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Pink slips litter loan industry

The turmoil in the sub-prime mortgage sector hits some workers as hard as borrowers.

By Leslie Earnest
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10:46 PM PDT, April 5, 2007

Brad Cottrell was a paramedic when a friend introduced him to the high-rolling world of sub-prime mortgage lending.

Within three years of landing a job with Ownit Mortgage Solutions Inc. in Agoura Hills, his salary had tripled. His wife quit working and they bought a 3,000-square-foot house in Camarillo.

But late last year, defaults on risky loans began to rise. By December, Ownit was out of business, and the 35-year-old father of three was out of a job.

"It was a nightmare," he said. "I felt like I got hit by a Mack truck."

There's a lot of that going on. When Irvine-based New Century Financial Corp. on Monday became the latest mortgage company to file for bankruptcy protection, it handed 3,200 employees their walking papers. In California, mortgage industry job losses soared 367% in the first quarter.

"It's only going to get tougher," said Cottrell, whose house is now for sale. "This is the real hardworking time."

Erica Olsen knows it. She was an underwriting manager at New Century, and Monday marked the third time she had been laid off by a sub-prime lender. "It was just devastating," she said.

She didn't give up on the industry, though. The La Palma resident teamed up with a friend and colleague, Cece Sarno of Garden Grove, to start their own loan-processing outfit, CE Processing Group. Their goal is to grow so they can hire other workers who got pink slips from sub-prime lenders. They processed their first loan Tuesday.

"It's tough in this industry, and you've just got to move forward," said Sarno, who was an underwriter at New Century and also is a thrice-laid-off industry veteran. "It's just a survival game."

Right now, a lot of people are losing. The tumult in the sub-prime mortgage sector has hit some of the industry's employees as hard as its borrowers.

Nationwide, job losses in the category that includes mortgage lending, real estate and construction climbed 346% in the first quarter, to 21,245 from 4,764 in the same period last year, according to outplacement firm Challenger, Gray & Christmas Inc.

"It's a whole sector of the economy that's leaking," Chief Executive John A. Challenger said.

In California, the 3,679 mortgage industry jobs lost in the quarter pales compared with the 70,000 construction jobs that economists figure could disappear over the next two years. When considered individually, though, the loss of a higher-paying white-collar position can be more significant for the economy.

"Each one of these finance jobs is worth at least two construction jobs," said Ryan Ratcliff, an economist with UCLA's Anderson School of Business.

Added Esmael Adibi, director of the Center for Economic Research at Chapman University in Orange: "The ripple effect is significant."

The layoff wave began about a year ago, when Ameriquest Mortgage Co. fired one-third of its employees. In December, Ownit unloaded 800 workers. Last month, the Orange-based parent of Ameriquest Mortgage and Argent Mortgage Co. announced major layoffs, as did Fremont General Corp. of Santa Monica. General Electric Co.'s WMC mortgage unit, a major player in the sub-prime business, said it would snip 20% of its payroll.

"We went on a big real estate bender," Ratcliff said. "And this is sort of the beginning of the hangover."

Shelly Dusing of Aliso Viejo, who lost her \$48,000-a-year job at Ameriquest last month, said she would not return to the industry. In fact, she said she would work "anywhere but" because mortgage lending was too volatile, "whether you're prime or sub-prime."

For Dusing, who's nearly eight months pregnant, the situation at Ameriquest became so tense that getting fired was a relief.

"You go to work everyday and you don't know if you're going to have a job or not. You don't know if your badge is going to open the door," she said. "We knew bad things were coming and it was just a matter of time."

Dusing, who had intended to take a six-week maternity break, snagged a temporary position buying wine for a winery. Even the unemployed, she said, "always find money for liquor." It will tide her over until the baby is born, and then she'll start job hunting again.

Skidding and high-rolling are part of a cycle that Dan Rawitch knows all about. In 1983, he opened a mortgage credit reporting business called Data Fax. Three years later, he was driving a Ferrari and living in a 6,500-square-foot home in Northern California.

However, as the market slowed in 1988, Rawitch downsized. He sold his business, moved into a 2,000-square-foot house, ditched the Ferrari, bought a Volvo and "waited for the next cycle."

Rawitch eventually went to work for Ownit. And as Ownit's executive vice president of loan production, he helped announce the layoffs.

"It was, literally, 'The company is out of business,' " said Rawitch, now president of the new wholesale division of FlexPoint Funding in Irvine, where Cottrell and more than 60 other former Ownit workers also have taken jobs. "It happened so fast, my own head was spinning for three weeks after that."

The abrupt end is a bitter memory for Tamika Williams, her family's primary breadwinner when Ownit collapsed shortly after she bought a home in Phoenix.

The 29-year-old mother of four lost a job that paid \$21 an hour, plus commissions. Williams landed a new job March 2, making \$12 an hour handling collections for a bank.

"I'm surprised I haven't called myself yet," she said.

The end came quickly at Ownit, said Lisa Seeley, another former employee.

"Now you wake up every morning and wonder, 'Who's wheezed their last today?,' " she said. "If there's anybody who isn't wondering about their job today, they're not paying attention."

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Times research librarian Scott Wilson contributed to this report.

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