APPENDIX A
File Review Summaries

Introduction

In December 1994 we reviewed approximately 100 of Long Beach's loan files. We selected wholesale and retail loans from all of 1992 and the third quarter of 1993. Blacks with high Annual Percentage Rate (APR) loans made up the majority of the borrowers whose files we chose, and Hispanics with high cost loans were the next largest group. We looked at the files of whites with both high and relatively low cost loans. Almost all the loans involved refinancing with six-month adjustable ARM's, because this was by far the most common product that Long Beach sold in these years. We chose loans from the entire band of credit risk levels, but, as the summaries show, there often was little relationship between credit risk level and price -- mainly because the range of available "overage" was much wider than the variations in price by credit risk level.

"Overage" is basically the difference between the lender's minimum price for a loan and the price obtained by the Long Beach loan officers or the wholesale brokers. The attached file summaries include our estimate of the amount of overage for each loan. We based these estimates on an October 1992 rate sheet for the 1992 files and a January 1994 rate sheet for the files from the third quarter of 1993.[1] The estimates are quite close but not precise, because Long Beach's published rate sheets round off the interest rates and points, usually to a quarter or an eighth of a point. Long Beach uses a computerized "price model" to calculate the exact amount of overage that forms the basis for the compensation that goes to the loan officer or broker.[2]

Long Beach's price model used a figure of 1.0 as par or the

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[1] There is not much difference between the two sets of prices, and the variations in the lender's published rate sheets over the entire period were not great. Unlike some lenders, Long Beach did not publish a daily price sheet but instead relied on its computerized model to inform employees of its minimum requirement. Most of its products were ARM's, the price of which was tied to the "LIBOR" (London Interbank Offered Rate) index, which involves constant but small day-to-day changes. Since virtually all of the loans were priced above the lender's minimum, the loan officers and wholesale brokers were always going to make extra compensation or profit, but they could not tell exactly how much.

[2] Long Beach abandoned the price model for a brief period in 1994 and then resumed using it. The January 1994 rate sheet referred to in the text was used both as a pricing sheet and (briefly) as a written form of the price model.

minimum price; i.e., par guarantees the lender its profit. However, we infer from the files and interviews that there is still room for lender profit and incentive compensation for employees at prices below par. Many of the files with large overages had price levels ranging from 1.5 to 2.0 or more. Exceptions were allowed down to .8, and on rare occasions, below that. Thus, it appears that there is still room for a small overage when the rate is slightly less than the rate sheet minimum.

The meaning of the Information Provided in the Summaries

a. Credit risk levels

The summaries are arranged in ascending order of risk ("A" through "C"). Long Beach underwriters assign risk levels on the basis of a combination of credit history and debt ratios. We found that the risk levels were only loosely related to the actual credit history and debt ratios. This is understandable in the B/C market, where the most important underwriting decision -- whether or not to make the loan -- is almost always made on the basis of the security value of the property. If the loan-to-value ratio (LTV) is low enough, the loan will usually be made.

We have used lending industry shorthand to describe the borrowers' debt ratios: "31/40" means the borrower's monthly mortgage payment divided by gross monthly income was 31% and that the monthly mortgage payment plus all other recurring debt, divided by monthly gross income was 40%. Anything over 45% is considered to be a high debt ratio. The lender's maximum acceptable ratios have been 55%, but it allows exceptions up to 60%.[3] As the permissible debt ratio goes up, so does the risk level -- and the maximum permissible LTV goes down.

