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# Bill Erbey Made $2.3B Off Your Underwater Mortgage

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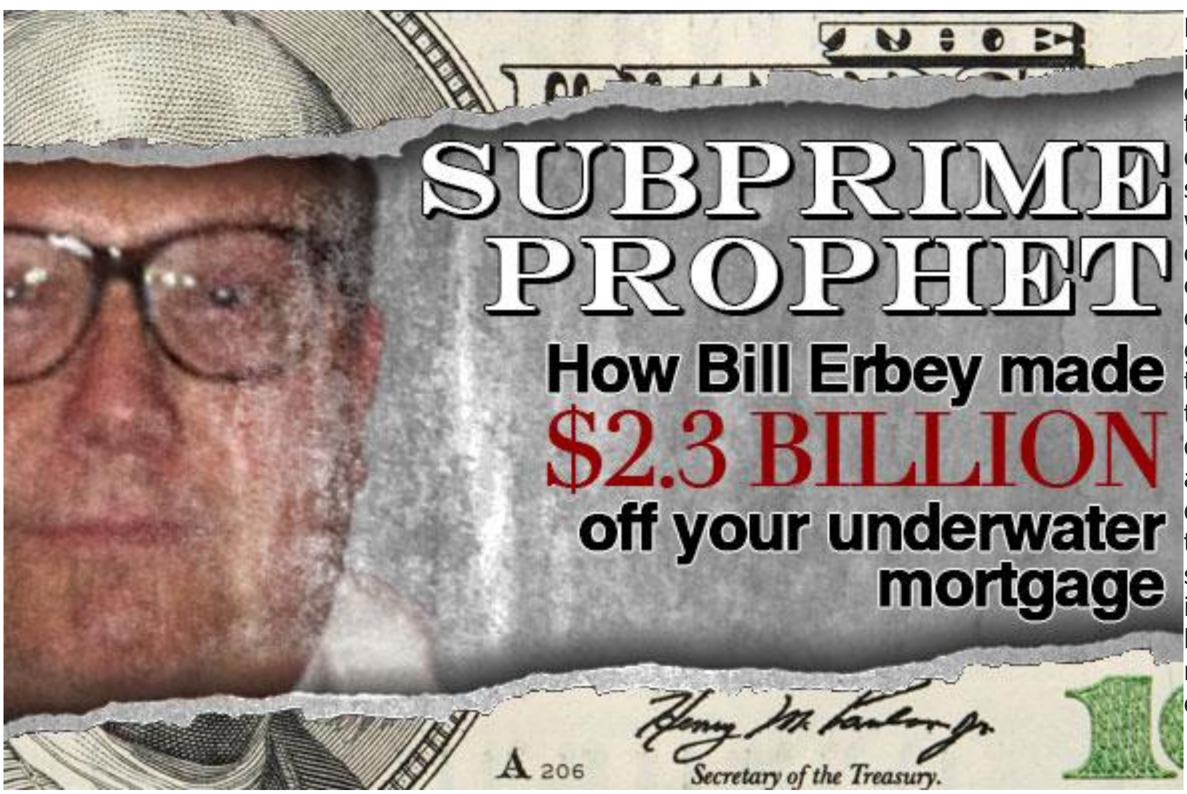
*Editor's note: Excerpts from TheStreet's interviews with Bill Erbey and billionaire investor Wilbur Ross are available as separate stories.*

NEW YORK (TheStreet) -- Soon after Bill Erbey and his wife Elaine moved last year to St. Croix, in the U.S. Virgin Islands, they ran up a $2,000 electric bill. They turned down the air conditioning in an effort to cut costs and Erbey, who is 64 and overweight, sat around sweating.

"He lives a lifestyle that, if he lived for 2,000 years he couldn't spend his net worth," says Orin Kramer, general partner of hedge fund Boston Provident. "It's one of the things that makes someone comfortable as an investor, because he's always focused on the dark side."




Focusing on the dark side was, of course, a good thing to be doing ahead of the subprime housing crisis.

It's one reason Erbey, who is the chairman of**Ocwen Financial** (OCN) and four other publicly-traded companies, has managed to quintuple his net worth to $2.3 billion over the past two years.

