

**U.S. House of Representatives
Committee on Oversight and Government Reform
Darrell Issa, Chairman**



**How Countrywide Used its VIP Loan Program
To Influence Washington Policymakers**

**Staff Report
Prepared for Chairman Darrell Issa
U.S. House of Representatives
112th Congress
Committee on Oversight and Government Reform**

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I. Executive Summary

Bank of America (the Bank) produced more than 120,000 pages of documents in response to the subpoenas issued by Committee Chairmen Darrell Issa and Edolphus Towns. The documents produced by the Bank shed additional light on the scope and purpose of Countrywide's VIP program, particularly as it related to the company's strategic partnership with Fannie Mae.

In 1999, Countrywide reached an exclusive agreement to sell Fannie Mae billions of dollars in mortgages at a discounted rate. The agreement led to a period of codependence and mutual growth. Countrywide gave preferential treatment to Fannie Mae executives and employees. Loans being financed for Fannie Mae employees through an Employee Assistance Program were often transferred to Countrywide's VIP unit for processing.

Between January 1996 and June 2008, Countrywide's VIP loan unit made hundreds of loans to current and former Members of Congress, congressional staff, high-ranking government officials, and executives and employees of Fannie Mae, including Chairmen James "Jim" Johnson, Franklin Raines, and Daniel Mudd. VIPs who worked at Fannie Mae enjoyed expedited loan processing and pricing discounts. Countrywide also waived company guidelines for Fannie Mae's senior executives to a greater extent than it did for "regular" VIPs.

Fannie Mae and Countrywide lobbied against government-sponsored enterprise (GSE) reform legislation that would have diminished Fannie Mae's ability to acquire and hold subprime mortgages originated by Countrywide. Countrywide also lobbied against predatory lending bills. Documents obtained by the Committee show that several Members of Congress and congressional staff positioned to affect the legislation received VIP loans. In fact, Countrywide lobbyists – and CEO Angelo Mozilo himself – referred several Members and staff from the Senate Committee on Banking and the House Committee on Financial Services to the VIP unit. Those are the committees of primary jurisdiction for consideration of legislation related to the mortgage industry and the GSEs.

Countrywide's VIP unit processed loans for key Senators and Senate staff who could be helpful when legislation that affected the company was drafted or up for a vote. Countrywide gave VIP loans to former Senate Banking Committee Chairman Christopher Dodd; Senate Budget Committee Chairman Kent Conrad; and Mary Jane Collipriest, Communications Director for former Senator Robert Bennett, who served on the Banking Committee. Dodd referred Collipriest to the VIP unit.

Countrywide also forged relationships with Members and staff of the U.S. House of Representatives. The VIP unit processed loans for Congressmen Howard "Buck" McKeon; Pete Sessions; Edolphus Towns; and Elton Gallegly.

Documents show Countrywide enrolled House Financial Services Committee Staff Director Joseph Ventrone and General Counsel Clinton Jones in the VIP loan program. Jones was a trusted ally of Fannie Mae during GSE reform deliberations. Documents also show that in early 2005, Countrywide gave a discounted loan to a staffer in the office of Rep. Ruben Hinojosa, who has served on the Financial Services Committee since 2001. Former Rep. Tom Campbell received a VIP loan in 1997.

Fannie Mae's targeted lobbying campaign supplemented Countrywide's outreach to Committee Members and staff. The GSE assigned as many as 70 lobbyists to the Financial Services Committee while it considered GSE reform legislation in 2000 – 2005. During the 108th Congress, four GSE reform bills were introduced in the House. None made it out of the Financial Services Committee.

Countrywide also had favorable relationships with key decision makers in the Executive Branch. Two former Secretaries of Housing and Urban Development received VIP loans – Alphonso Jackson and Henry Cisneros. The VIP unit processed Cisneros's loan after he joined the company's Board of Directors. Jim Johnson referred former Secretary of Health and Human Services Donna Shalala to the VIP unit.

The documents produced by the Bank show that VIP borrowers received paperwork from Countrywide that clearly identified the VIP unit as the point of contact. The conspicuous markings on documents provided to VIP borrowers made it clear that Countrywide's VIP unit was processing their loans. It was also the practice of staff in the VIP unit to identify themselves as such on the phone.

