



Our Services: > [Web Hosting](#) - [Free Web Site](#) - [Deadbeat Listings](#) - [AppraiserUSA.com](#) - [Domain Names](#) (pass mouse over for



The Premiere Online Community for Real Estate Appraisers!

Next time check them out first at...

[Appraisers Forum](#) > [Other Forums](#) > [General Real Estate, Mortgage, and Economic Discussions](#)

My experience at IndyMac

Discuss **My experience at IndyMac** on the General Real Estate, Mortgage, and Economic Discussions forum at AppraisersForum.com, the premiere community for real estate appraisers. *My experience at IndyMac.*

User Name Remember Me?
 Password

Register	Help	Our Rules	Calendar	Archives
Ads by Google	Lawrence Appraisers	Illinois Appraisal	Naperville Appraisal	Residential Appraisal



Thread Tools ▾

07-14-2008, 12:41 AM #1



Vernon Martin 

Join Date: Jun 2005
 Location: Los Angeles, CA
 State: California
 Professional Status: Certified General Appraiser
 Posts: 514

My experience at IndyMac

INDYMAC: MY EXPERIENCE

I've shared some tidbits with you in the last month about my experience at IndyMac as their chief commercial appraiser from October 2001 to the end of March 2002. Now that IndyMac has been seized by FDIC and their legal staff presumably unemployed, I will tell the rest of the story. Some people tell me that it must have been hell for me, but I look back on it as an adventure, like sailing into the "Perfect Storm", a perfect storm of corruption and incompetence, and living to tell about it.

I first became acquainted with IndyMac through OTS appraisal examiner Darryl Washington, MAI. Darryl used to examine my appraisal department each year when at Home Savings of America, which was acquired by WAMU in 1998. During the summer of 2001, I had a chance encounter with him at a jazz concert. I asked him what he had been up to, and he told me that he had just completed the first examination of IndyMac Bank, which had just received its savings and loan charter only a year before. He said, "Vern, they could use a guy like you."

Several weeks later I saw the chief commercial appraiser position for IndyMac Bank posted on Monster.com. I responded with a cover letter that started with "Darryl Washington of the OTS

suggested that I contact you..." Apparently, that was the right way to start the letter. IMB's chief credit officer called me soon, asking "do you know Darryl Washington?" I said "Yes, he examined my department annually at Home Savings." His next question was "Do you know how to deal with him?" I assured the chief credit officer that I was used to dealing with the OTS and Darryl and that I could get IMB into compliance with OTS appraisal regulations.

After 3 interviews, IMB wanted me to start right away, because the OTS was returning in November. I started on 10/15/01 and had a month to familiarize myself with their commercial lending practices until the OTS showed up.

At the end of my first week, there was an urgent need to field review an appraisal of a subdivision in the Sacramento area. I went up there on the weekend, but also took along some other recent appraisal reports from the Sacramento area. One of the other appraisal reports concerned me. A residential subdivision had been appraised as "80% complete", but when I visited it, it had only been rough-graded, probably no more than 15% complete. When I returned to the office on Monday I asked who the construction inspector was for that region. I was told that there were two inspectors for the Sacramento area; one was CEO Mike Perry's father and the other one was Mike Perry's father-in-law. The loan officer on the deal was Mike Perry's younger brother, Roger, who had recently been hired. His previous experience had been as a cop. Thereafter I heard of favoritism towards relatives of Mike Perry and "FOMs", and the chief credit officer advised me to take special care of Mike Perry's brother. ("FOM" was IndyMac jargon for "Friend of Mike".)

I reported my Sacramento findings in a private memo to the chief credit officer, who then distributed it to the senior managers at the construction lending subsidiary known as the Construction Lending Corporation of America (CLCA). The senior credit officer from CLCA, the manager who most resembled Tony Soprano, was the one to call me. He asked "Are you sure you saw what you said you saw?" in a rather chilling manner. He said he had been on site with Roger Perry and had seen things differently. After that call, I asked the chief credit officer why CLCA's senior credit officer would want me to recant my report. He told me that the senior credit officer received sales commissions for every loan made, which seemed to me like a blatant conflict of interest.