Hedge fund manager John Paulson and economist Nouriel Roubini have probably gained more recognition than anyone else for having predicted the U.S. housing crisis, but when it comes to building businesses positioned to clean up the mess, Erbey may be the biggest success so far. He is arguably the leading figure in the rise of an industry known as non-bank mortgage servicing, which an Oppenheimer research report last month called "the next evolutionary step in mortgage finance," as big banks sharply scale back their involvement in the mortgage market.

"If we look back to the 80s, mortgage finance was largely dominated by the [Savings and Loans], from there it shifted to the large banks where it has concentrated until the last few years. It seems to make sense that capital needs to step up as the shift takes place to non-bank entities," states the report from analysts Ben Chittenden and Chris Kotowski.

A considerable amount of capital has already stepped up and thrown its weight behind Erbey's businesses.

"He has a very unusual combination of capabilities," says billionaire investor Wilbur Ross, who joined Erbey on the board of Ocwen after it bought a company called Homeward Residential for $750 million in cash and stock from him last year. "You find some executives who are good strategists but not so good at the details of operation. He's good at both. And then in addition he has been totally brilliant at capital markets activities."

You probably haven't heard of Erbey, and even the companies he oversees aren't familiar to most people. But if you're behind on your mortgage payments, you are more likely to be dealing with Ocwen and one of its 5,097 India-based call center operators than you are with any other company. A mortgage servicer is essentially a debt collector. Ocwen, which specializes in nonperforming loans, services $130 billion of the $1 trillion in delinquent mortgage loans in the U.S.

If you lose your home to foreclosure, Ocwen may refer it to **Altisource Portfolio Solutions** (ASPS) to be listed through a Web site called *Hubzu.com*. *Hubzu.com* sold about 25,000 homes in 2012, generating more than $53 million in revenue. That would make it one of the top 10 or 11 realtors in the country, according to Steve Murray, president of *Real Trends*, which tracks the realty industry. Other foreclosed homes in Ocwen's inventory are converted to rental property and leased out by **Altisource Residential Corp.** (RESI).

That sounds relatively simple, but the corporate structures that support these and other business activities in the Erbey portfolio are not simple. Three of the companies Erbey oversees, including Altisource Residential, **Home Loan Servicing Solutions** (HLSS)and**Altisource Asset Management** (AAMC), do not conform to the man-on-the-street notion of a company. Legal structures might be a better way to describe them. (Because the five Erbey companies have bland and overlapping names, I will refer to all of them except Ocwen by their ticker symbols in an attempt to simplify.)

AAMC, for example, has just five full-time employees. It owns a title insurance company and a reinsurer called NewSource, which has no employees. It manages assets for RESI, the separate, publicly listed residential leasing company, which also has no employees. HLSS, which has just 14 employees, exists at this point merely to buy assets from Ocwen.

What the five companies have in common is share price appreciation that ranges from market-crushing to difficult-to-fathom. This last description refers to AAMC, which is up 3980% since it was spun out of ASPS in December. No, that wasn't a typo. Shares opened at $15 Dec. 13, and were worth $612 at the close of trading Tuesday.

Still, Ocwen has the largest profits, the most employees and the highest public profile of the five companies Erbey oversees. It also accounts for the largest portion of Erbey's net worth, at roughly $983 million.

## 'I Don't Ever Want to Be a Bank or a Thrift Again'

Ocwen was created out of the Oxford Financial Group, a company founded by Barry Wish in 1983. Wish lured Erbey away from**General Electric's** (GE) GE Insurance unit to run the leveraged buyout business. One of Oxford's biggest acquisitions was a 1986 deal for **Revere Copper & Brass**, shortly after its emergence from bankruptcy.

Oxford split up, however, and Erbey and Wish were left with a group of assets, the most promising of which were First Federal Savings Bank of Delaware and Investors Mortgage Insurance Co. These became the core of Ocwen. Its name, which comes from "Newco" spelled backwards, is a bit like Erbey: boring and clever at the same time.

Erbey says he and Wish, "commenced building a business to try to work out non-performing loans."

Such assets were plentiful as a result of the U.S. Savings and Loan crisis, which flared up periodically from the 1970s until the early 1990s. For a period of time in the '90s, Ocwen became the largest purchaser of residential non-performing loans in the industry and the second-largest buyer of non-performing commercial mortgage loans, Erbey says.

"He was better at servicing them than everybody else," says an executive at another company who has done business regularly with Erbey. "If the [loan] pool traded at 55 cents on the dollar he could pay 58 cents and make more money than the guy who paid 55 because servicing -- the art of collecting the loans -- is such an important component of the value."