II. Findings

- A log of all loans processed by Countrywide's VIP unit showed 17,979 loans between January 1996 and June 2008. Borrowers included Members and employees of Congress, the White House, Fannie Mae, Freddie Mac, federal agencies, and other government entities. The log listed hundreds of duplicate loans – the actual number of VIP borrowers was considerably less than 17,979. Lawyers for Bank of America acknowledged that the log may not contain the full roster of VIP borrowers.
- Countrywide established the VIP unit in 1991 to process loans for senior Countrywide officials and their friends. Referred to internally as Branch 850, the unit had 13 full-time employees trained to provide enhanced customer service. According to VIP Loan Unit operating procedures, the suite of benefits available to VIP borrowers included program/underwriting and pricing exceptions.
- Countrywide lobbyist Jimmie Williams referred Congressmen Bob Ney and Gregory Meeks to Countrywide's California office. Bank of America did not locate any documents related to loans for Ney and Meeks.

- Jimmie Williams referred Members of Congress and congressional staff to the company's VIP desk in California to create a favorable impression of the company on Capitol Hill. To better position himself to lobby Members and staff, Williams made sure they received enhanced customer service.
- In approximately 2000, Jimmie Williams began routing Members of Congress and congressional staff who he lobbied to a referral desk in California. Williams understood that the referral desk could handle loans for high-profile clients because the staff there frequently handled loans for celebrities. The referral desk was in fact the VIP unit.
- Williams referred new customers to the VIP Loan Unit and disgruntled existing customers to the Office of the President. The VIP Loan Unit gave enhanced customer service and discounts to Williams' referrals from Washington. The Office of the President – a Countrywide dispute resolution center – was able to resolve issues for Countrywide customers who complained to Williams. Williams forwarded customers in Washington to the California office to protect the company's reputation, and his own.
- Account Executives in the VIP unit had to fill in blanks on loan applications because "Friends of Angelo" were reluctant or unwilling to provide basic information such as salary and employment information. Angelo Mozilo and another senior Countrywide official had already promised most VIP borrowers specific loan terms and guaranteed approval, so efforts by VIP Account Executives to fill out fields on loan application documents amounted to "courtesy calls."
- The foremost benefit of being a Countrywide VIP was access to discounted loans in the form of waived points. The standard reduction was 0.5 points. Countrywide routinely waived junk fees typically ranging from \$350 to \$400 for VIP borrowers.
- Countrywide used a phone call recording system at its Rosemead branch as early as 2003. Bank of America advised Committee investigators that the recordings were destroyed as part of regular system maintenance prior to congressional interest in Countrywide's VIP program.
- Countrywide marked documents sent to VIPs in a variety of ways for the apparent purpose of notifying borrowers that the VIP Loan Unit was processing their loans. VIP borrowers received documents in the mail and via fax that clearly identified Countrywide's "VIP Team" as the point of contact in the company.
- Congressman Pete Sessions requested not to receive a discount from Countrywide. Countrywide commemorated Sessions' request in internal e-mail. Countrywide did not apply the standard VIP discount to Sessions' loan.
- A strategic alliance forged in 1999 between Countrywide and Fannie Mae linked the growth of the two companies. The agreement was unique – there was not a general

industry practice of giving a volume discount to a mortgage originator. In 2005, the two companies agreed to work together to expand lending to low-income borrowers.

- Countrywide took a loss on a loan to former Fannie Mae President and CEO Daniel Mudd. A Countrywide manager acknowledged the loss on Mudd's loan was expected to eventually generate a benefit for the company. Account Executives were instructed to keep any derogatory information related to Mudd's loan in-house, in order to avoid jeopardizing "any benefit we generate."
- Besides Countrywide, no employer was identified more often on VIP loan documents than Fannie Mae.
- Fannie Mae employees received expedited processing and exceptions to Countrywide guidelines to a greater extent than other VIPs. Account Executives flagged loan applications from Fannie Mae employees to ensure they received special attention. Loans for Fannie Mae employees were coded "10600" in Countrywide's computer system.
- Countrywide waived a prepayment penalty for a VIP borrower because she was "a Fannie Mae employee and part of the Countrywide team."
- Senator Christopher Dodd claimed not to be aware that he was enrolled in Countrywide's VIP loan program. In fact, Dodd referred Mary Jane Collipriest, Communications director for Senator Robert Bennett, to the VIP unit when she refinanced her mortgage in 2002. Countrywide waived processing and junk fees for Collipriest.

III. Investigation Summary

In July 2008, stories in *Portfolio* magazine and the *Wall Street Journal* revealed Countrywide afforded preferential treatment to key decision-makers through a VIP loan program.¹ A series of ensuing stories disclosed recipients of sweetheart loans and other benefits. The list of VIPs included Chris Dodd, Kent Conrad, Alphonso Jackson, Donna Shalala, Richard Holbrooke, Franklin Raines, John Potter, and many others.² The Republican staff of the Committee began investigating Countrywide's VIP loan program in December 2008.