All appraisals were ordered by the loan officers from a list of approved appraisers maintained by LandAmerica. I was not allowed to order appraisals, but I recognized many names on the LandAmerica list as well known, reputable appraisers. What I began to observe, however, was that loan officers were learning which appraisers were more "flexible" than others. My areas of concern were extraordinary assumptions, lack of feasibility analysis, and false information given to appraisers.

As an example, I read an appraisal of a vacant, former Costco warehouse which had been purchased for \$2 million several months before, but was appraised for \$17 million based on a fabricated rent roll composed of tenants that had never signed a lease or a letter of intent. Only one tenant actually moved in. I told the loan officer that I could not accept the appraisal report, as it was hypothetical. He wanted me to approve it, any way, with the understanding that no funds would be disbursed until the prospective tenants could be verified. I told him that I wasn't going to approve a hypothetical appraisal. The loan was funded, any way.

My only substantive encounter with CEO Mike Perry was in November 2001. I was summoned late to an impromptu meeting of senior executives in the board room. When I arrived, the meeting was already underway. The tone of the meeting was very different than senior executive meetings at other companies I had worked for. Mr. Perry, a man in his thirties, was spinning ideas and executives who were 10 or 20 years his senior were behaving like "yes men", competing to agree with his ideas. There were lots of raised hands and enthusiastic participation. He seemed to be enjoying this, in an immature, megalomaniacal way.

Then he turned to me with an idea. He asked me if I, as the chief commercial appraiser, had the regulatory authority to change the discounted cash flow models in each subdivision appraisal, which might have the effect of changing appraised values. I said that I could possibly do it, but why? He smiled and said "Don't housing prices always go up?" (Was he really too young to remember the early 1990s?)

I told him that it wasn't a good idea, because we were already hiring competent appraisers who had more local knowledge than I had. Unless I could show that their analysis was flawed, it would be inappropriate for me to change the appraisals. That answer seemed to anger him. At the end of the meeting, the chief credit officer tried to introduce me to him, but he turned his back on me.

I later learned that Mike Perry was hired as CEO of IndyMac at the age of 30 when it was spun off by Countrywide. He had been an accountant at Countrywide and a protégé of Countrywide founders David Loeb and Angelo Mozilo.

When the OTS arrived mid-November, my review duties were handed over to LandAmerica. I was to spend full time responding to findings from OTS examiner Darryl Washington. In the ensuing month it became increasingly obvious that the main reason I was there was to refute OTS findings and serve as window dressing for an institution that scoffed at or was wholly ignorant of federal regulations. Many, if not most, of the senior executives had come over from Countrywide, which was an unregulated mortgage bank.

One of the craziest violations of OTS regulations was underwriting loans based on appraised values well above purchase prices. For example, a prominent Sacramento developer purchased a piece of land for \$18 million, a price most reasonably supported by the comps, but it was appraised and underwritten at a value above \$30 million, the rationale being that this developer added value to the property just by buying it. This does not satisfy the USPAP and federally accepted definition of market value, however. The appraisal firm was the same one used for the supposedly 80% complete subdivision.

I was present at several confrontational meetings between the OTS and FDIC examiners and CLCA executives. It seemed that IMB was intent on refuting every finding and using me towards that end. I was criticized for not arguing enough with the examiners.