Servicing is Ocwen's principal business today and its growth, mainly through acquisitions, is the reason Ocwen's shares have nearly quadrupled since May 18, 2012. Servicing was also a big part of Ocwen's success in the late 1980s and most of the 1990s. During that time, however, Ocwen was one of a small number of thrifts that bought non-performing loans. A competitor ran into trouble and Erbey says that caused the Office of Thrift Supervision (OTS) to tighten the screws on Ocwen.

"The guy at the agency said 'I'm not going to lose my pension over having somebody that does that kind of work,'" Erbey says. He is still clearly annoyed by the recollection.

"That's why I don't ever want to be a bank or a thrift again because someone can come in who's basically a bureaucrat" and force him out of a key business. "This guy only cared about his pension plan. The fact that you'd even say that shows you're a ret-- you know, not the exactly the brightest guy on the--"

Erbey declined to name the official, and Ellen Seidman, director of the OTS from 1997-2001 declined to comment through a spokesman for the Urban Institute, where she is now a fellow.

At roughly the same time as its regulatory troubles, Ocwen had problems of its own making. After a bet on interest-only securities went bad, Erbey and Wish bought the securities for $14 million above market value to make investors whole, according to a regulatory filing.

Sterne Agee analyst Henry Coffey cites the transaction as an example of Erbey's dedication to his shareholders.

"Most of us don't have that kind of capacity or integrity," he says.

Erbey singles out the bad bet as "the one transaction that I really regret." He adds, "it's something that wasn't our core business and I didn't think it was right to do it."

Erbey says his net worth, which had peaked at $600 million in 1998, declined by 85%, largely as a result of the drop in Ocwen's stock when it was forced to stop buying non-performing loans. He had already had his photo taken for what was to be his first appearance on the *Forbes 400* list of richest Americans, but had to be pulled from the list before the publication went to press. Ocwen's shares, which had peaked in March of that year, would take 14 years to recover. (Erbey finally made his first appearance on the *Forbes* list last month, at number 243.)

A few people outside the company describe the ensuing years as a difficult period for Ocwen as it searched for a new business plan.

"We had tremendous patents -- great ideas in that period of time," Erbey says. "We were unable to get the human capital in place, and we still struggle a little bit with that -- to actually execute on that. We have some really great interesting patents that we have not monetized today."

Ocwen shares fell below the $3 mark briefly in 2002 before they started to come back. Ocwen eventually got rid of its banking license in 2004, the formal end of a "de-banking" process that started in 1999.

While he acknowledges some missed opportunities, Erbey says what many see as a period of failed experiments was actually the building up of ASPS, the technology backbone of Ocwen. It was spun out of Ocwen in 2009 and Ocwen now leases its services.

ASPS's technology and the operations methods behind Ocwen were in place in time for the mortgage meltdown, and Erbey knew it would give his companies a huge opportunity.

## From $50 Billion to $434 Billion In Less Than Four Years

During a Jan. 26, 2007 earnings call, Erbey predicted Ocwen would "have somewhat of an advantage as losses continue to rise simply because we have, with our technology, the ability to expand capacity very quickly. I think the industry, because of a lack of collectors, will find it very difficult if delinquencies pick up materially to actually keep pace with having a sufficient number of people to actually process the loans."

Those comments anticipated a scandal that would bring the word "robo-signing" into the lexicon more than three years later. Robo-signing -- in which mid-level bank employees signed off on foreclosure documents they hadn't properly reviewed -- was just a symptom of the larger problem of understaffing at the big banks that Erbey had identified so far in advance.

Five years after Erbey made those comments, **Wells Fargo** (WFC), **Bank of America** (BAC), **JPMorgan Chase** (JPM), **Citigroup** (C)and **Ally Financial** [formerly GMAC] would reach a $25 billion National Mortgage Settlement, and begin handing over what are known as mortgage servicing rights (MSRs) to non-bank servicers like Ocwen. MSRs include the responsibility for collecting the debt in return for fees paid to the servicer -- the company collecting the mortgage payments.

Big banks continue to have large servicing portfolios, but they are shrinking fast. At the end of the second quarter, Bank of America, JPMorgan, Citigroup, and Wells Fargo serviced about $4.32 trillion worth of mortgages -- roughly 44% of the market. But their share was far larger -- about 56% -- in the first quarter of 2009, according to Oppenheimer & Co. Citigroup and Ocwen are now roughly tied for the fourth-largest servicer overall.

