. So every time we wanted to add somebody it was a big project.

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Q. And I just wanted to make sure I understand, the dialer is, it's an algorithm or some sort of automated process?

A. Yes, so there's a -- yes, basically you put in this percentage of eligible loans should go to company A, a different percentage of eligible loans should go to company B, C, et cetera, and then on an automated fashion these loans hit the system, I'm not sure of how they're randomly selected, but they would be distributed from the point of rate lock into the various, the loans that were getting MI into the various buckets.

Q. Would it be possible to send a significant amount of business to an MI that was not on the dialer?

A. Not, not possible because it would be incredibly manual and there was no methodology for jumping into the loans to move them one by one.

Q. So it would be labor intensive?

A. Very labor intensive.

Q. And so costly?

A. Very costly.

Q. And so if, again, so that I understand what you were saying before, before about 2006, 2007, as far as you know, PHH didn't send any MI business to

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anyone other than UGI and Genworth?

A. I believe that would be the case.

Q. I wanted to ask you some questions now about the captive reinsurance business and Atrium, the two Atrium entities that we discussed.

A. Okay.

Q. You've had some involvement with captive reinsurance at PHH; is that correct?

A. Yes.

Q. Over what time period?

A. 2000 to 2002 and then again from 2006 to current date.

Q. And so during that earlier period, I'm just trying to put this together with what you said before, who were you reporting to between 2000 and 2002?

A. Joe Suter.

Q. And it would be Mr. Bradfield for all of the more recent periods since '06?

A. Yes.

Q. Describe Atrium's business for me.

A. Atrium provides reinsurance to the mortgage insurance companies and in exchange they receive a portion of the premiums that the mortgage insurance companies collect.

Q. Atrium does?

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A. Yes. So Atrium provides capital and accepts risk in exchange for a portion of the premiums.

Q. Is that the totality of Atrium's business?

A. Atrium also invests the money that it has as capital in a variety of short-term instruments which are allowable or permissible under Atrium's contractual obligations with the MIs.

Q. Do you have an understanding of what PHH's purpose was in creating I guess it was Atrium Insurance Company, initially?

A. It was created prior to my coming to the company -- joining the company. I'm assuming that what the purpose was PHH, because we originated quality mortgages, good performing, well-performing mortgages and we had good systems in place to manufacture these mortgages, we could place these mortgages into -- place these mortgages with an MI company and then share in the risks and rewards of the performance of these loans over time.

Q. And the current Atrium entity is Atrium Reinsurance Company; is that right?

A. That's my understanding.

Q. Is it, does it have a physical address somewhere, Atrium Re?

A. I am not certain.

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1 **Q. Do you know if there's an office maintained**
2 **for Atrium Re?**
3 A. I am not certain.
4 **Q. Do you know if Atrium Re has any employees?**
5 A. I am not certain. I am not an employee.
6 **Q. Do you know anyone who is?**
7 A. I'm not certain.
8 **Q. Okay. And I understand that there came a**
9 **time when around the time that the name of the company**
10 **changed its domicile also changed; is that right?**
11 A. That's my understanding.
12 **Q. And that was from New York State to Vermont;**
13 **is that right?**
14 A. That's my understanding, correct.
15 **Q. Do you have an understanding of why that**
16 **change was made?**
17 A. Yes. The change was made because Vermont
18 has a lot more of these captive reinsurance mechanisms
19 or vehicles for the mortgage industry, so they have
20 more expertise at the regulator level than New York
21 did, so that was one reason to make the change.
22 Another reason to make the change was at PHH
23 we had to do a lot of the work for Atrium through,
24 prior to the change and there is an outsource service
25 provider, I'll try to remember the name.

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1 **Q. Is it by any chance Chartis, C-H-A-R-T-I-S?**
2 A. Chartis, I think that's right, and they
3 provided us, they were able to provide us a lot of the
4 outsource work we needed to maintain all of the books
5 and records that were necessary as opposed to having
6 that expertise and talent in-house at PHH.
7 And thirdly, the capital required to be
8 maintained in Atrium in New York was higher than the
9 capital required to be maintained in Vermont.
10 **Q. Do you know what the difference was?**
11 A. I'm not certain, but it, it, I believe it
12 enabled Atrium to release some capital to PHH in
13 dividends, in the form of dividends.
14 **Q. And pardon me, I think I know what the**
15 **answer is, but I just, I didn't ask it this way**
16 **before, but is it correct that you've never been a**
17 **director, an officer or an employee of Atrium?**
18 A. That is correct.
19 **Q. Do you see Board of Directors minutes from**
20 **Atrium?**
21 A. I have not seen Board of Directors minutes
22 from Atrium.
23 **Q. Have you ever discussed Board of Directors**
24 **meetings with any of the participants?**
25 A. People have come out of Board of Directors

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1 meetings and have asked me questions or asked me to
2 perform work, but I don't know if that was discussed
3 at the Board meeting or not because I'm not, they're
4 not sharing the notes and everything else with me what
5 went on.
6 **Q. Do you remember who made such a request of**
7 **you?**
8 A. People that have asked me questions about
9 Atrium through time have -- there have been many. I
10 do not know if these people were or were not on the
11 Board, but I'll, generally the people that have made
12 the requests are Mark Danahy, Mike Bogansky, Joe
13 Suter, Dave Bricker, Rob Crowl. I'm not certain which
14 of them, if any of them, are on the Board of Atrium.
15 **Q. But these were all requests to you to do**
16 **some kind of analysis or get some kind of information**
17 **pertaining to Atrium?**
18 A. Right, so there would be a decision that
19 needed to be made around Atrium and they'd ask some
20 questions and then I would go either work with the MIs
21 or work with our outsource consultant, Ken Bjurstrom
22 from Milliman, or try to look at data in our systems
23 and try to extract an answer, you know, to answer the
24 question.
25 **Q. Do you know someone named James Clemons?**

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1 A. Vaguely rings a bell, but I cannot -- no, I
2 don't know him.
3 **Q. So offhand you don't know who he is?**
4 A. I don't know who he is.
5 **Q. Okay. So you described for me Atrium's**
6 **business.**
7 **How would you characterize Atrium's business**
8 **strategy?**
9 A. Atrium's business strategy was to reinsure
10 loans that were properly priced at the loan level. So
11 if the MI premium was proper for the risk inherent in
12 the loan, that would be a loan that we'd want to go
13 into Atrium.
14 We, Atrium's strategy was also to make sure
15 that the construct of the reinsurance agreement was a
16 properly priced and legal and binding contract so that
17 the exchange of premium for the acceptance of the
18 corridor risk was priced to achieve the transference
19 opinions and also was done in such a way that Atrium
20 was not accepting too much risk because you could take
21 a ton of risk and that would pass risk transference,
22 you want to take just enough risk to pass risk
23 transference and then to invest its capital wisely and
24 then make loans as necessary.
25 **Q. With respect to, I'll ask you a little bit**

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1 **more about this later, but the risk transference**
2 **opinions you're talking about are written opinions**
3 **issued by somebody else?**
4 A. Yes.
5 **Q. So you mentioned pricing being proper.**
6 **How did or does Atrium price its**
7 **reinsurance?**
8 A. Are you asking about the reinsurance
9 corridors and the cede it's receiving or are you
10 asking about the loans that Atrium is reinsuring?
11 **Q. I'm asking about the former, the structure**
12 **of the reinsurance.**
13 A. Okay. What Atrium would look at, you would
14 engage Milliman to look at the loans that were going
15 in, provide us an actuarial opinion, does it pass risk
16 transference and what, what corridors would pass risk
17 transference. So it was the attachment point and
18 detachment point proper for that premium cede Atrium
19 was earning and is that as good of a deal as we could
20 get and still pass risk transference.
21 So the strategy was to, you know, of course,
22 you know, business people, you want to minimize the
23 risk you're taking but you want to be compliant to all
24 the regulations to make sure that you would achieve
25 the passing of risk transference, that you took enough

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1 risk for the mechanism to be viable.
2 **Q. You used some terminology which I was going**
3 **to ask you about later but we might as well talk about**
4 **it now. You talked I think about attachment points.**
5 A. Yes.
6 **Q. So that's referring to an excess-of-loss**
7 **reinsurance structure?**
8 A. Yes.
9 **Q. And what's the attachment point?**
10 A. The, what does the attachment mean?
11 **Q. What does that mean?**
12 A. Mean, okay. The attachment point means a
13 book of business is developed and let's just say it's
14 a course of one year. So all the loans that PHH
15 insured with a specific MI would be aggregated
16 together for a book year, say 2007. And it would then
17 say great, when, go figure out how much insurance
18 coverage was provided and how much risk the MI company
19 was exposed to by that grouping of loans.
20 And then that, let's say that's a million
21 dollars, okay. What you would then do is say, okay,
22 the attachment point we agreed to contractually is,
23 let's say it's 4 percent. So you would multiply
24 4 percent by the one million dollars and you'd come up
25 with 40,000 dollars.