We have also used industry shorthand to describe borrowers' late payment history. For example, "2x30" means the account was 30 days overdue on two occasions. Every file contained a computer-generated credit history printout from TRW, one of the three major

[3] In October 1992, Long Beach's rate sheet showed (for owner-occupied financing with ARM's) a debt ratio limit of 45% for "A-" and 50% for "B+" and "B." The LTV limit for these three levels was 75%, except 80% in the case of a purchase rather than a refinance. The debt ratio limit was 55% (with exceptions up to 60%) for "B-", "C", and "C-" with LTV limits of 75%, 70%, and 65%, respectively (with no exceptions listed). A June 1994 pricing sheet seems to allow somewhat higher debt ratios for each level "with lower LTV's" (not further described).

credit reporting companies.[4] Each TRW report contains a listing of the borrower's credit accounts and a summary that is expressed in the form of a credit score and the number of "major derogs," or serious credit deficiencies.[5] The files show that the Long Beach underwriters count the number of delinquent accounts and enter the number and percent that were delinquent on an underwriting form.

b. The cost of the loan

We have described the prices of each loan in terms of the interest rate and the number of "points" the borrower had to pay at closing. We omitted the adjustable rate margin because, although it varied from loan to loan, on average there was virtually no difference in margin between groups.[6] We have mentioned fees only for wholesale loans (until mid-1994, the retail fees were almost always $569) and only when they were extraordinary.

When considering these summaries, bear in mind that this is the "B/C" mortgage market, in which borrowers participate only if they have been rejected by mainstream or "A" lenders, or they are unaware that they may be qualified for a much less expensive loan in the "A" market. In this regard, many of the Long Beach "A-" borrowers whose files we reviewed appeared to be qualified for "A"

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[4] Lenders in the "A" mortgage market use the on-line, "infile," or "flash" credit reports (like the ones produced by TRW) to make initial decisions about the applicant's credit, but most eventually obtain (because the secondary market purchasers require them to do so) a more complete "Residential Credit Report." This kind of report is more complete in that it contains data from sources other than the reporting company. Long Beach relies almost exclusively on the TRW report.

[5] What constitutes a major derogatory for TRW is not always consistent with Long Beach's description in its advertising and pricing materials. The rate sheets say things like "[n]o major derogatory items such as bankruptcy or NOD [Notice of Deficiency] within. . ." various periods of time, depending on the credit risk level, but the TRW reports seem to include lesser items such as write-off and judgment.

[6] The term "margin" refers to the maximum possible lifetime increase in loan price due to periodic adjustments. The quick turnover of Long Beach's loans makes margin of little importance in this case, although it is important to investors in general. In some of its more recent pricing materials, Long Beach indicates that it considers a "point/margin" exchange in its pricing alternatives that is separate from the concept of "point/rate" exchange, but in earlier rate sheets, the changes in margin are insignificant in comparison to the changes in points.

market loans.

c. Differences between retail and wholesale prices

For most of the period covered by our analyses, there were no printed retail rate sheets, because the lender's loan officers were informed of rates by means of an on-line computerized price model. From the files we reviewed, it appears that there was no consistent relationship between the two sets of prices. One period for which we have contemporaneous retail and wholesale rate sheets is January 1994. Here the rates are identical except that the wholesale prices are 2 points less on every line. One possible explanation (which is bolstered by "sale" prices listed on wholesale rate sheets later in 1994) is that Long Beach occasionally advertised special prices to attract more wholesale loans.

The files indicate that there were other times when the rates on the wholesale sheets were higher than the retail prices Long Beach was charging. In the descriptions below, we have made the assumption that the prices for each type of loan were the same.

Part I. "A-" and "B+" Credit Risk Levels

1. **Wholesale ARM** (Penn National Mortgage) 1992
Loan # 0721153

A black male and a black female, ages 78 and 74, borrowed $42,000 at 8.75% and 10 points (2.75 to Long Beach and 8.25 to the broker) plus $4,207 in fees to the broker. Their debt ratios were 24/29, and the LTV was 62%.

The file shows that they had an excellent credit history; Long Beach assigned them an "A" credit risk level rating, but the overages and fees charged were so high that they paid a higher price for their loans than most in lower letter categories. The wholesale broker fees included an "application fee" of $1,163.