Ocwen's growth has been astonishing as it has bought up the MSRs shed by the banks. Unpaid principal on mortgages serviced by Ocwen totaled $50 billion at the end of 2009, $74 billion at the end of 2010 and $102 billion at the end of 2011. As of the end of the third quarter of this year, it totals $434 billion. That represents nearly ninefold growth in less than four years.

Ocwen's share price has risen almost as quickly. From May 18 through Oct. 5 last year, the shares rose some 153%. They have added another 50% to that over the last 12 months. Ocwen rivals like **Nationstar Mortgage Holdings** (WAC) and **Walter Investment Management** (WAC) posted similarly dizzying returns, but Ocwen proved more agile in scaling up.

"I would have thought the demand for our services would have peaked earlier because we looked back in 2000 and said this is a train wreck ready to occur here. But no one ever thought there'd be non-performing loans," Erbey says.

## $4.50 A Share

When people finally did stop paying their mortgage bills, however, Ocwen's investors nearly lost out on the opportunity to capture all the growth that would follow at the company. In early 2008, Ocwen shares tumbled as investors feared the rise in mortgage defaults would cause it to stop collecting the fee income it receives as part of the payments it collects.

Vulture investors **Angelo Gordon & Co.** and **Oaktree Capital Management** launched a bid to buy Ocwen for $7 a share in January 2008. But by March, when the offer had fallen to $4.50 per share, Erbey says he urged the independent board reviewing the proposed deal to call it off.

Erbey says his stake in Ocwen would have remained identical regardless of what price was paid.

"It wasn't changing my economics one way or another. If certain of our shareholders wanted to have a liquidity event, I was happy to facilitate that," he says. But as the buyout firms lowered their offer, Erbey decided it was no longer in the interest of "a lot of people in the company here I've known for 30 years." He adds, "I have relatives in the stock, things like that. I just didn't think it was right." Spokespeople for Oaktree and Angelo Gordon declined to comment.

## 'Dialogue Engines'

Even after the wreck occurred, however, many investors were slow to catch on to Ocwen's advantage over the banks: more than 20 years spent building a mortgage debt collecting machine that is the envy of the industry. The company's success lies in its superior use of technology and outsourcing, chiefly to India.

Ross, whose Homeward Residential also relied heavily on Indian call centers, was impressed by what he saw after the sale to Ocwen.

"They were getting much more productivity at much lower costs out of their people than we were, and with smaller turnover of people," Ross says. He attributes this success to superior training. "It's very tricky in any kind of service business to have the combination of high quality service and yet a low-cost delivery system. They've accomplished that," he says.

Erbey believes low-cost solutions in many instances produce better results than higher-cost ones. The Indian phone bank operators are a good example.

"They perform extraordinarily well or we wouldn't use them. I mean they're our employees. And in many cases they do a very good job because I can find people with higher empathy levels ... and they actually follow the process," he says.

The process includes "dialogue engines" developed by an in-house team of psychologists.

"We create tens of millions of dialogues on how to respond to various questions or answers, and then we use artificial intelligence to chain that together," Erbey says.

In other words, if you tell Ocwen's phone bank operator you can pay next month as soon as you get that loan from your brother-in-law, the software feeds her one response. If you say "go to hell," you get another computer-driven answer delivered by the lips and vocal chords, but not the brain, of a real person.

This may sound like your worst nightmare. As Erbey was describing the software to me, at one point, he said "unfortunately, we haven't gotten to the level where HAL is, in -- what was that movie?" While he seems to have been at least partially joking, it isn't clear whether he remembers that in the movie he was trying to recall, *2001, A Space Odyssey*, the supercomputer HAL was the villain who tried to kill all the humans on the spaceship.

## Addressing Criticism

Erbey acknowledges that Ocwen's use of India-based call centers may be less than ideal from the point of view of **Fannie Mae**(FNMA) and **Freddie Mac** (FMCC). Many of the mortgages Ocwen services are backed by those government-sponsored entities.

"I think in the government areas, people would rather have us hire everyone on-shore but they also like us more because we keep people in their homes. So it's a prioritization: you can't keep people in your homes if you're losing money," Erbey says.

Erbey continually comes back to this issue whenever he is asked to address criticism of Ocwen's practices.