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1 When losses exceeded 40,000 dollars for that
2 specific grouping of loans, that's when Atrium would
3 begin to have to pay claims. But up and to
4 40,000 dollars of loss on that grouping of loans, the
5 MI would cover all claims.
6 **Q. And then I understand there's also a**
7 **detachment point?**
8 A. Correct.
9 **Q. And what's that?**
10 A. The same situation I described in the prior
11 commentary to develop the attachment point, if the
12 detachment point was, the attachment point is called
13 4 percent, the detachment point is called 14 percent.
14 That's when Atrium stops paying claims.
15 So the attachment point in our previous
16 example was when losses exceeded 40,000 dollars on
17 that group of loans, so the MI pays all losses up to
18 40,000 dollars. Then Atrium pays all losses between
19 the attachment and detachment point so when losses are
20 between 40,000 and 140,000 in this example, Atrium
21 pays all claims, the MI pays no claims.
22 And then when losses exceed the detachment
23 point, the MI takes back over all the claim
24 obligation, so Atrium is paying a corridor of claims.
25 **Q. Is there always just one corridor?**

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1 A. In all of the agreements we have negotiated
2 at Atrium, there's been one corridor. And a corridor
3 can change year to year or between agreement and
4 agreement, but there's only one attachment and one
5 detachment. I'm unaware of any other deals.
6 May I get a break shortly?
7 **Q. Absolutely. I was just going to offer one,**
8 **actually, so why don't we take a 10-minute break.**
9 A. Great. Thank you.
10 (Recessed 9:56 a.m.)
11 (Reconvened 10:11 a.m.)
12 BY MR. GORDON:
13 **Q. Back on the record. And, Mr. Rosenthal, you**
14 **understand that you're still under oath?**
15 A. Yes.
16 **Q. I wanted to pick up where we left off. We**
17 **were talking about Atrium and about the reinsurance**
18 **business there and I wanted to ask you, has Atrium in**
19 **your experience done its own underwriting?**
20 A. Can you explain that a little more, please.
21 **Q. Has it done any underwriting on the**
22 **underlying loans that it was reinsuring?**
23 A. It's my understanding Atrium does not
24 underwrite loans.
25 **Q. And when was the first captive deal or**

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1 **arrangement that Atrium entered into?**
2 A. It was before my time, I believe it was
3 1997, 1996 time zone.
4 **Q. And do you recall when Atrium paid its first**
5 **claim on any reinsurance policy?**
6 A. I believe it was around 20 -- probably 2008
7 or 2009 it paid its first claim. I think it had some
8 reserves built up to -- loans were defaulting, it just
9 hadn't had to make a payment yet earlier.
10 **Q. And I asked you a little bit, we talked**
11 **about the excess-of-loss structure and some of the**
12 **other aspects, attachment points and detachment**
13 **points; do you remember that?**
14 A. Yes.
15 **Q. Has Atrium ever had quota share reinsurance**
16 **deals?**
17 A. No.
18 **Q. Do you know why not?**
19 A. We analyzed a quota share deal back in
20 approximately 2007, 2006, 2007. We, the economics of
21 the quota share deal were not as attractive to us as
22 the excess-of-loss deals, so we chose to stick with
23 the excess-of-loss deals.
24 **Q. Did you do that analysis?**
25 A. I looked at the analysis that our actuary

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1 Milliman performed for us.
2 **Q. And do you recall why it was not as**
3 **attractive as the excess-of-loss?**
4 A. I believe it required more capital, that was
5 one reason to make it less attractive because it would
6 have taken more capital infusions. That was pretty
7 much the main driver.
8 **Q. So excess-of-loss requires less capital than**
9 **quota share, at least the deals you were looking at?**
10 A. The deals I was looking at required less
11 capital.
12 **Q. And with respect to Atrium's liability under**
13 **the policies, is that limited to the funds in the**
14 **particular captive trust as you understand it?**
15 A. So my understanding of Atrium is the -- yes,
16 so there's a trust for each mortgage insurance captive
17 reinsurance arrangement and the books are
18 cross-collateralized.
19 **Q. And books are?**
20 A. Book years.
21 **Q. And my question was is it your understanding**
22 **that that trust or what's in that trust constitutes**
23 **all of Atrium's liability under the applicable**
24 **reinsurance policy?**
25 A. That's my understanding, all the premiums

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1 and all the capital that's in, in that trust is the
2 exposure to which Atrium is exposed.
3 **Q. Okay. So hypothetically if a trust were**
4 **exhausted by claims, Atrium's liability would be**
5 **extinguished?**
6 A. If, if the capital is, if the capital falls
7 below a certain minimum threshold, this is my
8 understanding, if the capital falls below a certain
9 minimum threshold, then Atrium is no longer permitted
10 to receive its portion of the ceded premium and it
11 could choose to put a capital infusion in to the
12 trust, but it's not a contractual obligation that it
13 must put a capital infusion in to the trust. But if
14 it doesn't, it's no longer going to earn the premiums
15 that were as part of the deal.
16 So if you chose not to put any more money in
17 to the trust, the most it could lose was the money,
18 all the premiums and all the capital it initially put
19 in to the trust and all the, all the re, too.
20 **Q. And that as far as you know describes all of**
21 **Atrium's captive earnings arrangements?**
22 A. Yes, that's my understanding of all similar
23 in that fashion.
24 **Q. Who would you say are Atrium's competitors?**
25 A. I'm not sure if I classify as Atrium having

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1 a competitor. I mean to me Atrium needs to, the way I
2 think about a competitor is a competitor is bidding
3 for business and Atrium is only acquiring business
4 from PHH.
5 **Q. From PHH?**
6 A. Well, they are PHH mortgages that are being
7 placed in, mortgage insurance is being acquired and
8 then those loans are being placed in to the captive
9 reinsurance. So it's not like Atrium's out there
10 bidding on any other collateral from any other
11 companies.
12 **Q. And they're being placed into the**
13 **reinsurance by the mortgage insurance companies?**
14 A. I think that's, yes, I think that's the way
15 it works, is the mortgage insurance -- PHH buys
16 mortgage insurance from the mortgage insurance company
17 and I think the mortgage insurance company puts the,
18 does the ceding deal and the transaction with Atrium.
19 I don't think, I'd have, I'm not certain. I don't
20 think PHH is a partner to that deal.
21 **Q. Are you familiar with third party or**
22 **non-captive reinsurance in the mortgage space?**
23 A. No, sir.
24 **Q. So you couldn't name anybody who provides**
25 **that?**

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A. Can you describe what third party or non-captive reinsurance is?
Q. Well if a mortgage guaranty company were to go out in the market and say well I don't want to get captive or I don't want to just get captive, I want to find a reinsurance company that will reinsure some of my mortgage guaranty risk, are you familiar with that market?
A. Not really, but I see what you're saying, is if another entity was out there willing to purchase mortgage reinsurance from an MI and they could lay off some of the risk, I'm not familiar with that.
Q. I wanted to ask you about a couple of your colleagues. Some of them you've named already.
You said with respect to Mr. Bradfield you've reported to him for about seven years --
A. That's correct.
Q. -- is that right?
And what has Mr. Bradfield's role been at PHH during that time?
A. He's been senior vice president capital markets and he has recently been appointed treasurer at PHH.
Q. And he is still with PHH?
A. Yes.

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Q. What about Mr. Danahy, what has, what was Mr. Danahy's role at PHH?
A. When Mark Danahy left PHH he was president of the PHH Mortgage Company. He had held different roles earlier in his career.
Q. Do you remember roughly how long he was president of PHH Mortgage?
A. I'm going to estimate two to three years.
Q. And do you remember roughly when he left PHH?
A. I'm going to estimate three years ago.
Q. So around 2010?
A. 2010 I'll estimate, yeah.
Q. Okay. Have you worked with a Jeff Levine at PHH?
A. Yes, I have.
Q. And what, what has his role been when you've worked with him?
A. Jeff's in charge of our pricing area, so Jeff's role is to establish the pricing that, our rate sheets that borrowers or correspondents see and sell loans to PHH under it.
Q. Is Jeff involved at all in pricing with respect to Atrium or Reinsurance?
A. I don't know that there's really any pricing

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with respect to Atrium or Atrium Reinsurance. It's a, Jeff sets all prices, so whatever price is done at PHH to buy loans or close loans, Jeff's in charge of it.
Q. Okay. Well let me ask it a bit different way then.
Have you worked with Mr. Levine on anything having to do with Atrium or Reinsurance?
A. I've had conversations with Mr. Levine in respect to Atrium and Reinsurance, yes.
Q. And he's still with PHH?
A. Yes, he is.
Q. Have you worked with Janice Vorndran?
A. The name is definitely familiar. I think she's in our accounting division, but I'm not certain.
Q. Okay.
A. Though I know I recognize the name.
Q. What about Mike Bogansky?
A. Yes.
Q. And what has Mr. Bogansky's role been when you've worked with him?
A. Mike, Mike is now our controller and that's probably been for about the last six months and prior to that, he was in our finance division and he was a vice president in our finance division.
Q. And what did you work with him on?

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A. I've come into contact with him on many topics. One of them is Atrium and discussions around the computations and the transactions and the amendments of Atrium. I've also worked with him on establishing loss reserves. We've worked together on the MSR committee, what is the value of our mortgage servicing rights. We've worked together on whenever we do a deal that requires PHH to take recourse or some sort of esoteric risk, we'll work together to make sure that, because the different type of trade and it's a little bit out of the norm, we make sure that the accounting for it is right and it's reported properly and accurately on our financial statements and in our books.
Q. And I take it from what you said Mr. Bogansky is still with PHH?
A. Yes, he's still there.
Q. Okay. Have you worked with Liz Rudolph?
A. Yes.
Q. And what was her role when you were working with her?
A. I still work with her. She is still with the company. Her role is now, she no longer works in product management, so from -- until about six months or a year ago she worked in product management

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1 developing our products, communicating with our
2 correspondents, you know, setting our products up in
3 our system. Her team would have been the ones to work
4 on adding new participants to the dialer.
5 She has a new role at PHH and it's a role of
6 control and organization, so making sure that any
7 changes in the company go through a very tight
8 protocol to make sure that there are no unforeseen
9 events that happen around, you know, if I push this
10 glass one inch that way, what did it do to that cup
11 (indicating).
12 Her job is now making sure that everything,
13 when every change in the system anywhere, it's all
14 known and signed off on. So we stay compliant in
15 respects to, you know, all the mortgage rules.
16 **Q. And you mentioned the dialer which we were**
17 **discussing before.**
18 **Is it fair to say that the dialer is how PHH**
19 **distributes the market share among MIs?**
20 A. Yes.
21 **Q. And that MIs knew in their dealings with you**
22 **that to get more at least borrower paid MI business**
23 **from PHH they had to be programmed in to the dialer?**
24 A. The mortgage companies knew that for me to
25 send them retail loans, they had, yeah, or

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1 correspondent loans they had to be in the dialer
2 because I had no manual method. You know, it had to
3 be systemic with us.
4 **Q. And that was through the dialer?**
5 A. Through the dialer, right.
6 **Q. And I think you were talking about the costs**
7 **of adding an MI to the dialer.**
8 A. Yes.
9 **Q. And those were non-trivial; is that right?**
10 A. Correct. I believe that the cost to add
11 someone to the dialer was in the neighborhood of
12 100,000 dollars or more.
13 **Q. Did any MI ever pay a part of those costs?**
14 A. I don't know. I am not certain. I know
15 there was talk if it were permissible to have them pay
16 it, but I don't ever know if it was, ended up being
17 permissible or if anyone paid.
18 **Q. Do you remember any communications with any**
19 **MIs about that possibility?**
20 A. Yes.
21 **Q. And who was that with?**
22 A. I can remember having conversations with I
23 believe MGIC, perhaps RMIC on that topic. I don't
24 think we ever, I don't think we took money from them
25 to pay for those. I'm not certain. I did not take

