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Attorneys for Plaintiff QUICKEN LOANS INC.

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA - SACRAMENTO DIVISION

QUICKEN LOANS INC., a Michigan corporation, *Plaintiff*, *v.* DEMETRIOS A. BOUTRIS, in his official capacity as Commissioner of the California Department of Corporations, *Defendant*.	Case No. S-03-256 GEB JFM (Related to case S-03-157 GEB JFM) **DECLARATION OF PATRICK MCINNIS IN SUPPORT OF QUICKEN LOANS INC.'S MOTION FOR PARTIAL SUMMARY JUDGMENT AND PERMANENT INJUNCTION** [Notice of Motion and Motion for Partial Summary Judgment and Permanent Injunction and Memorandum of Points and Authorities submitted under separate cover]; [Statement of Undisputed Facts submitted under separate cover] Date Filed: February 11, 2003 Trial Date: t/b/d Hearing Date: April 7, 2003 Hearing Time: 9 a.m. Hon. Garland E. Burrell (Courtroom 10)

1. I, Patrick McInnis, am President of Quicken Loans Inc. ("Quicken Loans"). I make this Declaration in support of Quicken Loans Inc.'s Motion for Partial Summary Judgment and Permanent Injunction. I have personal knowledge of the facts stated herein and, if called as a witness, I could testify competently thereto.

2. As President of Quicken Loans, my duties include managing Quicken Loans' mortgage lending business. I am familiar with the operations of the mortgage banking industry in general, and the mortgage lending activities of Quicken Loans in California and all other states, through either my own personal involvement, or through my management of Quicken Loans' officers and employees. I have also been directly involved in matters relating to attempts by the Commissioner of the California Department of Corporations (the "Commissioner's") to enforce the "per diem" statutes against Quicken Loans, and have reviewed all correspondence relevant to those attempts.

3. Quicken Loans is a Michigan corporation that engages in residential mortgage lending in California, the other 49 states of the United States, and the District of Columbia. Quicken Loans makes a variety of loans secured by residential mortgages, including home purchase money, refinancing, and home equity residential mortgage loans. During 2001 and 2002, Quicken Loans made approximately $500 Million and $745 Million, respectively, in loans secured by mortgages on California property.

4. Borrowers typically contact Quicken Loans over the Internet, or via an 800 telephone number that they find on Quicken Loans' Internet website. After Quicken Loans approves a loan, Quicken Loans and the borrower typically complete the lending process through an independent escrow company or through a title company that serves as the escrow company. In these instances, Quicken Loans deposits the funds for the loan into the escrow. The borrower delivers the executed loan documents to the escrow company, including the deed of trust through which Quicken Loans obtains its security interest in the borrower's property. When the conditions required to close the transaction have been satisfied, the escrow company is instructed to disburse the funds to or on behalf of the borrower, and deliver the deed of trust to the County Recorder's office for recordation in the

public records. Quicken Loans also instructs the escrow company to record the deed of trust in the public records to place the public on notice of Quicken Loans' security interest in the property, thereby preventing the borrower or others from impairing Quicken Loans' security – either through sale of the property or placement of additional mortgages on the property.

5. The escrow company frequently is able to record the deed of trust on the same day that it has disbursed the loan funds to the borrower. Often, however, there is a delay of days, weeks or even months. Sometimes, the escrow company fails to deliver the deed of trust to the County Recorder's office on the day that the borrower received the money. Other times, the escrow company timely delivers the deed of trust to the County Recorder's office for recordation, but the County Recorder is slow to record the deed.

6. Quicken Loans historically has instructed the escrow company to assess a borrower interest commencing the date the date the escrow company disburses the loan funds directly to the borrower or to a third party on the borrower's behalf, regardless of delays in recording deeds of trust.

7. Quicken Loans has no way to predict either whether there will be a delay in recording the deed of trust or, if there is a delay, the length of that delay. Because Quicken Loans has no way to predict the delay, Quicken Loans is unable to compensate for interest charges it would lose under the "per diem" restriction by charging higher rates of interest on loans that correspond to the lost interest.