"I would argue that the primary criteria for whether you should be happy as a delinquent borrower is whether or not you're able to maintain your house. As that objective standard of quality of service, we're better than anybody at that. And we strive to get better every day. Because you know why? Over time it's a better societal thing, people might think you're a good guy if you try to help people stay in their homes. B) we generate more cash flow off those securities than anyone else. And C) it makes money for my shareholders. If we're good at it, we get more business, we're more efficient at it, et cetera. So we try to make a business model that's aligned to all those constituencies that we have out there."

Ocwen has had its share of run-ins with regulators. An examination last year by the New York State Department of Financial Services found instances where Ocwen foreclosed upon borrowers without giving proper notice, or without properly establishing its standing to foreclose.

Still, community groups regularly make statements that suggest Ocwen is a considerable improvement over the big banks when it comes to dealing with delinquent mortgages.

"There's been a lot of servicing companies that have really contributed to the problem by wanting to head in the direction more of foreclosure rather than by working through problems and getting people into new loans. If there's a company in the mortgage servicing industry that has stepped out of the mainstream to do it differently it's Ocwen," says John Taylor, President and CEO of the National Community Reinvestment Coalition, a nonprofit organization dedicated to getting businesses to invest in poor communities.

Ocwen's fundamental belief, according to Taylor, is that modifying mortgages gives creditors a better result than foreclosure in many instances.

"At first I didn't really believe them, but they're the real deal in doing that. It's by far not perfect or anything like that, but they really have I think turned the industry in a direction where there's been a lot more cooperation as a result," Taylor says.

## He'd Rather Not Be Shark Fishing

While Erbey's reputation for thriftiness is well known, it is not the reason the newly minted billionaire still includes 25-cent charges on his expense reports, according to longtime business partner Barry Wish, who sits on Ocwen's board.

"It has nothing to do with the money. It's because it's accurate, and that's who Bill is. It would bother Bill if something wasn't correct," Wish says.

To determine what is correct, Erbey leans heavily on data -- another discovery Wilbur Ross made once he joined Ocwen's board. In a move Ross says is unusual for a new director at a company, he was placed on the compensation committee.

"The first meeting I went to, it was to set the criteria for peoples' bonuses for the next year, always sort of the most sensitive thing that you can imagine to be done," Ross says.

In reviewing the bonus of the executive in charge of Ocwen's call centers "they looked at what you call the KPIs, mainly the key performance indicators, for that fellow for his bonus, and they were remarkably specific. Like *reduced waiting time of the average caller from 12 seconds to 10 seconds*, that kind of thing. I've never seen a company that had as precise criteria for bonuses as this company does. I mean, these are really buttoned-down people," Ross says.

Erbey's dedication to his work is undisputed among colleagues and business associates.

"The guy is a workaholic," says Lee Cooperman, Chairman and CEO of Omega Advisors, which owns shares in three companies Erbey oversees.

Erbey says he works between 70 and 75 hours per week, but age has slowed him down.

"It just becomes physically more difficult to put in 80 or 100 hours a week," he says. In 1983 and 1984, he and his wife Elaine, who used to work with him but has since retired, "literally worked every day but one day for two years."

I asked a former manager at Ocwen what Erbey does for fun, and he responded, "you don't get it."

Erbey laughed when he heard this.

"One of my investors called me up one time and wanted to take me shark fishing. I said 'I'll do it for you if you want, but I'll make more money for you if I go to the office.'"

Erbey's admirers say he has a dedication to creating shareholder value that is something like an obsession.

Ross cites the recent move of Ocwen's top management to the Virgin Islands to save on taxes.

"In order to make that really work, and not just be a phoney boloney gimmick, it became necessary for him to move there. I don't know if you spend a lot of time in St. Thomas, and I certainly don't mean to disparage it, but there not a lot of people, who are wealthy people, who live in Palm Beach, who would welcome moving to St. Thomas. He did that simply to make his company better. And when you think about how wealthy he's become, it's really quite amazing," Ross says.

When I asked about his bedtime reading, Erbey mentioned a couple of popular business books, *The Drunkard's Walk* and *Thinking, Fast and Slow.*

*The Drunkard's Walk*, was published in summer 2008, just before the worst of the financial crisis, and *Thinking, Fast and Slow* was published in 2011, but reviewers have contrasted both books with 2005's *Blink.*

If the message of *Blink* was to trust your initial instincts (something Lehman Brothers executives may have taken a bit too far), synopses of the books favored by Erbey suggest they urge readers to do just the opposite. Analyze, deliberate and analyze some more. Then maybe blink. Still, Erbey is "all about efficiency," says a longtime business associate. "He likes to get the information, make the decision, then move on."