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1 money.
2 **Q. Do you recall roughly the time frame of**
3 **those discussions?**
4 A. I'll estimate it was 2006, 2007.
5 **Q. I wanted to ask you now just turning to some**
6 **more terminology so that I can understand it, I've**
7 **seen the terms EA 2s and EA 3s, capital EA and a**
8 **numeral.**
9 **Do you know what those mean?**
10 A. Yes.
11 **Q. What do they mean?**
12 A. Fannie Mae and Freddie Mac in the early
13 2000s started classifying the quality of loans, the
14 riskiness of borrowers based upon a wider scale.
15 So a prime loan to them might have received
16 an approved eligible and a loan that was a little bit
17 sketchier, either a higher LTV, a lower credit score,
18 a high DTI, maybe the borrower had some delinquent
19 payments in their history, Fannie Mae would classify
20 them as EA 1, expanded approval 1, or EA 2, expanded
21 approval 2 or EA 3 or caution.
22 So they kept going further and further down
23 the quality grade, quality from a probability the
24 borrower would default. And they classified those as
25 different levels of EA and Freddie had their own

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1 terminology for that, which was slightly different.
2 **Q. So this is Fannie Mae terminology?**
3 A. Yes. You would receive that message from
4 the D.U. machine.
5 **Q. The which?**
6 A. D.U., delegated underwriter, designated
7 underwriter -- desktop underwriter. Sorry. Desktop
8 underwriter. But, yeah, Fannie Mae's engine, what you
9 would pass to Fannie Mae's engine would be D.U. I
10 only know it as D.U.
11 You would pass all the parameters and
12 characteristics of the loan and it would render a
13 decision and it would tell you these are the documents
14 you need to collect to close the loan and sell us that
15 loan.
16 **Q. Just so I'm clear, an EA 1 would be of**
17 **higher quality than a EA 2 or 3; is that how it**
18 **worked?**
19 A. In Fannie Mae's opinion, that's correct.
20 **Q. Do you know what the designation capital O,**
21 **capital R stands for within PHH?**
22 A. I think it probably means operational
23 reporting.
24 **Q. And I can give you a little more context, I**
25 **can show you a document, too, if it helps, but my**

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1 **understanding from the documents is that OR produced a**
2 **daily dialer report?**
3 A. That would be operational reporting.
4 **Q. Okay. And did you see the daily dialer**
5 **report or do you?**
6 A. I do not see it. I'm not a recipient of it.
7 I would be the individual or in the group of
8 individuals who would determine what percentage of the
9 dialer would go to what entity.
10 From time to time if there was trouble with
11 the dialer, maybe somebody would send me a report
12 saying, you know, we tried to have it at 25 percent to
13 this company and it's at 27 percent, then we have to
14 go resolve why.
15 **Q. So would you --**
16 A. I wasn't looking at it each day, no.
17 **Q. But you'd see it from time to time?**
18 A. Only when there was a problem that needed to
19 be resolved.
20 **Q. Just a couple of other terms. I've seen the**
21 **term landscape applied to loans.**
22 **What does that refer to?**
23 A. Fannie Mae and PHH entered into a
24 transaction in I'll estimate 1999 and we built the,
25 what was called the dedicated channel for a lot of our

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1 retail business. And so Fannie Mae built a special
2 engine with a similar DU, desktop underwriter, and it
3 was applied to these loans. In the -- and it was
4 called landscape, that was the name, changing the
5 landscape of mortgages, that was the, you know, why.
6 And then loans would go through that engine
7 and be documented to that engine as opposed to DU.
8 Fannie Mae would buy them from PHH directly.
9 **Q. I've seen in some spreadsheets the company**
10 **or entity was listed as Big House Productions.**
11 **Do you know what that is?**
12 A. Yes. There was a guy named Dave Giancoli
13 who worked in our shop who had a sense of humor and
14 wrote some models for us and he, instead of his user
15 name being Dave Giancoli, he listed himself as Big
16 House Productions and I see that every now and then
17 that are still in use. He's actually back at the
18 company now, so.
19 **Q. I wasn't prescribing any particular**
20 **significance to that, I was just --**
21 A. No, it's just humorous, that's all.
22 **Q. What about the term jump ball report?**
23 A. The jump ball report is, it's a report of
24 the MI that PHH can control, so when a correspondent
25 sent us loans and they were selecting the MI, we

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1 couldn't control to which MI those went. So they were
2 not jump ball. And then if it, if it came to us where
3 we could control it, it was jump ball and those loans
4 could be placed into the dialer to the random
5 selection.
6 **Q. So do jump ball loans equal retail loans?**
7 A. There's another, I'm sorry, just to make
8 absolutely sure, there's also a jump ball, and I'm not
9 sure the document to which you're referring, but
10 there's also a jump ball to -- as to can a loan be
11 sold to Fannie Mae only, Freddie Mac only or either.
12 That, too, could be named jump ball, so, depends upon
13 which document we're looking at.
14 **Q. Let me show you something so we can clarify**
15 **that.**
16 **So, Mr. Rosenthal, I'm passing you a**
17 **document which has been pre-marked as Exhibit 221.**
18 **This is a two-page document, front and back.**
19 **And I'll just note for the record this**
20 **appears to be an E-mail thread around August of 2007,**
21 **and why don't you go ahead and review the document in**
22 **your own time and let me know when you've had a chance**
23 **to do so.**
24 A. Yes, this jump ball report would have been
25 in reference to which MI is being selected.

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1 **Q. So the first category you were talking**
2 **about?**
3 A. Yes.
4 **Q. Okay. You can put that aside.**
5 **What was the significance to PHH of whether**
6 **something was jump ball or not? Did it matter?**
7 A. Yes. We would measure the quantity of loans
8 that we could send to one MI or another and that would
9 help drive the market share and the happiness of the
10 MI company with us.
11 **Q. Was that the only way that mattered to you?**
12 A. Pretty much. I mean we were trying to, the
13 MIs, theirs sales coverage would give us a call and
14 say, you know, may I get more, I want more volume and
15 we see you did X dollars of, make it up, 100 million
16 dollars of MI last month and we only received
17 20 million, so that's a 20 percent share and I'd say
18 but I only could control 50 million.
19 You received 40 percent share of what I
20 could control, I'm sorry you didn't get any of the
21 other volume that I couldn't control, but the
22 correspondents aren't selecting you. I don't control
23 who the correspondents select. You should go out and
24 market to correspondents so they pick you and then
25 when it comes through, it goes to you.

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1 **Q. One last term, do you know what the term**
2 **forced business means?**
3 A. Can you give me some context around that,
4 please.
5 **Q. Actually if you can take another look at**
6 **Exhibit 221, that last one.**
7 A. Okay.
8 **Q. And again, take time to review it if you**
9 **want, on the front page, 01, Ms. Rudolph's message to**
10 **yourself and two others, the third paragraph down she**
11 **says, and I quote, a drill should occur to analyze the**
12 **jump ball report logic, parenthesis, as this captures**
13 **forced business as well, unquote.**
14 **Do you have a sense of what she's referring**
15 **to when she says forced business?**
16 A. I would think that the forced business are
17 the ones that were selected by the correspondent
18 because that would be forced. So in this context,
19 it's forced to GE. I don't have a choice. The
20 correspondent delivered it to me with GE insurance on
21 it, so it's forced to go to GE.
22 **Q. So in that sense it was forced upon you and**
23 **you didn't have a choice?**
24 A. It's not my choice, so when I'm responding
25 to the quantity of loans to say UGI is getting what

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1 percentage, I couldn't control those because it came
2 to me with Genworth insurance.
3 **Q. So jump ball and forced business are**
4 **mutually exclusive things?**
5 A. Yes. Yes. And they're complete, it is
6 either jumped or it is forced.
7 **Q. Okay.**
8 A. Now you, but you also see on here, just so I
9 want to, is the landscape.
10 **Q. This is on the back page?**
11 A. On the back page, the LDPRA, LDPRF, those
12 didn't have MI on them, so on column four and column
13 five on this back page of the document on the bottom,
14 LDPRA and LDPRF did not have MI.
15 **Q. Was that because they were below 80 percent**
16 **LTV?**
17 A. They were above 80 and Fannie Mae was doing,
18 I was taking some recourse on the loans and I was not
19 putting MI on the loans and then I'm not sure what
20 Fannie Mae was doing with them after that.
21 **Q. What does it mean to take recourse?**
22 A. If a loan missed a payment in the first
23 18 months and went 120 days delinquent, after it
24 missed that payment, then I would have to buy the loan
25 back at full value. So 100,000 dollar UPB, I would

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1 have to buy the loan back for 100,000 dollars.
2 **Q. And because of that commitment on your part,**
3 **you weren't required to get mortgage insurance?**
4 A. That's correct.
5 So I only say that because forced, it would
6 be part of the force -- we didn't acquire MI on it so
7 it was not.
8 **Q. Are you familiar with what I believe are**
9 **called cession statements?**
10 A. Yes.
11 **Q. And what are cession statements?**
12 A. The MI companies calculate each quarter, I
13 believe, the quantity of money that should be ceded to
14 the mortgage reinsurer and it goes through the
15 accounting of what loans are in the book of business,
16 what losses have been incurred, what premiums have
17 been received, what expenses have been incurred and it
18 calculates out and then it compares the amounts that
19 could or should be dividended to different contractual
20 levels and then it determines, okay, this is the
21 payment that PHA -- sorry, I misspoke, the payment
22 Atrium should make to the MI or the payment the MI
23 should make to Atrium.
24 **Q. Okay. And just to be clear, this is under**
25 **the captive reinsurance arrangements?**

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1 A. Yes. Yes.
2 **Q. Okay. Do you see cession statements**
3 **regularly?**
4 A. I receive them on a quarterly basis from
5 Genworth and from UGI. I do not spend any time
6 looking at them. I'm a recipient, but I don't look at
7 them.
8 **Q. Why just Genworth and UGI?**
9 A. Well actually I no longer receive them from
10 Genworth and I probably just received my last one from
11 UGI, given that the transactions were commuted. Those
12 are in the top of my memory.
13 I more than likely received cession
14 statements from Radian and CMGMI multiple years ago
15 when we still had captives, active captives with them.
16 **Q. Do you know if cession statements are**
17 **submitted to anybody other than Atrium or PHH, like to**
18 **regulators?**
19 A. I do not know.
20 **Q. I wanted to ask you now about, do you recall**
21 **an RFP or an RFI that was sent by PHH to seven MI**
22 **companies in 2006?**
23 A. Yes.
24 **Q. By the way, what does RFP mean?**
25 A. Request for proposal.