After the examination was over, there was an unsolicited appraisal report waiting for me on my desk. A piece of land next to an airport had recently been purchased for \$24,375,000 and was almost immediately appraised for more than \$65 million based on the owner's plans to build an airport parking lot. This was three months after September 11th, 2001 and average parking lot occupancy at this airport had declined from 73% to about the low fifties. The appraisal lacked a sales comparison approach and its feasibility analysis was based on pre-September 11th data. The feasibility analysis was done by the same consultant who caused the city of Los Angeles to lose millions on the parking garage at Hollywood and Highland. The appraisal was done by an unapproved appraiser who had previously caused my previous employer, Home Savings, to set up a \$17 million loan loss reserve on a hotel he appraised for \$450 million and the loan defaulted within a year. The report was delivered less than a week after it was ordered by the IMB loan officer, leading me to suspect that it had already been completed for someone else, most likely the borrower. I told CLCA executives that I could not accept the report and that I considered it to be biased. I tried to get the appraiser to change the report, but he immediately called the chief lending officer, who must have then instructed him to ignore my request.

Despite my stated objections to the appraisal report, the chief lending officer told the Loan Committee that I had ordered and approved the appraisal, and they funded a \$30 million loan.

Thereafter, there was sustained pressure on me to approve the report. I responded that I would have to write my own report, since the original appraiser would not make changes. This bought me time. Meanwhile, the airport, who had previously owned 80% of the parking spaces in the area, was suing the developer and erected a fence to keep people from walking from the parking lot to the terminals.

The chief lending officer also pressured me to accept another unsolicited appraisal of a Sacramento-area subdivision. This report was based on an "extraordinary assumption" that a road led to the subject property. When I went up to Sacramento to see the property, there was no road.

In January I went to Sparks, Nevada, to review an appraisal of the last phase of a condominium project. The first phase, with condos on the golf course, was a success, but the last phase was on the opposite side from the golf course and actually sloped below grade. The appraiser made an \$8000 downward adjustment for each unit, and I questioned whether \$8000 was adjusting enough. That provoked warnings from several executives, including the chief credit officer. The developer was buying the land from David Loeb, IndyMac's Chairman of the Board (and co-founder of Countrywide), and I was warned that challenging this deal could get me fired. Soon after, the chief credit officer came to my office with a representative from human resources to announce that my initial 90-day probation would be extended for another 90 days, as CLCA executives had complained about my lack of cooperation with them. The HR rep had a look of horror on her face the whole time he delivered this message.

I finally finished my own airport parking lot appraisal report in late March, the same week that the Bush Administration laid off most of the OTS examiners. I don't know which event precipitated my termination. My appraisal of the airport parking lot estimated the stabilized value at \$37 million in year 2003 and the value upon completion as \$31 million in 2002. These appraised values were considered insufficient to support the \$30 million loan.

IMB gave me two weeks' notice of my impending termination and offered me \$25,000 severance pay if I turned over all documents and signed a non-disclosure agreement. I told them that state law required me to keep records of all of my appraisals and reviews, and that \$25,000 was not enough. After a few days of seeing that I was not cooperating, I was summoned to a final meeting with the chief legal officer and "chief people officer". A written statement indicated that I was being terminated for having a "communication problem". I asked for examples of my communication problem, but none were presented. (I later recounted, during a deposition, that I was left alone with the chief legal officer for a few minutes of awkward silence. I then asked him, "Doesn't it bother you that I am being fired for a communication problem without any evidence against me?" He said, "Not at all." This cracked up my attorney.) After the meeting, I was escorted back to my office by a large security guard to collect my personal belongings, and then I was escorted out of the building, with my toothbrush in my left hand and my toothpaste in my right hand.

During these last days I contacted OTS about the abuses going on at IMB and said I had documentary evidence. They flew in to Burbank to meet me and they debriefed me for a couple of hours. They were upfront about how the flow of information had to be one way, from me to them, and not vice versa. I had to call my friends at IMB to find out how OTS was responding. The OTS paid a special visit to IMB and called for an internal audit to investigate my allegations. The first audit was considered a whitewash, and the OTS called for a re-audit. Interestingly enough, there was even a document produced that supposedly indicated my approval of the appraisal of the "80% complete subdivision".