Erbey takes great pride in his education. He likes to refer to charities as "eleemosynary institutions," and says he and his wife, who have no children, will leave "the majority of what we have," to scholarships.

One executive describes Erbey as the type of person who, asked about the rationale behind a business decision, might say merely, "Occam's Razor," either trusting that everyone else in the room actually knew what that meant, or expecting them to go look it up.

"You could easily see him as a business school professor," the executive says.

Erbey grew up in Moon Township, Pa., and his father was a controller for a unit of a shipbuilder called Dravo Corp. He attended public high school, Allegheny College and then Harvard Business School, from which he graduated in 1973.

Though he was a bit stiff in the first of what turned out to be several interviews, Erbey was most relaxed when recalling something he had been told by his professors at Harvard.

"It was a little less touchy feely than it is today. They basically told us that we were the dumbest class they've ever had to admit, and you are actually so stupid, you can't answer the question. We just hope in the first year, we can get you to actually accurately frame the question."

Erbey likes to describe himself as dull, but business associates credit him with some memorable, if rarefied, one-liners.

Dialing in late one time to a conference call with a particularly difficult access code for example, Erbey quipped, "I would have gotten on sooner but I had to make it through the Fibonacci Sequence."

While Erbey is chairman of five companies and CEO of none, followers of the five companies say he has the last word on all important decisions. However, people both inside and outside those companies say he has gotten far better at delegating authority.

Wish says Erbey's extreme involvement in all aspects of Ocwen's business "was a weakness in the company and I think we've turned it into a strength."

He says he and Erbey "came to the conclusion that we needed a much stronger management team over the years and that in order to attract the proper people, Bill had to step back a little."

The only conceivable thing that would make Erbey step back more than a little would be a health problem. Erbey says his health is "OK," and adds, "as you get older, stuff breaks. Luckily, modern science is pretty good and I have the money to be able to spend to deal with issues."

David Lerner, a portfolio manager at Omega Advisors, says Erbey, "combines great vision with tremendous depth and detail of knowledge and so is able to really direct these companies in a way that is probably irreplaceable, so you lose some of that future value creation -- you know, *What's Bill's next great idea?* but if something were to happen to him the companies as they are today would be able to operate and are on nice trajectories."

## Undaunted by Complexity

Erbey has a knack for diving into complex tax or accounting issues and, through a kind of alchemy, finding untapped reservoirs of value. More than 20 years ago, he developed a product called a NERD (non-economic residual) used to absorb phantom income created in certain types of mortgage securitizations.

The fact that the Internal Revenue Service wrote a rule specifically dealing with the tax treatment of NERDs demonstrates their importance, says Viva Hammer, a Brandeis University professor who was previously responsible for law and policy in the taxation of financial products at the Treasury Department.

"The IRS hardly ever writes regulations on financial products," Hammer says.

Creating five different companies out of Ocwen rather than keeping all the businesses together was a decision Erbey says he did not take lightly.

"There is an infrastructure cost and a friction cost of having independent public companies," he says.

However, he believes having separate CEOs better incentivizes management.

"I want them to feel that it's true that they own those companies. It's their company -- that they're really invested in making that company succeed, and I think that provides financial rewards, but also psychic rewards for being able to do that."

But Erbey also believes breaking the companies up allows investors to see value they might otherwise miss.

"Some of our businesses are reasonably complex, and when you keep them all in one bundle, it's hard for shareholders to really understand and also to properly value the various cash flow streams. For example, we spun out Altisource (ASPS), which I firmly believed at the time we spun it out we had zero value for it when it was embedded within Ocwen and now people see it's a process-driven business and it's a couple billion dollar market cap."

Splitting up the businesses doesn't necessarily make them simpler, however. Erbey says creating HLSS allows Ocwen to fund itself less expensively than it would be able to do on its own.

The key lies in the fact that HLSS pays a dividend.

"When stocks pay dividends people require lower returns. You can argue about whether that's right or wrong but it is a fact," says one investor in a few of Erbey's companies. The investor acknowledges, however, that creating HLSS merely to buy MSRs from Ocwen is "just splitting up the pie in different ways." (He says he doesn't want to discuss this on the record because he doesn't want the hassle of having other investors calling him up to argue about this point.)