¹ Daniel Golden, *Countrywide's Many Friends*, CONDE NAST PORTFOLIO, June 12, 2008; Glenn R. Simpson and James R. Hagerty, *Countrywide Friends Got Good Loans*, WALL ST. J., June 7, 2008.

² In August 2008, Portfolio published the most complete list of the "Friends of Angelo." The full list included: Richard Aldrich; Chris Dodd; Kent Conrad; Alphonso Jackson; Annette Watkins, Daughter of Alphonso Jackson; Donna Shalala; Richard Holbrooke; Kati Marton (Richard Holbrooke's wife); David Holbrooke (Richard Holbrooke's son); Henry Cisneros; Paul Begala; John Potter; William Esrey; Bruce Karatz; John Edwards; Franklin Raines (citing the Wall St. J.); Jim Johnson (citing the Wall St. J.); Clinton Jones III; Joyce Brayboy; Robert Yalda; Charles Tooley; Walter Cronkite; Stanley Tucci; Roy Scheider; Robert Altman; and Philip Ballinger.

Approximately 3,000 pages of documents produced to Committee Republicans in 2008 supported witness testimony and press characterizations of the Friends of Angelo program as a means to establish relationships with strategically valuable policy makers in Washington and elsewhere. The documents also contained evidence that former Fannie Mae Chairman Franklin Raines testified untruthfully before the Committee during a December 2008 hearing on the role of Fannie Mae in the ongoing financial crisis.³

After reviewing documents produced voluntarily to the Committee by a former VIP unit Account Executive and a VIP borrower, Republican staff released a report on March 19, 2009. The report described Countrywide's effort to establish and develop relationships with potentially influential borrowers in government and industry. Of the 32 people named in the report, 16 had not been previously reported. They included industry lobbyists, law enforcement officials, and employees of Fannie Mae, the Mortgage Bankers Association, and the *Los Angeles Times*.

The report also thoroughly examined the loans given to the politically influential borrowers previously reported by *Portfolio* and other media outlets. In addition to Raines, this group contained notable Democrats such as Chris Dodd, Kent Conrad, and Richard Holbrooke. The report also examined the VIP loans given to Republicans John Potter, Alphonso Jackson, and California State Appellate Judge Richard Aldrich.

Committee Subpoena for VIP Program Documents

After several months of resistance,⁴ on October 23, 2009 Chairman Towns issued a subpoena to Bank of America, which had acquired Countrywide in 2008. The subpoena required the Bank to produce five categories of records:

1. All documents, including e-mails, related to covered borrowers serviced by Countrywide Financial through the Branch 850 and/or VIP and/or Friends of Angelo program.⁵
2. All documents, including e-mails, transmitted by Countrywide officials notifying a covered borrower of membership in the VIP and/or Friends of Angelo program.⁶

³ Franklin D. Raines, Testimony before the H. Comm. on Oversight and Gov't Reform, *The Role of Fannie Mae and Freddie Mac in the Financial Crisis*, Preliminary Hearing Transcript, 110th Cong. at 68 (Dec. 9, 2008). Regarding his Countrywide home loan, Raines testified "I did not [get any preferential treatment] in terms of the terms of my mortgage," and "I am unaware of any preferential treatment."

⁴ See, e.g., Larry Margasak, *Democrat resists subpoenaing VIP mortgage records*, ASSOC. PRESS, Jul. 30, 2009; David Kocieniewski, *Watchdog in Congress now a target himself*, N.Y. TIMES, Oct. 15, 2009.

⁵ H. Comm. on Oversight and Gov't Reform Subpoena to Bank of America Corp., Oct. 23, 2009, at 2 [hereinafter Subpoena].

⁶ *Id.*

3. All documents, including e-mails, transmitted between and among Countrywide officials discussing the purposes and goals of the VIP and/or Friends of Angelo program.⁷
4. Documents sufficient to show the number of persons enrolled in the VIP and/or Friends of Angelo program for each of calendar years 1996-2008, and the number, proportion, or percentage of such persons who were covered borrowers.⁸
5. All records related to a covered borrower generated by a NICE telephone recording system that records and/or archives telephone conversations between Countrywide personnel and VIP customers or any other call routed through Branch 850.⁹

The subpoena defined the term “covered borrower” to mean at the time of the loan the borrower, or the spouse of the borrower, was an officer or employee of a federal agency, as that term is defined by the Freedom of Information Act (5 U.S.C. 552(f)); a Member, officer, or employee of the U.S. House of Representatives; an officer or employee of a government-sponsored enterprise; or an officer or employee of a state or local government.¹⁰

The documents produced by Bank of America in response to the subpoena supported the findings of the March 19, 2009 Republican Staff Report. Documents and testimony showed Countrywide used the VIP loan program as a tool to create a favorable impression of the company on Capitol Hill. The documents also showed that senior Countrywide officials and lobbyists explicitly weighed the value of relationships with certain potentially influential borrowers against the cost to Countrywide in terms of forfeited fees and payments.