The second audit corroborated most of my allegations and the OTS called for certain personnel changes. The president and senior credit officer of CLCA were ousted; the chief lending officer had his loan approval privileges removed. Chairman of the Board David Loeb suddenly and coincidentally

retired at the same time. He died 5 months later.

Interestingly enough, at about this same time, I read in the press of IMB receiving a "corporate governance" award from some organization, for having an impartial and effective board of directors.

I had an excellent attorney. Besides suing for wrongful termination, he showed me that I could actually sue for discrimination. Many states, including California, have laws that prevent discrimination against employees who are upholding public policy, which was the very reason that got me fired. Other bank appraisers should take note of this. USPAP and OTS appraisal regulations are public policy.

In interrogatories sent to IndyMac during the litigation, they were once again asked to demonstrate evidence of my "communication problem". The only evidence provided was a memo from me about a borrower "trying to deceive us" and a memo from a loan officer complaining that I actually called Union Pacific Railroad concerning one of his deals, a subdivision being built close to a railroad right-of-way. I was told by the loan officer that the track was no longer used, but Union Pacific disclosed to me that it was still being used once a day during the evening hours.

Interestingly enough, in the six months of unemployment and underemployment which followed my termination, I rented many videos, one of which was "The Insider", the real-life story of Dr. Jeffrey Wygand, who blew the whistle on the tobacco industry to Sixty Minutes and was also fired, coincidentally, for having a "communication problem."

Most of this information is already publicly disclosed in my lawsuit, filed 7/15/02 in Los Angeles Superior Court, Case Number BC277619, for anyone wanting further details. As for the results of that lawsuit, the only thing I can legally say is that "the matter has been resolved to the mutual satisfaction of both parties".



Sponsored Links



07-14-2008, 02:03 AM

#2

timd354 AF Groupie

Join Date: Jan 2008
State: Maryland
Professional Status: Certified Residential Appraiser
Posts: 690



Vernon, I hope that you were very well compensated as a result of the settlement of your lawsuit and I also hope that many of the people involved in these fraudulent deals end up wearing orange jumpsuits for an extended period of time.



07-14-2008, 06:11 AM

#3

[Daystar](#) 

 Forumite

Join Date: Sep 2006
State: New York
Professional Status: Certified Residential Appraiser
Posts: 336



Vernon,

That was an excellent post.



07-14-2008, 06:28 AM

#4



[Julio E. Sune, Jr. \(FL\)](#) 

 AF Addict

Join Date: Jan 2002
Location: Miami, Florida
State: Florida
Professional Status: Certified Residential Appraiser
Posts: 1,102



Vernon

A tip of the hat for you.....

Integrity, honesty and credibility.....you have it!!!!

Best Regards....Julio



07-14-2008, 06:34 AM

#5



[Gavin Mesner](#) 

 Forumite

Join Date: Nov 2005
Location: South Florida
State: Florida
Professional Status: Certified Residential Appraiser
Posts: 187



Thanks for sharing your experience...



07-14-2008, 07:03 AM

#6



[Pamela Crowley \(Florida\)](#) 

 Moderator

Join Date: Jan 2002
Location: Florida's Space Coast
State: Florida
Professional Status: Certified Residential Appraiser
Posts: 22,528



Vernon,

Thank you so very much for sharing this with us. I now understand much more about many of your previous posts. You have my sincere and utmost respect.

**All that is necessary for the triumph of evil is that good men/women do nothing.
Fight Back!**



07-14-2008, 07:20 AM

#7



Serena Matthews
★★★★★ AF Addict

Join Date: Oct 2003
Location: snobsville
State: Michigan
Professional Status: Certified Residential Appraiser
Posts: 1,385

Thank you Vernon, excellent post!



07-14-2008, 07:35 AM

#8

Jan Roseberry
★★★★☆ AF Groupie

Join Date: Sep 2002
Location: Dover, Ohio
State: Ohio
Professional Status: Certified Residential Appraiser
Posts: 911

Thank you for sharing!