If you are still not sold on the reason for HLSS's existence, you are not alone.

Kramer, the hedge fund investor who is also former chairman of the New Jersey Investment Council, says a few pension funds he introduced to Erbey declined an opportunity to invest in HLSS ahead of the IPO.

"It was so exotic, understanding it went beyond most people's skill sets. You've got a lot of that going on right now in financial services. Financial services is changing big time and so the people who have these new 'show me' stories where it's never been done this way before, you can imagine that when you walk into a room and say 'I'm going to develop a different model than what has existed previously' -- that people don't sort of naturally latch onto it."

That said, Kramer points out that many of those same skeptics will "be comfortable investing in a bank even though the bank is now subject to a totally different rulebook which hasn't even mostly been written yet. So since the rulebook is totally different and the externalities are totally different, what's the difference what the historic multiples of earnings were? That was a totally different world with totally different rules, but people think they know what a bank is and how to value it. They don't know that about the things that Bill does."

## A Grim Future for Homeownership

Erbey is one of many experts on housing and the economy who expects homeownership to decline in the U.S. in the years to come. Part of the reason as he sees it is that many Americans lack the education to qualify for middle class jobs in the post-industrial economy.

Making things more difficult, he believes, will be an aspect of the 2010 Dodd-Frank legislation that will make it harder for many Americans to qualify for a mortgage.

Erbey cites a February study by a consultant called CoreLogic which found that only half of the mortgage loans being originated today will qualify under new rules structured around something called a Qualifying Mortgage that go into effect at the start of 2014.

Erbey created RESI to capitalize on what he believes will be rising demand for renters by turning foreclosed homes into rentals. While private equity firms including **The Blackstone Group** (BX) and **Colony Capital** as well as a company called **Silver Bay Realty Trust Corp.** (SBY) are also looking to take advantage of this trend, hedge fund manager Kramer believes RESI is better-positioned because its national infrastructure and low cost of capital enable it to acquire the foreclosed homes more cheaply than competitors. That's because they buy the underlying loans rather than the homes themselves, which allows them to acquire the properties at a 17% discount, while facing less competition from other buyers, Kramer says.

Kramer, a major Democratic fundraiser and a former domestic policy adviser in the Carter White House, has made a couple of efforts to get Erbey to lend his expertise to the debate over housing reform.

The investor brought Erbey along to a group meeting with Austin Goolsbee when Goolsbee was chairman of President Obama's Council of Economic Advisers, because "I didn't want to just have all Democrats in the room and Bill was in New York."

He asked Erbey to deliver a speech on housing at the Robert F. Kennedy Center for Justice and Human Rights to discuss "the dynamics in the housing market -- what it's going to look like and how challenging it is." Erbey was reluctant to give the speech, but Kramer says it was "basically as good as anything I've ever seen."

Erbey says he doesn't like to get involved in politics, and while this is the kind of preference for which no explanation is usually required, it is easy to see how his resume might make him a liability in that arena.

He is, after all, an offshore billionaire who profited from the financial crisis, relies on cheap labor from India, creates complex financial entities and left the banking business because he doesn't want to cede authority to government bureaucrats.

"I hope this doesn't come across the wrong way, because I really do like him, but this is a guy who has no kids, who worked all his life to become a billionaire and now he's a billionaire. That's just a fact, and that's a big part of who he is," says one business associate.

But in addition to his success at keeping people in their homes, Erbey has a low-key manner that is difficult not to like. He was unusually generous with his time in interviews for this article, and one of the first things his investors mention about him is how readily he makes himself available to answer their questions. He has been married to the same woman for 40 years and is clearly protective of her. He seems genuinely to believe his business plays a positive role in society, but he is either decent enough or smart enough not to push it too far.

"Would every mother want their son to go out and become a mortgage collector? I don't think so. And I understand that," Erbey says. "I started off in my career. In one of the jobs I was President of GE Insurance and I kind of liked it and was pretty good at it and decided, well, maybe I can do more with this. Even though I had career goals, sometimes you decide this is an area that's productive and you're pretty good at it and people will pay you to do it. That's what I decided to do. Was it the smartest career move in the world? I probably could've picked better than the financial services industry, which has been a rather up and down industry over time."

**-- *Written by Dan Freed in New York*.**