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Q. Okay. And that proposal, that request I should say in 2006, were you responsible for that?
A. Yes.
Q. Tell me what all of your responsibilities were with respect to that RFP.
A. I was the, Rich Bradfield and the leadership team requested that I go out and expand the MI providers with whom we did business and arrange captive reinsurance transactions with them if it made sense.
So my responsibilities were to, amongst others, you know, work with IT in the business to expand the dialer, if necessary, negotiate the best captive reinsurance arrangement terms, evaluate XOL or quota share utilizing Milliman as our actuary, make sure that anything that we did passed risk transference and set up and establish relationships with the, you know, best MIs to add to our dialers so we could expand the breadth of our product offering and optimize the business value of all the arrangements.
Q. And did you prepare and send written requests that was actually sent to the MIs?
A. Yes, I believe I did.
Q. And were you the point of contact for the

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MIs during the whole RFP process?
A. I was the main point of contact.
Q. Were there others that you remember from PHH?
A. I am sure that others at PHH came in touch, communication with them, but I was the main point of contact.
Q. And after the RFP was complete, did you make recommendations as to, for instance, how PHH should direct its business to the MIs?
A. We talked as a team and we made the determination of which partners we wanted to pursue at.
Q. And who was the team?
A. The team was, to the best of my recollection, Rich Bradfield, Mark Danahy, Terry Edwards, and then on a lesser extent from an operational perspective Liz Rudolph. Those were the main participants.
Q. And during the period when you were engaging in this RFP, were you reporting to Mr. Bradfield?
A. Yes.
Q. Mr. Rosenthal, I'm going to hand you a document that has been pre-marked as Exhibit 205. This is a two-page document, front and back, and I

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would ask you to review the document, let me know when you've had a chance to look it over.
A. (Witness examining document).
I've reviewed it.
Q. Okay. Do you know what this document is?
A. I don't remember it exactly from seven years ago, but it looks like something I would have put together to share with the management team the strategy that I was pursuing as I did this RFP.
Q. So roughly when do you think this document was prepared?
A. I would estimate it was prepared in December or early Fall of 2006.
Q. And just to call your attention to a couple of things.
As you look down, there's a major bullet that says topics of RFP and then a bunch of sub bullets --
A. Yes.
Q. -- do you see that?
There's a sub bullet, says goals, and then sub to that a couple of more bullets, one of which starts capital efficient; do you see where that is?
A. Yes.
Q. And in parenthesis it says, original risk in

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force no longer there, how to free up capital; do you see that?
A. Yes.
Q. Do you know what that refers to?
A. I am guessing it refers to the following, as loans pay off and the, pre pay, so the risk of a loan is no longer there because either the loan is paid off or the MI has been dropped, because MI was no longer required once you hit a 78 LTV and the borrower had a certain payment history, then the risk was no longer in the book, yet we have to in, underneath these contracts you can't dividend out the earned premiums until a number of years have gone by.
Q. And when you say in the book, you're referring to the reinsurance book year?
A. Yes, I am. The reinsurance book year. So a certain quantity of time needs to pass by and other hurdles need to be met in order to dividend out the moneys.
So however it is possible to make it as efficient as possible to minimize the quantity of capital required in the reinsurance contract while still being viable for risk transference was the goal and objective, just to write it in such a way that it allowed Atrium to dividend out capital as, as

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optimally as possible.
Q. Right under that do you see there's another sub bullet that says accelerate dividends; do you see that?
A. Yes.
Q. Can you explain what that means?
A. Similar topic, more than likely repetitive as I look at this today.
Q. And the following bullet says stands the test of time, in parentheses, self-adjusting, closed parentheses; do you know what that means?
A. Yes, that's a, that's an interesting one in that as you put riskier loans in to a captive, the risk transference opinion can be -- the riskier a loan is, the higher the expected loss is on the loan, the more times the borrower is going to come into trouble. So the more frequently a borrower comes in trouble, your expected losses are higher.
So if you put in a book of really rough loans, poorer quality loans, not from an underwriting perspective, but riskier loans, you can achieve risk transference per Milliman, you buy taking a, either a smaller corridor or a higher attachment point, so what it wanted to do is make sure that as the loans were entering the book, we couldn't control the riskiness

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of loans coming in to the book, we kind of, we receive at PHH what the market is bringing so if the loans start being riskier, we wanted the captive to adjust to be a riskier -- a captive based upon a riskier set of loans. And if the loans were less risky, we wanted the captive to adjust to be based on a less riskier set of loans, so the attachment and detachment points were self-adjusting so we would always be risk transference and always be an optimal set of terms.
Q. So that was the goal?
A. That was the goal.
Q. If you look a little farther down, one of the hollow bullets it says thoughts on freeing up capital in existing structures; do you see where that is?
A. Yes.
Q. Does that mean existing captive structures as far as you can tell?
A. Yes.
Q. So at this time would that have been just Genworth and UGI?
A. Yes.
Q. And on the sub bullet to that, there's five of them, but the fourth one says petition insurance companies to release early; do you see that?

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A. Yes.
Q. Do you know what that refers to?
A. That meant contacting UGI or Genworth and requesting from them permission to dividend early.
Q. And finally, the third from the bottom bullet in parenthesis, somebody named Marty Foster is named.
Do you know who Marty Foster is?
A. Yes.
Q. And who is that?
A. He runs our servicing division.
Q. You can put that one aside.
Was there a particular precipitating decision or event which caused you to put out this RFP at this time?
A. Not that I recall, other than the loans were changing in their risk characteristics and we wanted to make sure that the structures were adjusting and there were some new structures in the market.
Q. Captive structures?
A. There were, yes, I'm sorry, there were new captive structures being offered by the MIs in the market that we became aware of and we wanted to make sure we explored that.
We also wanted to add people to our dialer,

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so we increased the number of MI companies with whom we were dealing.
Q. So add new MIs to the dialer?
A. Correct.
Q. Okay. Mr. Rosenthal, I'm going to hand you what has been pre-marked as Exhibit 138. And if you would review that document, let me know when you've had a chance to review it.
A. In depth, all the way through?
Q. I'm going to ask you sort of generally about categories in, particularly about a couple of matters on the second page.
A. Very good.
(Witness examining document).
Okay.
Q. All right. Do you recognize this document?
A. It looks like a document that I would have sent to, for the request for proposal for the captive reinsurance in addition to my providers.
Q. And this one is addressed to Mr. Nichole?
A. Yes.
Q. And he, although it doesn't say, I believe he's at UGI or was at that time; is that right?
A. Yes.
Q. If you recollect, yeah.

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1 **If you'd turn to the second page, under PHH**
2 **strategic plan, the third paragraph reads as follows,**
3 **currently approximately 50 percent of our retail**
4 **originations greater than 80 percent LTV are**
5 **self-insured. We currently acquire borrower paid**
6 **mortgage insurance on the remaining 50 percent of our**
7 **retail originations and all of our wholesale and**
8 **correspondent originations. As part of this RFP, we**
9 **are considering acquiring borrower paid mortgage**
10 **insurance on our self-insured collateral. We are also**
11 **open to expanding our lender funded mortgage insurance**
12 **product.**
13 **Did I read that correctly?**
14 A. That is accurate.
15 **Q. Does this refresh your memory about part of**
16 **the impetus for doing the RFP at this time?**
17 A. Yes. We were contemplating in this time
18 period eliminating the landscape low down-payment
19 premium program and possibly insuring those landscape
20 loans with MI.
21 **Q. And were those landscape low down-payment**
22 **loans that you're describing --**
23 A. It was the self-insured, I'm sorry.
24 **Q. That's what self-insured refers to?**
25 A. I didn't mean to, yes, yes, that's what

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1 self-insured refers to.
2 **Q. Okay. Great.**
3 **And just briefly sort of reviewing through**
4 **the remainder of the document, under the requests for**
5 **information starting on the third page there are a**
6 **series of headers, corporate strength and company**
7 **overview, products and services, risk sharing and**
8 **credit enhancement alternatives, policy servicing,**
9 **economic and market analysis and other capabilities**
10 **and ancillary services.**
11 **So as far as you can recall, are those the**
12 **categories that you asked all of the MIs about?**
13 A. Yes.
14 **Q. Okay. And then on the last page, bates**
15 **number ending 2594, under time frame you request that**
16 **responses be sent both to PHH and to Milliman, and Ken**
17 **Bjurstrom in particular at Milliman.**
18 **Did you work with Mr. Bjurstrom on the RFP?**
19 A. Yes, he was doing a lot of the evaluation of
20 the different captive reinsurance structures for us.
21 **Q. You can put that one aside.**
22 **So half of your retail originations were**
23 **what you were calling self-insured at that time or up**
24 **to that time; is that right?**
25 A. That's what the document says.

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1 **Q. Do you have any reason to believe it's**
2 **incorrect?**
3 A. No, I would imagine it's correct.
4 **Q. And you were potentially putting that half**
5 **out there for borrower paid MI?**
6 A. Yes. We had been selling, when landscape
7 was designed, the goal and objective of Fannie Mae was
8 to have it be the low down-payment premium, which is
9 self-insured, under this document, and Fannie Mae had
10 agreed to let that be borrower paid MI, which was more
11 industry standard from the borrower perspective.
12 We, we were always selling uphill.
13 Borrower, for a loan above 80, borrower MI was the
14 natural talked about thing at a, you know, with all
15 your neighbors, it was a normal thing. And a, you
16 know, any other structure was unique.
17 **Q. So consumers anticipated it?**
18 A. Right. Borrower paid MI was the expected
19 norm and then we would start talking about this low
20 down-payment premium adjustment and it wasn't the norm
21 in the market so you'd have to sell through it, around
22 it, as opposed to, you know, what, let's just go do
23 our typical cookie-cutter loan just like everybody
24 else in the industry. It's easier. There's one less
25 piece of information that you have to sell to the

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1 borrower.
2 **Q. So through this RFP, it was potentially a**
3 **very large increase coming in the amount of PHH**
4 **business that was going to MIs, correct?**
5 A. Yes, it would have been a significant
6 increase.
7 **Q. And as a result of the RFP, do you recall**
8 **how much of this volume actually was moved to the MIs?**
9 A. I don't recall. May I look at the report
10 again?
11 **Q. Oh, absolutely.**
12 A. On the second page of the report it shows
13 that there was 2.5 billion dollars of retail. If half
14 of that was borrower pay, that's a billion 250, so the
15 lender -- or the LDPRA self-insured would have been a
16 billion 250. So assuming that same concentration
17 moved forward, it would have been about a billion 250.
18 **Q. And I just want to make sure you understand**
19 **my question is, and if you recall, is whether that**
20 **actually happened in due course after the RFP?**
21 A. I, yes, I believe that we, we were permitted
22 by Fannie Mae to use borrower paid MI under the
23 landscape engine. We were also permitted to continue
24 with the self-insured portion of it and it would just
25 be whatever the salesperson sold.