8. "Odd days interest" is interest computed on a per diem basis from the time the loan closes until the beginning of the first full month after closing. "Odd days interest" is generally payable at closing in order to allow lenders to recite, in promissory notes, even monthly installments of principal and interest.

9. Quicken Loans is licensed and authorized to make residential mortgage loans in California under the California Residential Mortgage Lending Act.

10. In correspondence dated March 11, 2002, the Commissioner detailed the Commissioner's most recent examination of Quicken Loans' operations. In that letter the Commissioner asserted that Quicken Loans had violated and was continuing to violate the "per diem" restriction found in California Civil Code § 2948.5 that was in effect until January 1, 2001, and the "per diem" restriction found in California Financial Code § 50204(o). Attached as Exhibit A to this declaration is a true and correct copy of the Commissioner's March 11, 2002 correspondence (redacted to protect the private information of Quicken Loans' customers).

11. In correspondence dated January 28, 2003, the Commissioner ordered Quicken Loans to: (1) review all loans it made in California from a period beginning October 14, 1999; (2) refund interest payments collected in violation of the "per diem" restriction (and pay the borrowers 10% interest on the refunded interest); and (3) submit a detailed report of all such loans, which report was to include the loan number, borrower's name, loan amount, interest rate, date recorded, interest start date, amount of interest collected/credited on HUD-1, first payment due date, correct amount of interest, amount overcharged, amount refunded and date refunded. In that letter the Commissioner also ordered Quicken Loans to comply with Section 50204(o), and threatened unspecified enforcement action if Quicken Loans refused to comply with the Commissioner's demands. A true and correct copy of the January 28, 2003 correspondence is attached to this declaration as Exhibit B.

12. Quicken Loans estimates that to effect the review and complete the report the Commissioner ordered in his January 28, 2003 correspondence, Quicken Loans will need to review approximately 5500 files at a cost to Quicken Loans of approximately $[illegible]00,000.

13. While Quicken Loans is not certain of the exact amount of refunds it would be required to make pursuant to the Commissioner's demand, Quicken Loans estimates refunds would total hundreds of thousands of dollars at a minimum, and potentially millions of dollars.

14. Quicken Loans' sole business is making residential mortgage loans. Quicken Loans originated in excess of $7 billion in loans in 2002, all of which were made payable to Quicken Loans as the creditor.

15. Quicken Loans began making residential mortgage loans in 1985, and therefore made no loans before March 31, 1980.

16. All of the loans Quicken Loans makes are secured by liens on residential real property.

17. Quicken Loans regularly makes residential real estate loans aggregating well in excess of $1 million each year.

18. Quicken Loans regularly makes alternative mortgage transactions. In fact, Quicken Loans made in excess of 1,800 alternative mortgage transactions from 1999 through the present.

I declare under penalty of perjury that the foregoing is true and correct. Executed on March 10, 2003.

Patrick McInnis

EXHIBIT A

STATE OF CALIFORNIA – BUSINESS, TRANSPORTATION AND HOUSING AGENCY GRAY DAVIS, Governor

DEPARTMENT OF CORPORATIONS www.corp.ca.gov

DEMETRIOS A. BOUTRIS
California Corporations Commissioner
Los Angeles, California

March 11, 2002

IN REPLY REFER TO:
FILE NO: 413-0233

DANIEL GILBERT, PRESIDENT AND CEO
QUICKEN LOANS INC.
20555 VICTOR PARKWAY
LIVONIA, MI 48152

Re: CALIFORNIA RESIDENTIAL MORTGAGE LENDING ACT
REPORT OF REGULATORY EXAMINATION

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

Dear Mr. Gilbert:

This report of examination has been made by an examiner designated by the Commissioner of Corporations for use by the Commissioner in the supervision of the company. This report is the property of the Department of Corporations and is furnished to the company examined for its confidential use. Under no circumstances shall the company, or any of its directors, officers, or employees disclose or make public in any manner this report or any portion thereof to anyone other than law enforcement officials, or other state or federal regulatory agencies.