Sure puts my day in perspective! I get all bent out of shape when a borrower is not upfront . . .



07-14-2008, 07:35 AM

#9



Ms. Janet
★★★★★ AF Addict

Join Date: Oct 2004
Location: La La Land
State: Florida
Professional Status: Certified Residential Appraiser
Posts: 5,005

Great post Vernon. Commercial lending needs the same scrutiny as residential.



07-14-2008, 07:47 AM

#10



Lawrence R.
★★★★★ AF Addict

Join Date: Mar 2007
State: South Carolina
Professional Status: Licensed Appraiser
Posts: 1,876



That does clear up a bit about some other posts, V.

I know how it feels to realize you have made a bad move and that it is only a matter of time before you quit, break, or get fired.

Thank you for not breaking. Or quitting. The only way to expose these people is to let them oust you for your integrity. Usually, they are just arrogant enough to come right tout and say it eventually.

Good thing you guys settled while they still had some money!!





Page 1 of 4 **1** 2 3 > Last » 

« [Previous Thread](#) | [Next Thread](#) »

Posting Rules 

You **may not** post new threads
 You **may not** post replies
 You **may not** post attachments
 You **may not** edit your posts

vB code is **On**
 Smilies are **On**
 [IMG] code is **On**
 HTML code is **Off**

Forum Jump

General Real Estate, Mortgage, and Economic Discussions 

<p>Hawaii Appraisals Refi, Estate-Planning, REO Over 30 years of Experience www.appraisehawaii.com</p>	<p>All Island Appraisal NYS Certified/Licensed Appraisers Fast service - Suffolk, Nassau, Qns www.liappraiser.com</p>	<p>Suffolk County Appraiser Real Estate Appraisals for Long Island NY House Values 631-831-3120 www.aboveappraisals.com</p>
---	---	---



Copyright © 1998-2008, AppraisersForum.com, All Rights Reserved
[Privacy Policy](#)
 AppraisersForum.com is proudly hosted by the folks at [AppraiserSites.com](#)

Fastest Way to Find a Real Estate Appraiser > Enter 5 digit Zip Code: 

Partner Sites:

- | | |
|---|---|
| AppraiserUSA.com - National Appraiser Directory | AllDomainsUSA.com - Domain Name Registration |
| DeadbeatListings.com - Deadbeat Listings | AppraiserSites.com - Web Hosting for the Professional Real Estate Appraiser |

All times are GMT -5. The time now is 07:22 AM.

SiteMap: [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#), [8](#), [9](#), [10](#), [11](#), [12](#), [13](#), [14](#), [15](#), [16](#), [17](#), [18](#), [19](#), [20](#), [21](#), [22](#), [23](#), [24](#), [25](#), [26](#), [27](#), [28](#), [29](#), [30](#), [31](#), [32](#), [33](#), [34](#), [35](#), [36](#), [37](#), [38](#), [39](#), [40](#), [41](#), [42](#), [43](#), [44](#), [45](#), [46](#), [47](#), [48](#), [49](#), [50](#), [51](#), [52](#), [53](#), [54](#), [55](#), [56](#), [57](#), [58](#), [59](#), [60](#), [61](#), [62](#), [63](#), [64](#), [65](#), [66](#), [67](#), [68](#), [69](#), [70](#), [71](#), [72](#), [73](#), [74](#), [75](#), [76](#), [77](#), [78](#), [79](#), [80](#), [81](#), [82](#), [83](#), [84](#), [85](#), [86](#), [87](#), [88](#), [89](#), [90](#), [91](#), [92](#), [93](#)

[Contact Us](#) - [AppraisersForum.com](#) - [Archive](#) - [Top](#)

vBulletin, Copyright ©2000 - 2008, Jelsoft Enterprises Ltd.