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But the mortgage insurance aspect of that grew and then the landscape program even offering that by 20 -- I'm guessing, 2009, went away entirely and it went all to borrower paid MI.

Q. So between the time that you instituted whatever changes you made as a result of the RFP and 2009, do you have an order of magnitude sense of how much moved to MI from landscape?

A. I would guess half of it, but I don't, I don't remember the number. But I would guess half of it. And then by mid-2009 I believe was the year all of it went to borrower paid or mortgage insurance as opposed to landscape.

Q. So that would include FHA and other things?

A. Oh, we, we are still doing FHA, we continue doing FHA. No change to the Government programs. I was speaking merely of the conforming conventional business.

Q. So we talked a little bit, you had mentioned Milliman and the RFP responses were directed to, both to you at PHH and to Milliman.

Can you tell me more about what Milliman's role was in the RFP process?

A. We were using Milliman to perform actuarial services and estimates of what is the value of the

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transaction to PHH, given the expected claims and losses that would occur and also to make sure that the price PHH was receiving for the risk PHH was accepting was fair and that it would pass risk transference.

So we were using Milliman for, you know, what would the results of, is it, is it permissible, does it pass risk transference and what are the expected results.

Q. So I'm clear, when you say making sure that it was fair, is that the same thing as passing risk transference or is that a different consideration?

A. It, let me try to explain this a different way.

If I said to you I'll absorb all losses and you can pay me 10 percent of the premium, that would pass risk transference. That wouldn't be fair to Atrium or PHH. We took all the risk, we're only getting a little bit of the premium. So to be fair, we wanted to make sure that what PHH was being paid was consistent with the risk PHH was accepting.

Passing risk transference is another similar question, but it's a different question in that we took enough risk, there is a possibility of loss and it passes risk transference. It doesn't, it can be unfair and pass risk transference. It can't be too

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good and pass risk transference. For example, if I said I'll take 10 percent of the premium but I can never pay any losses, that wouldn't pass risk transference to me because I took no risk.

Q. And so when you say part of their function was to make sure the transaction was fair, in some sense it was to insure that you were getting a good deal?

A. Yes, and so, in two ways, the captive was structured and priced and valued properly for the risk we were taking and the loans that were entering the captive were priced fairly. So if the loan is priced fairly and the captive is priced fairly, then it was a fair transaction.

Q. Did Milliman examine anything in response to the RFP, other than the captive deals that were being proposed?

A. I don't remember. Most of our content was around, with Milliman was around the captive deals which were posed and the possible structures that could occur.

Q. Do you have an understanding, and I want to make clear I'm just asking about your understanding, not where it may have come from, do you have an understanding of why these arrangements would have to

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pass risk transference?

A. Yes, I believe so.

Q. And what's your understanding?

A. My understanding is you don't want to create a fraudulent transaction whereby we would be receiving money for steering business somewhere as a kickback.

If we're actually taking risk in return for a premium, then it's not just guiding business because we're looking for a kickback.

Q. And, Mr. Rosenthal, I'm going to pass you what has been pre-marked as Exhibit 213 and if you would take a moment to review it, let me know when you've had a chance to do so.

A. (Witness examining document).

Okay.

Q. And this appears to be an E-mail you sent to Mr. Bjurstrom on December 20th, 2006, and the subject is Genworth captive indication.

Do you know what this document is?

A. It appears to be an E-mail I sent to Ken Bjurstrom looking for an opinion about a captive that Genworth not firmly offered to me but he was talking about this structure might work.

Q. And do you recall at this time period, December of '06, was there a lot of back and forth

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with the MIs about how the captive structures would look or might look?
A. Yes, yes, there was a lot of conversation with the MIs. It was right during our request for proposal.
Q. And down at the bottom the next to last sentence says, as you are aware, both of these options are subject to outside actuarial/risk transfer opinion.
Do you see that?
A. Yes.
Q. And those are the written opinions we've been discussing that you're referring to there?
A. Yes.
Q. Have you seen those risk transfer opinions or any of them?
A. I don't recall.
Q. Do you know who prepares them?
A. It would be Ken Bjurstrom from Milliman.
Q. Have you ever, have you ever heard of any prepared by anybody else?
A. Ken has a partner at Milliman and his name is Michael Schmitz, I believe, he probably also prepares them, but I think he prepares them for the mortgage insurance companies. There are other

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actuaries I'm sure in the industry that prepare them as well.
I'm forgetting the name of the other company that offered their service to me once or twice through time but I never engaged them.
Q. You can put that one aside.
A. Can we get a break soon, doesn't have to be right at this minute.
MR. GORDON: Absolutely. Right now is a good time.
THE WITNESS: Okay. Thank you.
MR. GORDON: Take 10?
MR. SOUDERS: Yeah.
(Recessed 11:09 a.m.)
(Reconvened 11:23 a.m.)
MR. GORDON: Just one housekeeping thing, Mr. Souders, I forget to ask you at the beginning, you're entitled to have the entire transcript marked as confidential if you wish to do so.
Do you wish to do so?
MR. SOUDERS: Yes.
MR. GORDON: Okay.
BY MR. GORDON:
Q. Mr. Rosenthal, you understand you're still under oath?

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A. Yes.
Q. Okay. I'm going to hand you what has been pre-marked as Exhibit 204, and if you would take a moment to review that and let me know when you've had a chance to do so?
A. Okay, sir.
Q. Do you know what this document is?
A. This appears to be another document that I put together to talk about the strategy that I was going to, you know, deploy as I was going through the RFP.
Q. And so you, do you assume that this was prepared at some point during the RFP?
A. Can I go back and refer to that other document we've seen?
Q. Certainly.
A. It's not a closed book test.
Q. Please just let me know which one you're referring to so the record is clear.
A. I'm referring to this document, the 2011-002402 extension 205, Exhibit 205.
Q. Okay. Exhibit 205, thank you.
A. I'm sorry. Okay. So this was October 2006 and this is shortly there, I'm guessing shortly thereafter, okay.

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Q. Okay. And I just wanted to ask you about a couple of particular items on here.
The second major bullet says use leverage to renegotiate captives with MIs; do you see that?
A. Yes.
Q. What does leverage mean there?
A. It would mean to try to get the best deal possible that passes the risk transference opinion.
Q. But what is the leverage in that sense?
A. The leverage would be we'll send you mortgage insurance and you give us as good of a deal as is possible.
Q. And the second major bullet says, excuse me, that was the second major bullet, the third one says engage Milliman, and there's a sub bullet under there, the third one says risk transference/optimization; do you see that?
A. Yes.
Q. Do you know what optimization means there?
A. I am going to guess that that means make sure that the captive is structured in such a way that it is optimal. And going back to the conversation we had a few moments ago, if the loans became more risky, the attachment point should increase and if the loans became less risky, the attachment point should

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decrease, but it should be the optimal attachment/detachment point for that cede that was, would pass risk transference.

Q. And the major heading above that is engage Milliman, so how did Milliman fit into that analysis?

A. We would ask Milliman what passes risk transference, because I don't have the ability to model that. We, we were using, utilizing Milliman for opinions of what, what structures will and won't pass transference.

Q. And so we were talking a few moments ago, you said there was some back and forth about captive structures or potential captive structures with the MIs that you had during the RFP process; do you remember that?

A. Yes.

Q. So captive was Atrium's product, so why didn't you structure it instead of soliciting the MIs to come up with structures and then bring them to you?

A. The MIs are more savvy and have done many more of these deals and know what will and won't pass risk transference and that's what they do all day long, that's their business model.

They had individuals at the MIs who were solely responsible for structuring captives and

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determining what, not that we're relying on them for what passes risk transference, but they had a belief of what passed risk transference, so since they had the expertise, leverage their expertise to provide this to us. What are you willing to offer us, you know, what, what are you guys willing to offer us to do the deal, to do the business.

Q. Did you, in dealing with the MIs, did you give them general guidelines for what you were looking for?

A. We wanted to minimize the quantity of capital we were putting in to the transaction and we wanted to get the best, we wanted to pass risk transference, we wanted it to adjust based upon the characteristics of the loans as they evolve through time and change through time. So we wanted the captive to be self-adjusting. We wanted it to be simple and understandable because if it gets too esoteric and I don't really understand the models, I can't make a judgment on that's a good deal or a bad deal. So wanted to keep it simple.

Q. Can you think of examples of arrangements that were, you considered to be too esoteric?

A. Yes. The Triad arrangement, I didn't follow it.

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Q. That was in response to this RFP?

A. Yes, so they had, as I recall, a black box that would calculate up the risk and they would say, and maybe even PMI had even a similar kind of thing, they would say our model says it was this much risk and then it would calculate and I couldn't follow how their models were calculating it.

So if it's not transparent and simple, I try to avoid it, and one of the reasons we've been pretty successful at PHH is we've always been pretty transparent and simple and we didn't follow and go crazy on all those products that some of the others did that made no sense and structures.

Done?

Q. We're done with that for you now.

And I'm going to hand you what's been pre-marked as Exhibit 209.

Please take a moment to review that and let me know when you've had a chance to do so.

A. (Witness examining document).

Okay, sir.

Q. And this appears to be a three-page E-mail thread from October of 2006 between you and a couple of folks at the PMI group; is that correct?

A. Yes, it appears that way.

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Q. And I want to direct your attention to, first to the first page toward the bottom, your message to Mr. Beagles, down at the very bottom it says I have also listed some additional answers in the body of the E-mail below and then if you turn the page to the message from Mr. Beagles to you, the exhibit is reproduced in color and down at the bottom if you see there are some bold red remarks. Are those your responses to Mr. Beagles?

A. It appears that they would be.

Q. If you look at the very bottom of that second page, Mr. Beagles' message reads there, I think that will be a good start. What we will do in the meantime is develop some thinking and methodology around the actual risk-based entry point and layer for further discussion.

Did I read that accurately?

A. Yes.

Q. And then in red afterwards it says, immediately after that, I think high cede, late attachment, short corridor, low capital, fast dividend.

Can you walk me through what each of those terms mean?