The rate sheet maximum for "A-" (<u>not</u> "A")[7] with no points would have been 8.75%. The overage of 10 points, 2.5 of which went to Long beach, was $4,200. This means that Long beach took 2.5 points <u>more</u> than the rate sheet minimum.

2. **Wholesale ARM** (Loan Service Center) 1993
Loan #0730102

A black male, age 53, borrowed $30,000 at 5.99% and 9.25 points (1.25 to Long Beach) and $894 in fees. His debt ratios were 13/19, and the LTV was 23%. His credit risk level was "A-" due to his perfect credit.

The rate sheet norm for "A-" at 5.99% would have been 3.5 points, so 5.75 points was the overage. This means that Long Beach took 2.25 points <u>less</u> than the rate sheet minimum.[8]

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[7] Long Beach has no "A" program. It sometimes has offered what it calls its "Ambassador" program, which is still an "A-" program for nonconforming credit. This does not mean that Long Beach is unwilling to lend at B/C market prices to persons who have "A" credit but do not know they could get a much less expensive loan from an "A" lender.

[8] The first two files illustrate flexibility in negotiating price with the wholesale brokers -- none of which accrues to the benefit of the borrower.

3. **Retail ARM** 7/16/93
Loan #1201135

A black male, age 57, and a black female, age 54, borrowed $87,000 at 9.25% and 4.5 points. Their debt ratios were 14/23, and the LTV was 62%. The credit risk level was "A-." They had excellent credit.

The rate sheet maximum for "A-" would have been 8.32% and 0 points; thus, the overage was in the form of an extra .93% interest rate and 4.5 points. (This is one of the few we reviewed where the higher interest rate forms a significant portion of the overage.)

4. **Retail ARM** 7/9/93
Loan #2200976

A black female (incorrectly listed as male in the lender's HMDA report), age 45, borrowed $82,500 at 6.99% and 9 points. Her debt ratios were 23/23, and the LTV was 70%. Her credit risk level was "A-." She had had a bankruptcy that was discharged in 1989; her explanation was that her ex-husband did not pay the bills when the divorce was in progress.

The rate sheet norm for "A-" at 6.99% would be 2 points, so the remaining 7 points was overage.

5. **Retail ARM** 8/11/93
Loan # 2301121

A black male, age 38, and a black female, age 43, borrowed $85,000 at 7.76% and 9 points. Their debt ratios were 20/38, and the LTV was 69%. The credit risk level of "A-" was based on one major derogatory item; the file shows it was changed to "A-" from "B+" because someone had misread the file and found 2x30 instead of 1x30. However, it appears that the points went up when the rate went down.

The rate sheet norm for "A-" would have been a little less than a point for a rate of 7.75%, so more than 8 points (almost $7,000) was overage.

6. **Wholesale ARM** (Trent Financial) 1993
Loan # 0730843

A black male, age 53, and a black female, age 51, borrowed $85,000 at 5.49% and 10 points (9.5 to the broker) and $1,589 fees. Their debt ratios were 21/29, and the LTV was 57%. The credit risk level was "A-," and the credit report showed a 12/92 state tax lien being paid off 4/93. They were paying off several accounts, all rated R1 (the best rating), with this loan. They had owned for 9 years.

The file contains an amended approval indicating that the terms improved from a rate of 6.99% and 1 point to Long Beach to 5.49% and .5 point to Long Beach, because of their good credit, low LTV, and low ratios. However, the 9.5 points to the broker remained unchanged.

The rate sheet norm for "A-" at 5.99% would be about 4 points, so the overage was 6 points.

7. **Wholesale ARM** (Capital Thrift & Loan) 1993
Loan #7705075

A black female, age 79, borrowed $18,500 at 8.6% and 9.1 points (all to the broker) and $1,194 in fees. Her debt ratios were 27/27, and the LTV was 25%. She had owned her house for 30 years. The loan was for home improvement. Her credit risk level was "A-," and she had good credit. The original Good Faith Estimate (GFE) form had 1.25% as a "loan discount fee" and $2,260 as a "broker fee."

