Page 146

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Page 147

[redacted]

Page 148

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Page 149

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it would have been 2006?

A I think it was 2005, 2006. I'm not exactly sure of the timeframe. It would have been ZC Sterling, it would have been Balboa, SafeCo. Assurant has since acquired SafeCo's financial institution.

**Q Looking at Chase 1815 back in the letter agreement, very last paragraph, it says, Chase looks forward to completing a definitive agreement with Assurant. We believe that the RFP waiver was key to facilitating a successful negotiations during the very challenging business environment.**

**Do you see that?**

A I do.

**Q What does that refer to?**

MR. MEINERTZHAGEN: Objection, outside the scope.

THE WITNESS: We waived the RFP process in negotiating the new agreement with Assurant.

MR. RICHTER: Q Why?

A Because everything that was going on within the organization relative to the acquisition, merging of -- and migration of the WaMu business and the EMC business, and as that business has migrated it's being done so in phases. Whenever we looked at an RFP. We also have to examine the devil we know versus the devil we don't know, and we know what Assurant's capabilities are, not just



what they tell us they are in terms of their ability to perform and execute. That was another consideration in waiving the RFP.

Assurant has 67 percent market share. They're clearly the 800 pound gorilla. Balboa is number 2 with about 24 percent market share, 19 percent of which roughly is Countrywide, so there aren't a lot of options out there today. Probably their closest competitor would be -- I think it's now Sterling National, the former ZC Sterling, and they were primarily a -- for a very long time -- we did business with them at one time, a nonprime insurance carrier. It's the resource availability as well.

**Q Was any research conducted leading up to the letter agreement or the 2010 series of agreements concerning the cost of the lender-placed policies issued by competitors of ASIC/Assurant?**

A No.

**Q Under the --**

A The process is an ongoing process. It doesn't happen monthly or necessarily quarterly. But as part of what I do, you know, I gather market intelligence, I speak with, you know, whether it be counterparts or Assurant peer companies in the contacts I have with those companies to get information relative to rates, relative



to deductibles, relative to any program nuances, and that information, you know, is also utilized in our decision matrix.

**Q Is there any term in any of the agreements, the 2007 agreement, the 2010 agreements or the letter agreement that placed any limit on what ASIC could charge for lender-placed coverage?**

A No. We don't set the rates. The insurance carrier sets the rates and the rates are filed and reviewed and/or approved by the state regulators. The borrower has an option clearly to go down the street to their independent agent, see if they can provide flood insurance, and then, okay -- if they're in special flood hazard area, they can go to the NFIP and they can be put in contact with an agent that can write a program, you know, using their paper. Failure to do either will necessitate lender placement.

It's not a program that's designed -- it's not a program that's designed to be competitive. We don't design it. It's to protect the collateral that's used to secure a loan.

**Q Why did Chase change its coverage requirements for home equity loans and lines at the end of '09?**

MR. MEINERTZHAGEN: Object to the scope. It's outside of what this witness is being produced to testify



to.

You can go ahead and answer in your own personal knowledge, if you know.

THE WITNESS: I wasn't involved in a decision and found out about it after the decision was made, but it was based upon -- I do know that it was based upon the complexity of both acquiring and maintaining an accurate first mortgage balance for the life of the loan and because of that the decision was made to eliminate a combined UPB and the calculation of flood coverage, required flood coverage. And in so doing, you know, that's what put Chase's requirement above the minimum regulatory requirement, NFIP maximum or replacement cost.

MR. RICHTER: Q Who -- Do you know who participated in the decision to make that change in the insurance requirement?

MR. MEINERTZHAGEN: Objection, outside the scope.

THE WITNESS: I would know some that participated. I don't know all that would have participated. I didn't participate. Legal would have been involved, the -- servicing team that we talked about, Jeff Nack, Brent Miller. Terry Smith would have been involved in that decision. They would have presented it to either -- again timing. December of '09, it would either have been Kim Greaves or it would have been David Schneider.