A. Yes. I can.

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1 **Q. And in the fourth bullet do you see, it says**
2 **UGI, begin to work the current capital return book**
3 **commutation angle with them.**
4 **Do you see that?**
5 A. Yes, I do.
6 **Q. So just to be clear, the UGI captive was not**
7 **commuted around this time frame, right?**
8 A. No, it was not.
9 **Q. Do you have a sense of what the current**
10 **capital return angle was?**
11 A. Yes. We wanted to negotiate with them that
12 there were many years, many book years, cohorts, if
13 you will, that had paid down and had experienced
14 minimal losses and we wanted them to return the
15 capital supporting those book years because there was
16 low chance of loss in those years.
17 Well we're not saying there's low chance of
18 loss in all the captives, those happened to be good
19 book years that performed well and we wanted to have
20 the capital, as much of the capital as possible
21 returned and dividended to Atrium so they could send
22 it to the parent company.
23 **Q. And what about the book commutation angle?**
24 A. I don't remember the book commutation angle.
25 I am guessing what it meant is maybe you could commute

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1 a couple of books as opposed to the entire structure
2 and I don't think that that ended up being permissible
3 because the books are all cross-collateralized. I
4 think that's what that was.
5 **Q. Okay. You can put that one aside.**
6 **So with respect to capital return on those**
7 **early book years, over the next weeks and months you**
8 **actually did pursue that with UGI; isn't that right?**
9 A. We did. I don't recollect if it was the
10 next weeks and months but we did pursue that with UGI
11 and we were able to get some capital return from those
12 early book years.
13 I just want the record to note that at
14 5:17 a.m. I was working. Tell my boss.
15 **Q. Duly noted.**
16 **Again, I'm going to hand you what's been**
17 **pre-marked as Exhibit 149. Please let me know when**
18 **you've had a chance to review it.**
19 A. Okay, sir.
20 **Q. So this is a message from you to I take it**
21 **Dan Walker and Nick Nichole at UGI --**
22 A. Yes.
23 **Q. -- January 10th, 2007.**
24 **Now that you look at this, does this appear**
25 **to be the, related to the capital return issue we were**

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1 **discussing in the previous document?**
2 A. Yes, it does.
3 **Q. Okay. And the second paragraph, the last**
4 **sentence reads, I just wanted to let you know that we**
5 **were on board with your suggestion and wanted to begin**
6 **the process.**
7 **Do you have any memory of what their**
8 **suggestion was?**
9 A. I'm sorry, I don't.
10 **Q. Okay. You can put that one aside.**
11 A. It was probably likely capital return or
12 dividend as opposed to a commutation, giving the other
13 doc.
14 **Q. So, and I apologize, let's go back to that**
15 **document for just one sec. That same paragraph we**
16 **were looking at that starts when you return, it reads**
17 **at the beginning, when you return, we would like to**
18 **begin the process of amending the Atrium contracts to**
19 **return the 44 million dollars of capital.**
20 **Do you know which contracts you were**
21 **referring to?**
22 A. I would think I would be referring to the
23 Atrium contracts between UGI and Atrium setting up the
24 captive reinsurance structure.
25 **Q. So I take it it was not possible for PHH to**

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1 **just unilaterally pull the money out in a dividend?**
2 A. No, the contract specified that there's a
3 custodian or a trustee that holds the money and you
4 need to gain releases and permissions to move the
5 money.
6 **Q. And apparently according to this message you**
7 **had to amend the contracts?**
8 A. It looks like we had to amend the contracts
9 in order to have this money dividended and we
10 negotiated with UGI to get that accomplished because
11 they agreed in these book years the capital was no
12 longer required.
13 **Q. Do you remember any of the back and forth**
14 **that followed between UGI and PHH over this capital**
15 **return issue?**
16 A. After this time?
17 **Q. Following that last message.**
18 A. I don't specifically remember it.
19 **Q. Okay, Mr. Rosenthal, I'm going to hand you**
20 **what's been pre-marked as Exhibit 239. This is a**
21 **one-page document. Let me know when you've had a**
22 **chance to review it.**
23 A. (Witness examining document).
24 Okay.
25 **Q. And does this refresh your memory about some**

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1 **of the discussions between you and UGI about capital**
2 **return?**
3 A. A little bit in that Dan and myself and, are
4 talking about, I kind of remember a spreadsheet that
5 walked through what was the required capital to remain
6 adequate in, within the reinsurance structure and what
7 they could release to us.
[redacted]
15 **Q. There is not. If you'll indulge me for a**
16 **moment.**
17 A. Absolutely. I'm sorry.
18 **Q. Okay. You can put that one aside.**
19 **You don't recall, do you, how much PHH**
20 **responded with in terms of a figure, an appropriate**
21 **figure for the dividend, do you?**
22 A. I don't specifically recall. I would have
23 wanted as much as possible because always was looking
24 out for the interests of Atrium to, you know, extract
25 as much capital as possible from the structure and

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1 still be within the, you know, agreement and
2 acceptability of the contracts to pass risk
3 transference and to support what was necessary for the
4 agencies and the MIs.
5 **Q. Now I'm going to hand you what's been**
6 **pre-marked as Exhibit 237. This is a two-page**
7 **document.**
8 **Let me know when you've had a chance to**
9 **review it.**
10 A. (Witness examining document).
11 Okay.
12 **Q. So this is your response to Mr. Walker's**
13 **message on top?**
14 A. It appears it is.
15 **Q. And does this message, I direct your**
16 **attention to your third paragraph, does it refresh**
17 **your memory about what PHH's position was about the**
18 **appropriate dividend?**
19 A. Yes. I do have memory now of looking at the
20 analytics they performed and then noticing that the
21 book years prior to 1997 were now finished. And my
22 understanding was there is no more risk on those
23 because Atrium, I believe it was a 10-year term and
24 then after the 10 years Atrium steps out of the way
25 and no longer receives premiums and no longer has

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1 risk. So there's a little bit of discrepancy as to
2 when -- not discrepancy, wrong word.
3 When a claim begins, I think if a claim
4 begins in the ninth year, tenth month and goes
5 delinquent, it can bleed longer than 10, but in
6 general at the 10 year point you stop earning the
7 premiums, you stop having the risk and then the
8 capital should be returned. So I don't know that, as
9 I looked at it, it looked like capital was still being
10 held.
11 My review of the spreadsheet they shared was
12 we shouldn't have to hold that capital and when I
13 walked through his analytics, I think I noticed that
14 maybe he missed a little bit and we were possibly
15 entitled to a little more.
16 **Q. So when you say the capital should be**
17 **returned for those older book years?**
18 A. It was.
19 **Q. That's not the way the current, the**
20 **contract, the agreement as you understand it with UGI**
21 **provided for at that time; isn't that right?**
22 A. No, I think that the contract did provide
23 for that and perhaps the analysts who were doing it
24 just didn't return it, this calculated spreadsheet. I
25 believe the contract permitted that return at that

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1 time and I just think that the calculation that was
2 performed omitted this fact that it should have
3 returned it.
4 **Q. Okay. You can put that one aside.**
5 A. I don't think I was trying to amend the
6 contract on that piece.
7 **Q. By the way, when you were talking about**
8 **returning capital, can you just explain to me what you**
9 **mean by that?**
10 **What you mean by capital, in other words,**
11 **that's being returned?**
12 A. Okay. The trust has money held in it. The
13 trust cannot dividend any money out of it unless it's
14 granted authority by the MI. So the trustee needs to
15 be given the direction from UGI to send to Atrium
16 money that would not be encumbered by the trust.
17 So the return of capital could be just a
18 release saying, yeah, you can sell the securities that
19 are in there or you can release the cash in there
20 Mr. or Mrs. Trustee and give that back to Atrium and
21 take it out of our trust that we hold to our benefit,
22 and our benefit being UGI.
23 **Q. And when you're, you're talking about**
24 **getting authority from the MI for a dividend, that's**
25 **your understanding of all Atrium's captive**

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arrangements, or are you specifically talking about UGI?

A. Yes, there is a separate trust for each of the captive arrangements and then each MI would have to grant permission and authority to remove or dividend any moneys out of it so the trustee hangs on to all the capital and money until they get the, that express written consent, guidance that it's okay to be extracted.

Q. And I think when you were referring to taking capital out of the trust, you referred to it as PHH's capital?

A. It would have been Atrium's capital and then Atrium, so Atrium has many trusts and the trusts have encumbered capital, or money or securities. And then if they're released to an Atrium parent, now they're unincumbered and you just need to get the permission of the regulator, the insurance regulator to have that dividended back to the parent PHH.

So once the money is out of the trust and in Atrium, then you petition the insurance regulator to permit PHH to extract that unincumbered capital out of Atrium.

Q. Okay. And with respect to the capital return issue that you were dealing with Mr. Walker and

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Mr. Nichole on, during this same period in January of, what was it, 2007, you were also negotiating with UGI regarding the terms of their captive or perspective captive; is that right?

A. I believe that's consistent with the dates you've shown me.

Q. I'm going to hand you what's been pre-marked as Exhibit 238. This is a multi-page document. Please let me know when you've had a chance to review it.

A. (Witness examining document).

Okay, I've reviewed the document.

Q. And this appears to be an E-mail thread that started I think in December of 2006 and then concludes with some messages on January 16th, 2007. And I just wanted to ask you about your message to Mr. Nichole in the middle of the first page, 9:54 a.m. on the 16th.

At the top of that message it says the request would be to add 50 BPS to every number if you can. That would make you competitive against some of the other levels that I am seeing.

First of all, what's 50 BPS?

A. One half of one percent.

Q. So that's basis points?

A. 50 basis points.

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Q. Can you explain to me what that would make you competitive is referring to?

A. So this is in the time frame when we were evaluating the other captive reinsurance alternatives some of the other providers were offering and they had come up with a variable captive structure which varied, the attachment point would vary based upon the riskiness of the loans.

The offers that the others had made to me must, and I don't see it here, but must have had some higher attachment points for the construct we were talking about in the reinsurance transaction and this is my telling Nick that his offer to us was less competitive, less compelling. The attachment point was lower for the same cede than what some of his competitors were sharing with us.

Q. So you're --

A. So Atrium would be taking, Atrium would be accepting risk earlier than the competitors were having Atrium accept risk.