The documents shed light on the scope and purpose of Countrywide’s VIP program, especially as it related to the lender’s relationship with Fannie Mae, which was responsible for purchasing a large volume of Countrywide’s subprime mortgages. Documents show the most frequent recipients of VIP loans were employees of Fannie Mae.

Documents produced by the Bank show that VIPs received paperwork and other communications that clearly identified Countrywide’s VIP unit as the loan processing destination. VIP Account Executives notified third-party companies that Countrywide worked with – including appraisal, title, and closing service companies – when a borrower was a VIP to ensure preferential treatment throughout the loan process.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 6.

On November 6, 2009, the Bank began producing documents responsive to the October 23, 2009 subpoena. The Bank turned over more than 120,000 pages of documents in a series of 39 productions.

The Bank produced a complete list of 17,979 loans closed by the VIP unit between January 1996 and June 2008. Several hundred entries on the list were duplicates. The list identified borrowers only by employer and loan date. The Committee also asked the Bank to produce loan documents for 335 “obviously covered borrowers” identified by staff. These borrowers included Members and employees of Congress, the White House, Fannie Mae, Freddie Mac, federal agencies, and other government entities.

FINDING: *A log of all loans processed by Countrywide’s VIP unit showed 17,979 loans between January 1996 and June 2008. Borrowers included Members and employees of Congress, the White House, Fannie Mae, Freddie Mac, federal agencies, and other government entities. The log listed hundreds of duplicate loans – the actual number of VIP borrowers was considerably less than 17,979. Lawyers for Bank of America acknowledged that the log may not contain the full roster of VIP borrowers.*

On January 11, 2010, the Bank began producing documents pertaining to specific VIP borrowers. The Bank’s third document production consisted of Uniform Residential Loan Applications (URLAs) for 60 loans spanning 52 unique borrowers. The URLA, also known as a “HUD-1,” identified the name and place of employment of each borrower and co-borrower. Borrowers completed the URLAs with the assistance of the lender.

In addition to URLAs, borrowers in certain circumstances completed Fasttrack Refinance or Fast & Easy Loan Applications. To the extent such documents were in a given loan file, the Bank included these supplemental applications in the productions.

The URLAs identified the preparer of the loan documents. In most cases, the preparer was an employee known by Committee investigators to have worked in Countrywide’s VIP unit. In some cases, the URLAs bore markings (such as fax time stamps and handwritten notes) that identified the VIP unit as the place of origination.

Feb-26-03 02:01pm From-Countrywide VIP Unit

Prepared by: A. TCHOUKADARIAN

UNIFORM RESIDENTIAL LOAN APPLICATION

This application is designed to be completed by the applicant(s) with the Lender's assistance. As Co-Borrower information must also be provided (and the appropriate box checked) when ☒ the spouse(s) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower must be considered because the Borrower resides in a community property state, the security property located in a community property state as a basis for repayment of the loan.

“From-Countrywide
VIP Unit”

The Bank made a total of eight productions of URLAs between January 11 and April 2, 2010, in response to the list of 335 obviously covered borrowers provided by the Committee to the Bank on December 7, 2009. Seventy-six of the loans the Committee flagged were duplicates. Consequently, the Committee's original list of 335 loans actually included 259 unique loans.

Of the 259 unique loans, one loan contained indentifying information about a Member of Congress or spouse and was delivered to the House Committee on Standards of Official Conduct (House Ethics Committee) in accordance with the terms of the subpoena issued by Chairman Towns.¹¹ The Bank turned over that file to the House Ethics Committee in the fourth quarter of 2010.

Of the remaining 258 loans, 30 loans went to borrowers who received Social Security benefits and/or were employed by the Social Security Administration. In the interest of expediting production, the Committee and the Bank agreed on March 10, 2010, that these loans would be excluded from the scope of the subpoena for the time being. The Committee further determined that one additional loan was outside the scope of the subpoena.