The rate sheet maximum for "A-" would have been 8.32% and no points, so .28 of a percentage point in interest plus all 9.1 points equals the overage.

8. **Wholesale ARM** (Guidance Financial) 1993
Loan #7705155

A white male, age 32, and a white female, age 32, borrowed $124,500 at 6.99% and 2 points (one to Long Beach and one to the broker). Their credit risk level was "B+" (two major derogatory items -- both 1992 state tax liens, with notes saying they had been released). Their debt ratios are 47/47 (based on getting underwriter help in changing monthly income from $1,928 to $2,155 by using a shorter period for averaging the borrower's self-employment income). The LTV is listed at 71%, but there is a note in the file saying "124.5/166 = .75, review." There is also a letter saying that his many card accounts are "paid by the business."

The rate sheet norm for "B+" at 6.99% would be 3.5 points, so this price is 2 points under the norm.

9. **Wholesale ARM** (Loan Pro Financial) 1993
Loan #0730026

A white female, age 57, borrowed $178,000 at 8.25% and 8.75 points (1.25 to Long Beach) and fees of $1,044. Her debt ratios were 45/45, and the LTV was 66%. Her credit risk level was "B+." (It had been "A-" based on her good credit, but it was lowered because of the high debt ratios and high LTV.) A note from the broker to Long Beach says "[t]his is an easy qual submission." She also has $56,000 in cash reserves.

The rate sheet norm for "B+" at 8.25% would be 1.5 points, so she paid 7.25 points in overage ($12,905).

10. **Retail ARM** 8/27/93
Loan # 1401566

A white male, age 73, and a white female, age 62, borrowed $172,000 at 7.75% and 2 points. There is some indication in the file that Long Beach's inability to obtain verification of their Canadian income caused the ratios to go up to 50/54 and the credit risk level from "A" to "B+." The LTV was 72%.

The rate sheet norm for "B+" at 7.75% would be 2.375 points, so the loan was still under par.

Part II. "B" and "B-" Credit Risk Levels

11. **Wholesale ARM** (United Interstate Financial Services) 1993 Loan #0731010

A black male, age 66, and a black female, age 62, borrowed $75,000 at 10% and 10 points (all to the broker). Their debt ratios were 28/29, and the LTV was 48%. They had owned the home for 16 years. The credit risk level was "B" based on a 1989 judgment for $2,000 and multiple charge-offs that were related to a bankruptcy that was discharged on 2/15/91.

The file shows that they originally applied for a $69,000 loan and the broker points were listed at 10. The loan amount changes to $75,000 and the points remain at 10.[9]

The rate sheet maximum for level "B" with no points would have been about 9.95%, so all of the 10 points constitutes the overage.

12. **Wholesale ARM** (California Heritage Financial) 1993 Loan # 0730501

A black male, age 72, and a black female, age 50, borrowed $101,250 at 8.99% and 9 points (.5 to Long Beach and 8.5 to the broker). Their debt ratios were 24/25, and the LTV was 75%. The file reflects a number of changes in the price of the loan and the credit level. The changes appear to have been related to disagreements among Long Beach employees on how to interpret the borrowers' credit history. The credit report shows a good score and no major derogatory items for the borrower, but it shows a moderate score and one major for the co-borrower. Notes in the file show that the derogatory items related to two disputed accounts and that they had plausible explanations. Of note is the fact that the start rate remained the same throughout and what changed was the number of points to the broker (from 1.5 to Long Beach and 7.5 to the broker to .5 and 8.5).

The credit risk level ended up as "B," after having been at "C," then "A-," then "C" again, and then "A-" again. The last amendment sheet changes it from "A-" to "B" because a 75% LTV was necessary to get out enough cash for closing. (Since the borrowers had such low ratios (24/25), they always could have afforded a higher start rate and lower points. There is nothing in the file to show that any of the changes had any impact on the price the borrowers were to pay.)