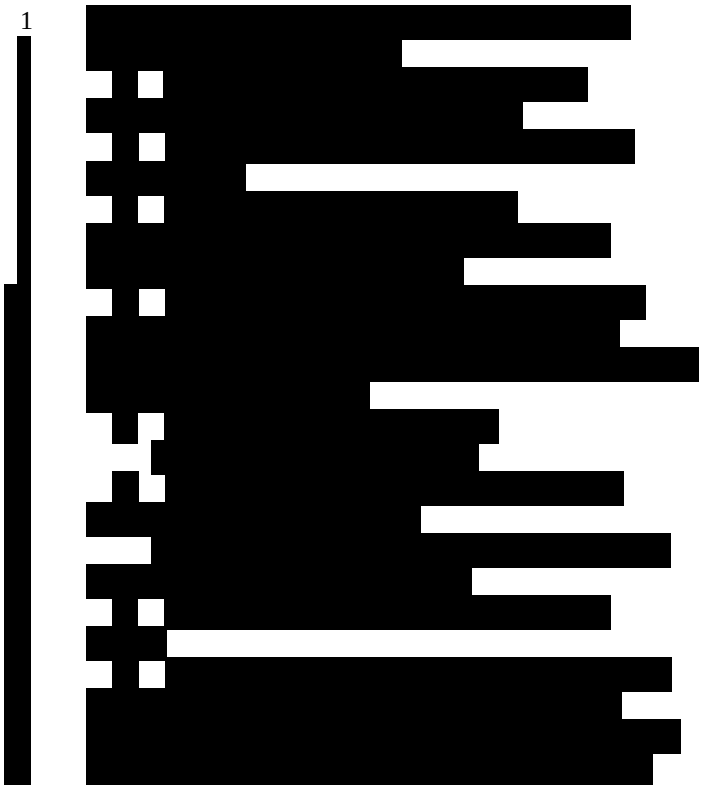
Q. So in a sense you're asking him to sharpen his pencil?

A. Exactly, said much more simply.

Q. You can put that one aside.

So returning to the capital return issue, do

120



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1

[redacted]

[redacted]

[redacted]

[redacted]

25

[redacted] **22nd, 2008.**

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125

1 [redacted]

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[redacted]

21 **Q. We've looked at a couple of documents from**
22 **2008 and I just wanted to ask you some questions about**
23 **the financial crisis and the period leading up to it.**
24 **Generally how would you characterize the**
25 **state of PHH's mortgage business in 2006?**

[redacted]

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1 A. I don't have in front of me, the volumes by
2 year and vintage. I recollect, I mean, and dates kind
3 of blur, but I recollect that 2006 was pre-crisis.
4 That was my recollection, that the crisis began in
5 2007.
6 Am I accurate with that assessment, or
7 you're looking for me to respond to this, I'm sorry?
8 I think then the crisis began, there was a
9 period of time in 2006 or 2007 when the MIs began
10 constricting their underwriting guidelines and they
11 began not honoring some of their pipeline locks. If I
12 can look at a document or two, that would help refresh
13 my timeline.
14 **Q. By all means, take your time.**
15 A. Okay.
16 Okay. So 2006 was the time of a purchase
17 focus I sort of remember. The crisis had not yet hit
18 in 2006, from some of these documents. It looks like
19 it hit in 2007.
20 So in 2006 it was moving to a purchase
21 market and, you know, PHH was looking to do as much
22 business and volume as possible, always looking to
23 grow and looking to grow in our Realogy business and
24 our private label business and expand in our retail
25 presence.

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1 **Q. What was the first term you used, Realogy?**
2 A. Realogy, yes. Realogy is a, when Cendant
3 spun off PHH Mortgage, it also spun off a company
4 called Realogy and Realogy contained, it's NRT,
5 Century 21 and ERA, Coldwell-Banker, those, it's all
6 the franchise locations and the company-owned stores
7 and there's an agreement between those company-owned
8 stores and PHH Mortgage to, there's a partnership
9 where PHH Mortgage I believe owns 50.1 or 51 percent
10 of this partnership and Realogy owns the other
11 49 percent.
12 And loans are, you know, loans are
13 originated and closed in that entity and sold, some of
14 those loans are sold to PHH and some are sold to the
15 market.
16 **Q. And a moment ago you used the phrase**
17 **purchase business to characterize your business in**
18 **2006.**
19 **Can you define what that is?**
20 A. Purchase money mortgages, it's loans where
21 borrowers are buying houses as opposed to refinancing
22 their existing loan.
23 **Q. So in other words, that was a predominant**
24 **kind of mortgage you were dealing with?**
25 A. I believe so.

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1 **Q. And I'm not trying to, you know, test the**
2 **details of your memory, but I assume at some point you**
3 **started to see different patterns with respect to**
4 **defaults and things of that sort? Did that happen?**
5 A. We started seeing patterns where the market
6 was being more and more permissive with what was
7 willing to be closed.
8 So the guidelines of what could alone be, it
9 was becoming more and more permissive, led by Fannie
10 and Freddie, also led by a lot of the structures
11 available in the marketplace and some of the alt A and
12 sub prime business. So underwriting was getting a
13 little looser, quality was going down. I don't know
14 if defaults had begun occurring yet.
15 **Q. In what time frame?**
16 A. 2006.
17 **Q. Okay.**
18 A. But the book was becoming riskier.
19 **Q. Your book?**
20 A. Our book and the market in general.
21 **Q. Do you recall how that changed in 2007,**
22 **directionally?**
23 A. I don't recollect if the crisis and
24 meltdown, sub prime meltdown occurred in 2007 or 2008.
25 It all blends together when you're having fun, but I

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1 think it was 2008, so I think it just continued being
2 more and more permissive and you started to see some
3 delinquencies, but it had not yet reached epic
4 proportions.
5 **Q. And what would you say the effect of the**
6 **crisis was on the reinsurance business on Atrium?**
7 A. When the, like in 2008 or 9 when the
8 defaults -- okay.
9 Clearly Atrium, you know, it began to
10 experience higher and higher delinquencies and higher
11 and higher defaults and began reserving for losses
12 that were going to be forthcoming in the future.
13 About every, I've been in this business
14 since 1991, I believe, and I think I've seen like
15 three crises now. About every ten years it seems that
16 another crisis comes through. In the '80s it was the
17 Houston, Dallas, crisis. Then there was the Citi
18 Group, alt A crisis in the early '90s I believe. And
19 the late '90s you had long-term capital crises and
20 now, about every 10 years there's another crises that
21 seems to come along and now this crises comes along.
22 And you just saw a lot of borrowers unable
23 to make their payments and begin defaulting, going
24 delinquent on their loans and where in the past they
25 had always protected their home and no matter what

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1 they always made that mortgage payment; what you
2 started seeing was people stopped paying on their
3 credit cards or cars and -- I'm sorry, they stopped
4 making their mortgage payment and they kept paying on
5 their credit cards or cars, so they kind of switched
6 their prioritization of which debt do I pay, which is
7 very interesting.
8 Did I get your question?
9 **Q. I think so.**
10 A. Okay.
11 **Q. There's a term also I don't think we've used**
12 **it today and I wanted to see if you could define it**
13 **for me, are you familiar with the term deep cede in**
14 **the reinsurance context?**
15 A. My understanding of a deep cede captive is
16 the 4, 10, 40 structure which PHH has, had.
17 **Q. And 4, 10, 40 refers to the attachment**
18 **point, the size of the risk band and 40 would be the**
19 **cede level?**
20 A. Correct.
21 **Q. So a keep cede would be around 40 percent**
22 **net?**
23 A. Correct.
24 **Q. Do you recall Freddie Mac deciding in early**
25 **2008 that it was going to stop accepting deep cede**

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1 **loans?**
2 A. Yes.
3 **Q. And it's my understanding that Freddie**
4 **wouldn't accept loans with more than 25 percent**
5 **captive ceding?**
6 A. That's my, I remember that, too.
7 **Q. What affect did have on the market?**
8 A. Which market?
9 **Q. On the mortgage market or on the captive**
10 **market?**
11 A. Okay. So on the mortgage market, I'm not --
12 well on the mortgage market I don't know that it had
13 any affect. I know mortgage insurance companies
14 decided they would not offer deep cede arrangements
15 anymore, even if the lender wanted to sell all their
16 loans to Fannie Mae because Freddie Mac made the claim
17 that if the mortgage insurance company offered deep
18 cede, they weren't buying any business from the
19 mortgage insurer, period.
20 So the mortgage insurers weren't willing to
21 offer any longer even for a company who didn't care to
22 sell loans to Freddie Mac. So the deep cede died
23 almost immediately, or as soon as announced.
24 **Q. And do you understand what Freddie's reasons**
25 **were when they put this cap on of 25 percent?**

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1 A. I can speculate if you'd like me to, but I
2 don't know what was going on in Freddie's mind.
3 **Q. You don't recall reading publications or**
4 **other things from Freddie about this or statements?**
5 A. I read statements. I read statements. I
6 don't know if they were Freddie's statements, but I
7 read statements from people in the industry talking
8 about how Freddie Mac wanted to make sure that the
9 mortgage insurance companies became healthy. They
10 wanted to, you know, make all the premiums of new
11 business go to them so they could pay their old
12 claims.
13 But I don't know if that was industry banter
14 or Freddie articles or I don't remember who wrote that
15 kind of stuff.
16 **Q. Mr. Rosenthal, I'm handing you what's been**
17 **pre-marked as Exhibit 154. This is a two-page**
18 **document. Please let me know when you've had a chance**
19 **to review it.**
20 A. (Witness examining document).
21 Okay, I've read it.
22 **Q. And this appears to be your message to Mr.**
23 **Walker on February 14th, 2008, and his response. The**
24 **subject is deep cedes.**
25 **In Mr. Walker's response on the first page,**

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1 **the last paragraph starts, I think some MI companies**
2 **argued with Freddie to preserve at least a 25 percent**
3 **cede for captives.**
4 **Was that your impression as well; in other**
5 **words, before you got this message?**
6 A. My impression's always been that the
7 mortgage insurers like the captives because they took
8 some of the risk off of the -- I'm sorry, mortgage
9 insurers, yeah, because they took some of the risk off
10 a mortgage insurer. So it doesn't surprise me to see
11 them wanting to keep a 25 percent captive to help
12 provide capital to the mortgage insurer.
13 **Q. What about at this particular moment, do you**
14 **see any particular rationale in February of 2008?**
15 A. Sure, because in a crisis, and as is
16 evidenced by the next few years, the industry needs
17 capital, so reinsurance mechanisms provide exactly
18 that, they provide more capital to the mortgage
19 insurers.
20 So it's not surprising to me that the
21 industry wants more capital, which they're getting via
22 these, you know, reinsurance structures.
23 **Q. Do you think they wanted also to off load**
24 **risk at this point?**
25 A. Sure. I think so. It doesn't surprise me