A regulatory examination of the business conducted under your Residential Mortgage Lender and/or Servicer License was commenced on August 1, 2001 by an examiner of this Department. The examination was conducted pursuant to Section 50302 of the Financial Code (FC).

The results of our examination are being brought to your attention at this time for correction and for future guidance. The exceptions are set forth by numbered paragraphs, together with the applicable sections of the Financial Code (FC), California Code of Regulations (CCR), or other applicable Federal and State Laws.

Please refer to the specific paragraph numbers in your reply and advise this Department within thirty (30) days from the date of this report, as to the corrective actions being taken by your company to avoid recurrence of these practices.

1. SECTION 50504(b) (FC) AND SECTION 50204(o) (FC) – INTEREST OVERCHARGES

A review of the following loan files disclosed that the interest was overcharged to the borrower:

QUICKEN LOANS INC. 413-0233

Loan Number	Borrower	Fee Charged	Correct Charge	Over-Charge	Extra Days
		$1,036.10	($16,418.42)	$17,454.52	219
		149.8	(411.95)	561.75	15
	REDACTED	(95.74)	(2,202.07)	2,106.33	22
		1,148.56	41.02	1,025.51	25
		180.45	(180.45)	360.90	10

It appears that there may be other loans with the same problem. You are directed to review all loans originated since the date of the last examination, October 14, 1999, to determine the amount and number of overcharges of per-diem interest collected from the borrowers.

With your reply, please provide a complete report listing the loans reviewed and refunds made. The list should include, but not be limited to, the loan number, borrower's name, loan amount, interest rate, amount of per-diem interest collected, correct amount of per diem interest, amount overcharged and the recording date. Please also indicate what action has been taken to correct the discrepancies found, and provide evidence that any necessary refunds and/or adjustments have been made. *Failure to comply with this requirement may result in a special examination for which you will be required to pay the cost and/or referral to the Special Administrator.*

Please note that Section 50204(o) (FC), which became effective January 1, 2001, allows a borrower to be charged on the mortgage loan beginning one day prior to recording of the deed of trust. If the recording occurs on Monday or the day following a holiday, as the case may be, it should be disclosed to the borrower when the lender and the borrower establish the recording date. The borrower should acknowledge the additional interest charge by signing this disclosure. It should also be disclosed that it might be possible to avoid the additional per diem interest charge by recording the loans or deed of trust on a day immediately following a business day. Prior to January 1, 2001, interest could not be collected until the date the loan closed, i.e. date recorded.

2. ECTION 1950.122.2 CCR - FINGERPRINTS

It was noted during the examination that the following individuals have not filed fingerprints and/or forms FS 512 SIQ and MBL 1950.122.2 as required:

William Emerson and Angelo Vitale

This item will be handled separately. Please contact the Licensing Specialist, Recy Ubaldo at (213) 576-7684.

3. TION 35830 OF THE HEALTH & SAFETY CODE, SECTION 7114 (CCR)- FAIR LENDING NOTICE

A. The examiner was unable to determine if the Fair Lending Notice was provided in a timely manner in the following loans because it was not dated:

Loan Number	Borrower
REDACTED	

B. The Fair Lending Notice was not provided in a timely manner to the borrowers in th : following loans:

Loan Number	Borrower	Application Received Date	Notice Date
REDACTED		1-26-01	2-02-01
		2-08-01	2-22-01
		1-30-01	3-18-01
		3-22-01	4-10-01

C. The following loan file did not contain evidence that a Fair Lending Notice was pro ided to the borrower:

Loan Number	Borrower
REDACTED	

4. SECTION 50505 (FC) AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA) VIOLATIONS

The following RESPA violations were noted during the review of seventeen (17) loan files

A. The following loan file did not contain evidence that the Servicing Disclosure State nent was given to the borrower [24 CFR 3500.21(b)]:

Loan Number	Borrower
REDACTED	

B. The Servicing Disclosure Statement was not provided to the borrowers in a timely manner in the following files [24 CFR 3500.21(b)(1)]:

Loan Number	Borrower	Application Received Date	Disclosure Date
REDACTED		1-26-01	2-2-01
		2-8-01	2-22-01
		1-30-01	3-18-01

C. The examiner was unable to determine if the Servicing Disclosure Statement was provided to the borrower in a timely manner in the following file because it was not dated 24 CFR 3500.21(b)(1)]:

Loan Number	Borrower
REDACTED	

D. The following files did not contain evidence that the Notice of Assignment, Sale o Transfer of Servicing was provided to the borrowers [24 CFR 3500.21(d)(1)]:

Loan Number	Borrower
REDACTED	

QUICKEN LOANS INC. 413 0233

5. SECTION 50130 (FC) AND TRUTH IN LENDING ACT (REG Z) VIOLATIONS

The following Reg Z violations were noted during the review of seventeen (17) loan files:

A. The following file did not contain evidence that the Initial Truth in Lending Disclos ire was provided to the borrower [12 CFR 226.17]:

Loan Number	Borrower
REDACTED	

B. The ARM Disclosure was not given in a timely manner to the borrower in the file [2 CFR 226.19(b)(2)].

Loan Number	Borrower	Application Received Date	Disclosure Date
REDACTED		12-5-00	12-12-00

With your reply, please indicate the corrective actions taken in order to comply with all of he above noted exceptions, including the loan file documentation deficiencies. Please direct 'our response to Senior Examiner Yolanda Cherry at the Department's Los Angeles office

Other deficiencies noted were discussed with your personnel during the examination.

Sincerely,

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

By_____
Yolanda R. Cherry
Senior Examiner
(213) 576-7680

YRC/fbh

Cc: Mr. David Carroll, Director and Manager
Mr. William Emerson, Director of Operations

EXHIBIT B

STATE OF CALIFORNIA – BUSINESS, TRANSPORTATION AND HOUSING AGENCY

GRAY DAVIS, *Governor*

DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

DEMETRIOS A. BOUTRIS
California Corporations Commissioner
Los Angeles, California

IN REPLY REFER TO:
FILE NO: 413 0233

January 28, 2003

Jonathan D. Jaffe
Kirkpatrick & Lockhart LLP
Four Embarcadero Center, 10th Floor
San Francisco, CA 94111

RE: QUICKEN LOANS-INC.
PER DIEM INTEREST

Dear Mr. Jaffe:

The Department has reviewed your letter of June 11, 2002 regarding the per diem interest charges of Quicken Loans Inc. (Quicken). After considering the information presented the Department disagrees with the arguments contained therein.

As part of the regulatory examination of Quicken the Department required the review of all loans made for the period beginning October 14, 1999 through the date the review is completed. For loans made on and after January 1, 2001 all per diem interest in excess of one day prior to recording of the deed of trust must be refunded to the borrower except for those loans which closed on Monday or a day following a holiday and the borrower affirmatively requested that closing in accordance with the provisions of Section 50204 (o)(FC). For loans made prior to January 1, 2001 all per diem interest in excess of one business day prior to close must be refunded to the borrowers.

A detailed report of all loans reviewed during the period must include the following items: loan number, borrower's name, loan amount, interest rate, date recorded, interest start date, amount of interest collected/credited on HUD-1, first payment due date, correct amount of interest, amount overcharged, amount refunded and date refunded. The amount refunded to the borrower should include 10% interest in accordance with Financial Code Section 50504 (b).

Within 14 days of the date of this letter, please submit Quicken's plan to complete the review and a proposed date for completion of this review and the date for submission of the report of the review. This information should be submitted to the attention of DiAun Burns at the Los Angeles office of the Department of Corporations.

Please note that the Department reserves the right to proceed with all appropriate remedies contained in the California Residential Mortgage Lending Act.

Sincerely,

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

By
DIAUN M. BURNS
Special Administrator
(213) 576-7620

DMB:pc