The rate sheet norm for "B" at 8.99% would have been 1.25 points; thus, the overage was 7.75 points (or more than $7,800).

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[9] Many loan files showed an upward adjustment in the loan amount in order to borrow more money with which to pay the points charged.

13. **Retail ARM** 7/31/92
Loan #1001170

A white male, age 44, and a white female, age 46, borrowed $287,000 at 7.95% and 2.5 points. The credit risk level was "B," but it had started off as "C" due to a charge-off (credit otherwise good). The debt ratios were 50/53 and the LTV 70%. Part of the points seem to have been paid to a broker as a "referral fee," even though this is a retail loan. (The low points seem typical of higher loan amounts, although Long Beach claims not to differentiate on the basis of loan amount. The simple explanation may be that loan officers did not have the nerve to ask for 10 points on big loans.)

The rate sheet shows no 7.95% rate for credit level "B" at 7.95%. The lowest rate for "B" was 8.5% (and 2.5 points), while the lowest rate for "B+" was 7.95% (and 2.0 points). It appears that this couple was charged a mixed rate that was slightly less than the rate sheet minimum.

14. **Retail ARM** 10/29/92
Loan #1500701

A white male, age 61, and a white female, age 58, borrowed $129,500 at 9.99% and one point. Their debt ratios were 55/55, and the LTV was 75%. The credit risk level was "B-" (despite a credit record of 13/29 derogatory items, plus 1st mortgage being 4x30 and 1x60 in the past 12 months). There are several documents in the file that show that this loan was made under a "price exception." The file includes a document claiming that this was being done to keep the debt ratios from going above 55%, but after the payoffs, the borrowers still took out $3,812 in cash. The loan was to pay off an existing first, a second that Long Beach held, and consumer debts. Their pre-loan back-end debt ratio had been 132%.

The rate sheet norm for "B-" at the time was 10.25% and 1.25 points, so this loan was at or slightly below par.

15. **Retail ARM** 8/27/93
Loan #3401207

A white male, age 51, borrowed $172,500 at 7.25% and 2.5 points. His debt ratios were 51/51, and the LTV was .87%. (The Long Beach loan produced a 75% LTV, but he had a workman's compensation lien that raised the LTV to 87%, making it an exception.) The credit risk level was "B-," probably because of the lien.

The wholesale rate sheet norm at the time for "B-" would have called for a price of 7.99% points, so the price was slightly under par.

16. **Retail ARM** 8/13/93
Loan # 2301151

A black male, age 64, and a black female, age 50, borrowed $97,500 at 8.25% and 8 points. Their debt ratios were 34/43, and the LTV was .75. Their credit risk level of "B-" was based on their having been late 11 of 12 months on the old mortgage. The explanation was that the borrower had back surgery. The payments were current at the time of this application. The credit risk level had been dropped from "A-" to "B-," and the points increased from 5 to 8.

The borrower is retired and disabled; the co-borrower is disabled. The log has a note saying that it may be necessary to increase the loan to cover the pay off to the Money Store. Therefore, the rate was changed from 7.95% to 8.25%.

The rate sheet norm for "B-" at 8.25% would have been 3.125 points; thus, the overage was just under 5 points (or $4,753).

17. **Retail ARM** 9/8/93
Loan #2201064

A white male, age 63, borrowed $162,000 at 7.45% and 1.75 points. An amended approval form has this note: "Customer has friend in business; told him 3 points is way too many. Dropping points from 3.4 to 1.75." His LTV was 40%, and his credit was good. The credit risk level of "B-" was based on his high debt ratios of 54/54.

The rate sheet norm for "B-" would have been 7.99% and 3.5 points, so he was under par on both rate and points.

18. **Retail ARM** 9/1/93
Loan #2201017

A white female, age 55, borrowed $130,000 at 8.35% and 1.25 points. Her debt ratios were 51/51, and the LTV was 51%.