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1 to want more capital and the industry over the past
2 few years has continued to try to raise more capital
3 so that I think that's all consistent.
4 **Q. You've talked a little bit about the effect**
5 **of the financial crisis on the MIs and maybe you've**
6 **alluded to this before, but wasn't one effect a big**
7 **change in the kind of loans that the MIs would insure?**
8 A. The, before the crisis the MIs were becoming
9 more and more permissive and then after the crisis the
10 MIs became more and more constrictive, constrained.
11 **Q. With respect to the kinds of loans they**
12 **would accept?**
13 A. Yes. Yes. With the loan characteristics.
14 The higher credit scores, lower LTVs, they varied it
15 by State, you know, lower DTIs. Anything that has
16 risk. They were trying to eliminate some of the risk.
17 **Q. What's DTIs?**
18 A. Debt to income ratio, so taking the
19 borrower's monthly payment of all their debt and
20 dividing it by their monthly income and calculating a
21 ratio and if that number gets too high, then a
22 borrower is less likely to be able to meet other
23 obligations and eventually default.
24 **Q. You can put that one aside.**
25 **Now it's my understanding and I think you**

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EXHIBIT D

Captive Management Services

802 658 9405 Telephone
802 658 0112 Facsimile

October 26, 2012

Mr. Chris Bowen-Ashwin
PHH Mortgage Corporation
One Mortgage Way
Mount Laurel, NJ 08054

Dear Chris,

Following are the GAAP basis financial statements for Atrium Reinsurance Corporation as of September 30, 2012. The financials were prepared with the balances provided by you. Upon review, please note the following:

- There were no material differences between the account balances you provided and the balances we calculated.

Other outstanding items:

- Back-up/invoices for expenses that have been paid for by Atruim in September 2012 and any outstanding invoices that are being accrued for in 2012.
- January – May and July-August 2012 JP Morgan Bank Statements.

Please feel free to contact me if you have any questions.

Regards,

Aimee Dessaint

Aimee Dessaint
Account Executive

Cc: Michael Bogansky

Chartis
30 Main Street, Suite 330
Burlington, VT 05401
www.chartisinsurance.com

ATRIUM REINSURANCE CORPORATION
GAAP UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Prepared by: Aimee Dessaint

Reviewed by: Marie Davis

Prepared by: Chartis Insurance Management Services, Inc.
30 Main Street, Suite 330
P.O. Box 1687 (05402-1687)
Burlington, VT 05401
Telephone: (802) 658-9405
Fax: (802) 658-0112

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PHH BOGANSKY CFPB 005323
CFPB-PHH-00098495

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PHH BOGANSKY CFPB 005324
CFPB-PHH-00098496

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PHH BOGANSKY CFPB 005325
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PHH BOGANSKY CFPB 005326
CFPB-PHH-00098498

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PHH BOGANSKY CFPB 005327
CFPB-PHH-00098499

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PHH BOGANSKY CFPB 005328
CFPB-PHH-00098500

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CONFIDENTIAL
PHH BOGANSKY CFPB 005329
CFPB-PHH-00098501

EXHIBIT E

Captive Management Services

802 658 9405 Telephone
802 658 0112 Facsimile

April 25, 2012

Mr. Chris Bowen-Ashwin
PHH Mortgage Corporation
One Mortgage Way
Mount Laurel, NJ 08054

Dear Chris,

Following are the GAAP basis financial statements for Atrium Reinsurance Corporation as of March 31, 2012. The financials were prepared with the balances provided by you. Upon review, please note the following:

- There were no material differences between the account balances you provided and the balances we calculated.

Other outstanding items:

- Any outstanding invoices for expenses that have been paid for and accrued for that we have not received for 2012.
- JP Morgan Bank Statements in 2012.

Please feel free to contact me if you have any questions.

Regards,

Aimee Dessaint

Aimee Dessaint
Account Executive

Cc: Michael Bogansky

Chartis
30 Main Street, Suite 330
Burlington, VT 05401
www.chartisinsurance.com

ATRIUM REINSURANCE CORPORATION
GAAP UNAUDITED FINANCIAL STATEMENTS
MARCH 31, 2012

Prepared by: Aimee Dessaint

Reviewed by: Marie Davis

Prepared by: Chartis Insurance Management Services, Inc.
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CFPB-PHH-00098434

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CFPB-PHH-00098435

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CFPB-PHH-00098436

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CFPB-PHH-00098440

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PHH BOGANSKY CFPB 005269
CFPB-PHH-00098441

EXHIBIT F

Filename "MI Remittance Summary"

Atrium Insurance Corporation
MI Remittance Analyis

C:\Users\kimth\Documents\002 - PHH\MTD-SD Papers\Exhibits to Gordon Decl\[MI Remittance Summary.xls]Sheet1

UGI							GENWORTH						
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Filename "MI Remittance Summary"

REDACTED

CMG

MI Submission from Servicing	Ceded Premium 25% of MI	% of Prior Month	Sum of Estimated Premium in MI Remittance	Premium Received	Variance
[redacted]					

EXHIBIT G

REDACTED

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EXHIBIT H

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EXHIBIT K

UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU

IN THE MATTER OF PHH CORPORATION	))))	Case No.: 2011-0024-02

DECLARATION OF MICHAEL BOGANSKY
IN SUPPORT OF PHH CORPORATION'S NORA SUBMISSION

I, Michael Bogansky, pursuant to 28 U.S.C. § 1746, declare:

1. I am the Vice President, Controller for PHH Corporation ("PHH").

2. The facts set forth herein are based on my personal knowledge, the books and records of PHH, and information provided to me in the course of my official duties. If called upon to testify, I could and would testify competently thereto. I am submitting this declaration in support of PHH Corporation's NORA Submission to the Consumer Financial Protection Bureau.

3. Atrium Insurance Corporation ("Atrium") is a New York corporation and a wholly-owned subsidiary of PHH. Atrium's business is to provide reinsurance on private mortgage insurance ("pmi") issued in connection with loans originated or acquired by PHH Mortgage Corporation and PHH Home Loans, LLC.

4. At various times during the period from 1997 to 2010, Atrium had reinsurance agreements with the following four pmi providers: CMG Mortgage Insurance Company ("CMG"), Genworth Mortgage Insurance Company ("Genworth"), Radian Guaranty, Inc. ("Radian"), and AIG United Guaranty Mortgage Insurance Company ("UGI").

5. At various times Atrium utilized the services of Milliman, Inc. ("Milliman"), a third-party actuarial firm, to provide opinions for specific book years related to the reinsurance agreements, which state that the reinsurance agreements have a reasonable probability of loss to the reinsurer and the net ceded premium is reasonable related to the ceded risk.

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6. On November 12, 2009, PHH Corporation formed Atrium Reinsurance Corporation ("Atrium Re"), a Vermont corporation that is a wholly-owned subsidiary of PHH Corporation.

7. On January 25, 2010, the New York Insurance Department issued its non-disapproval of the reinsurance assumption agreements between Atrium and Atrium Re, thereby allowing Atrium Re to assume the existing reinsurance agreements with Genworth and UGI.

8. Atrium's reinsurance agreement with Radian commenced on July 26, 2004. Effective July 22, 2009, by mutual decision and pursuant to the terms of their agreement, Atrium and Radian commuted the agreement. As part of the commutation, Atrium forfeited to Radian capital contributions in the amount of $452,349, in addition to all premiums previously ceded as well as any earnings.

9. Atrium's reinsurance agreement with CMG commenced on December 1, 2006. Effective August 31, 2009, by mutual decision and pursuant to the terms of their agreement, Atrium and CMG commuted the agreement. As part of the commutation, Atrium forfeited to CMG capital contributions in the amount of $440,634, in addition to all premiums previously ceded as well as any earnings.

10. Atrium's reinsurance agreement with Genworth commenced on October 9, 2000. Since January 1, 2009, this agreement had been in "run-off," which means that no new business is reinsured, but that all obligations continue for both parties on existing books of business. Effective April 1, 2012, by mutual decision and pursuant to the terms of their agreement, Atrium and Genworth terminated the agreement. As a result of the termination, Atrium paid Genworth $37,149,869 and Genworth agreed to assume all future risks in connection with loans for which it provided mortgage insurance. $24,100,000 of restricted funds was released to Atrium from the

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trust account and Atrium recognized a pre-tax loss of $15,854,192 in connection with the termination of this agreement.

11. [redacted]

12. To the best of my knowledge, Atrium always met its contractual funding obligations with respect to the four trusts that were created in connection with its reinsurance arrangements.

13. Atrium paid a total of $[redacted] in reinsurance claims: $[redacted] in claims paid to UGI; $28,571,236 in claims paid to Genworth; and $4,750 in claims paid to Radian. As described in the chart below, for certain book years, Atrium paid claims to UGI that consumed the entire risk band and in fact exceeded the amount of reinsurance premiums that Atrium would collect over the entire life of the reinsurance agreement for those particular book years.

Book Year	Atrium payments to UGI/% of Risk Band	Atrium payments to Genworth/% of Risk Band
2004	[redacted]	$0.00 / 0%
2005	[redacted]	$6,190,694 / 41%

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Book Year	Atrium payments to UGI/% of Risk Band	Atrium payments to Genworth/% of Risk Band
2006	[redacted]	$9,334,550 / 81%
2007	[redacted]	$6,966,585 / 60%
2008 (UGI)	[redacted]	N/A
2008A (Genworth)	[redacted]	$6,079,407 / 27%
2008 B (Genworth)	[redacted]	$0.00 / 0%
2009	[redacted]	N/A

14. Attached hereto as Exhibit A is a chart I prepared showing, for each reinsurance agreement, the capital contributions that were made and the dividends that were earned by Atrium, as well as the distributions made when each of the reinsurance agreements was commuted. Among other things, this chart reflects total capital contributions of $53,172,832 in connection with the four reinsurance agreements. The chart also presents capital contributions and trust distributions for each reinsurance agreement and reflects Atrium's cash return on invested capital of 5% in connection with its reinsurance agreements over the entire 16-year period the UGI agreement was in place and the 12-year period the Genworth agreement was in place. The chart also reflects the fact that Atrium's net earnings were positive in the early years of the agreements, but that the net earnings were negative beginning in 2008, which corresponds to the meltdown of the residential real estate mortgage market.

I declare under the penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 5th day of September, 2013.

Michael Bogansky

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Exhibit A

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