Her credit risk level was "B-," the norm for which would have been about 3 points, so she was 1.75 points under par.

19. **Retail ARM** 9/23/92
LOAN # 0800864

A white male, age 65, and a white female, age 64, borrowed $113,000 at 7.25% and 2 points with ratios of 50/50 (which file shows was a stretched reduction). The file also shows that the credit risk level of "B-" is exceptionally high in light of two major derogatory items (based on clear evidence they had not paid off two debts after a 1988 bankruptcy). Also 4 consumer derogatory items w/in the past 12 months (with explanation in the file). The

7.25% start rate is noted as an exception to what would have been 9.25%. Then there is a request for price exception from 8.45 and 3 to 7.25 and 2 "so that customer does not have to bring in $3,000 cash. . . . struggling to make ends meet." Ultimately fees were waived too. The LTV was at 60%, so there probably was no room to take more cash out of equity.

The rate sheet norm for "B-" at 7.25% would be about 4 points, so this couple was 2 points under the norm.

20. **Wholesale ARM** (Residential and Commercial Funding) 1993
Loan #0729793

A Hispanic male, age 42, borrowed $135,000 at 8.99% and 9.75 points (1.75 to Long Beach) and fees of $1,544 (which included $850 for "processing"). His debt ratios were 43/49, and the LTV was 75% (the maximum). His credit risk level was "B-" based on a collection account on his child support debt and 4x30 on his mortgage. The file shows that the purpose of this loan was to pay off an interest-only balloon mortgage and the child support debt.

The rate sheet norm for "B-" at 8.99% would be 2 points, so 7.75 points makes up the overage (almost $10,000).

Part III. "C" and "C-" Credit Risk Levels

21. **Retail ARM** 11/12/92
LOAN # 0201116

A black female, a widow, age 77, borrowed $20,500 at 10.7% and 7.25 points to clear up debts and credit problems caused by her daughter fraudulently opening accounts in the mother's name. The file shows that Long Beach thought the mother's credit to be otherwise excellent, but the bank gave her a credit risk level "C" rating. Her LTV was 23%, and her debts ratios were 24/27.

The rate sheet norm for "C" would have been 9.95% and 3.25 points. It appears that the overage is a combination of 3/4 of a point in interest and 4.0 points.

22. **Wholesale ARM** (Trent Financial Inc.) 1992
Loan # 0718769

A black male, a widower, age 55, borrowed $120,000 at 11.25% and 10 points (1.25 to Long Beach and 8.75 to the broker, plus $1,489 in fees to the broker. His debt ratios were 27/43, and the LTV was 56%. His file shows that he had a bankruptcy that had been discharged four years earlier and that he had re-established his good credit. The credit risk level was "C5." The file also contains his written explanation that at that time his wife's illness had caused him to be unable to pays his bills without her income.

The rate sheet norm for "C" at 11.25% would have been 1.25 points. Thus, the overage was 8.75 points (or $10,500).

23. **Wholesale ARM** (Tejai Svcs, Inc.) 1992
Loan #0722703

A black male, age 48, and a black female, age 44 borrowed $97,500 at 11.75% and 7 points (all to the broker). Their debt ratios were 15/31, and the LTV was 75%.

Their risk level was "C" based on several accounts with multiple 30-day lates and a judgment of $1,500 from four years before that the file shows was disputed by the borrowers.

The rate sheet maximum for "C" with no points would have been 11.75%. The overage was 7 points (a total of almost $7,000).

24. **Wholesale ARM** (United Interstate Financial) 1993
Loan # 0730545

A black female (a widow), age 55, borrowed $31,500 for home improvements. She paid 11% and 10 points (all to the broker), but only $694 in fees. Her debt ratios were 10/10, and the LTV was

27%. She had owned the home for 31 years. The credit risk level was "C5," which appears to be based on either some credit problems from five or six years earlier or some recent lates on her current mortgage.

Her TRW credit report shows an excellent score of 55 and no derogatory items. However, it also shows that the current mortgage holder -- which is the same as the submitting correspondent broker -- would not rate the mortgage payments. Notes in the file indicate a disagreement over how her payments on the mortgage should be rated by Long Beach. The problem was that the borrower had been a consistent few days late for six months (as though she were a month behind but did not realize it) -- late enough to accrue a late payment, but not late enough to have it called 6x30. Overall, this file gives the impression that the employees of both Long Beach and the submitting broker were attempting to make the borrower look worse than she was in order to justify charging 10 points with such a high start rate and such strong offsetting factors.

The rate sheet norm for "C5" would have been about 11%, so the entire 10 points was overage. (With "A-" credit, the interest rate would ave been four percentage points lower.)

25. **Wholesale ARM** (Absolute Mortgage Banking) 1993
Loan #7704952

A white male, age 61, and a white female, age 55, borrowed $145,000 at 10% and 3.5 points (1.75 to Long Beach). Their debt ratios were 56/56, and the LTV was 54%. A letter from the broker says the borrower had a business failure, and the credit report shows the same. An original credit risk level of "B-" changed to "C" seems generous. The TRW was 6/16 with 6 major derogatory items. In addition, their current mortgage was 5x30/3x60 in the last 12 months and 7x30/3x60 in the past 24 months. They had owned their home for 37 years. The refi saved them $240 per month.

The rate sheet norm for "C" at 10% would have been about 1.5 points.

26. **Wholesale ARM** (Traders Funding) 7/19/93
Loan #7705206

A black female, age 34,[10] borrowed $30,100 at 11% and 8 points (she also paid $1,194 in fees). Her credit risk level was "C" on the basis of 6 out of 6 delinquent accounts. Her VOE showed she

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[10] Long Beach's HMDA report lists her as white; the application form says she does not wish to furnish the racial identification information, but the file also contains a California form on which she identifies herself as black.

had been employed by the Fresno Police Department for a year. Notes in the file indicate she had some spotty employment prior to that due to a medical problem (which is also her explanation for the delinquencies, all of which were very small). Her credit report does show that prior to that she had had good credit, with seven satisfactory accounts in the 1984-1988 period. Her debt ratios were 17/43 (although this seems based on a very low amount of income being credited in comparison to what she claimed) and the LTV was 70%.

The GFE, dated 7/14/93, shows only one point to Long Beach and none to the broker. The eight points to the broker and none to Long Beach shows up on the final disclosure documents of one week later.

The rate sheet norm for "C" at 11% would be no points, so all 8 points are overage.

27. **Retail ARM** 7/20/93
Loan #3901329

A white male, age 62, and a white male, age 63, borrowed $190,00 at 7.9% and 3 points. Their debt ratios were 54/59. The LTV was 43%. The borrower had good credit, but the co-borrower had 3 major derogatory items, which, in combination with the high debt ratios, appears to have reduced the credit risk level from "B-" to "C".

None of the contemporaneous rate sheets has a start rate this low. It appears that the borrowers received a price that was marginally below the lender's minimum. Nevertheless, the "price model" price level was listed at 1.0694.

28. **Wholesale** (Capital Thrift & Loan) 1993
Loan #7705326

A black male, age 65, borrowed $35,000 at 11.4% and 9 points. His credit risk level was "C-" based on a small judgment in 1992 and mortgage delinquencies of 13x30, 1x60 (with an explanation of injury on the job and then disability). The loan had been submitted as "B" at 9.99%, but was changed by Long Beach. The loan was for home improvement; his debt ratios were 30/30 and the LTV was 47%. He had owned the house for 12 years.

The rate sheet maximum for "C-" would have been 10.82% and no points; thus, the overage on this loan was more than one-half a percentage point in interest and 9 points.