Of the remaining 227 loans, the Bank produced to the Committee URLAs (and, as appropriate, Fastrack Refinance, Fast & Easy Loan, or Internet No Doc Applications) for 209 loans. Despite what the Bank's lawyers described as a "diligent search," a small subset of loan files requested by the Committee was not found to be in the possession, custody, or control of the Bank.¹² Of the 18 missing loan files:

- Thirteen were to borrowers who listed Fannie Mae or FNMA as employer;
- One was to a borrower who listed the White House as employer;
- One was to a borrower who listed the U.S. Department of Housing and Urban Development as employer;
- One was to a borrower who listed the Federal Reserve as employer;
- One was to a borrower who listed Freddie Mac as employer; and,
- One was to a borrower who listed the U.S. Department of Defense as employer.

On February 19, 2010, the Bank made its first production of complete loan files requested by Committee staff. It enclosed the corresponding payment histories and servicing histories for each loan.

¹¹ Subpoena at 4.

¹² Letter from Steve Ross to Ron Stroman, Apr. 2, 2010, at 10.

On April 2, 2010, the Bank produced a list of the names of 1,211 VIP borrowers who did not identify an employer on loan application documents in order to allow the Committee to identify additional covered borrowers. On May 12, 2010, the Committee requested production of 58 additional loan files covered by the subpoena identified from the list of 1,211 borrowers for whom Countrywide did not record employment information.

Also on May 12, 2010, the Committee requested that the Bank begin the process of searching for relevant Countrywide employee e-mails mentioning covered borrowers and including discussions of the purposes and goals of the VIP program. The Committee provided the Bank a list of 39 names of Countrywide employees known to have handled VIP loans or discussed VIP borrowers and/or the VIP program generally. On December 30, 2010, the Bank produced more than 28,000 pages of e-mails and other electronic documents related to the VIP program.

On February 16, 2011, Chairman Issa renewed the subpoena issued by his predecessor, Chairman Towns. So the Committee could understand the complete roster of policymakers enrolled in the VIP loan program, the subpoena covered mortgage files for Members of Congress and former employees of federal, state and local government and government-sponsored enterprises. The Bank produced more than 30,000 pages of documents in response to the February 16, 2011 subpoena.

The Committee learned that the documents forwarded to the Ethics Committee during the 111th Congress were related to the loan for Congressman McKeon. The Bank had previously turned over documents related to the loans for Senators Dodd and Conrad to the Senate Ethics Committee.

It was known that then-Chairman Towns had a Countrywide VIP loan as early as August 2009, when John Emshwiller reported about Towns's loan in the *Wall Street Journal*.¹³ It is not clear why documents identified in response to the subpoena issued by then-Chairman Towns did not include those related to his own VIP loan. It also remains unclear why documents related to the loans for Congressmen Gallegly and Sessions were not identified by the Bank and forwarded to the Ethics Committee during the 111th Congress.

The full roster of Members of Congress who received VIP loans was not known until the Bank produced documents in response to Chairman Issa's subpoena in 2011. Documents produced by the Bank in response to Chairman Issa's subpoena allowed – for the first time – a full accounting of current and former Members of Congress who received VIP loans.

The identities of only three Members of Congress – former Senator Christopher Dodd, Senator Kent Conrad, and Congressman Edolphus Towns – were known to have received VIP loans before Chairman Issa issued a subpoena. Dodd, Conrad, and Towns were only known because their names appeared in articles in the *Wall Street Journal* and

¹³ John R. Emshwiller, *Key Lawmaker Received Countrywide Loans*, WALL ST. J., Aug. 7, 2009.

Portfolio magazine. The expanded scope of the new subpoena ultimately allowed the Committee to identify four additional current and former Members of Congress who received loans through Countrywide's VIP unit. Documents produced by the Bank in response to Chairman Issa's subpoena showed that Countrywide's VIP unit processed loans for Congressmen Howard "Buck" McKeon, Pete Sessions, Elton Gallegly, and former Congressman Tom Campbell.

In accordance with the Committee's policy to forward information relating to possible wrongdoing by Members of Congress to the appropriate ethics committee,¹⁴ the Committee brought these loans – and new information pertaining to loans given to Rep. Edolphus Towns – to the attention of the House Ethics Committee.¹⁵ The Committee does not make determinations related to violations of House Ethics Rules.

Because of the information uncovered by Chairman Issa's subpoena, the Committee understands the scope of the VIP loan program, and the House and Senate Ethics Committees have had the opportunity to review each of the loans to current Members of Congress processed by Countrywide's VIP unit.

Participation of Committee Democrats

Countrywide VIP Account Executive Robert Feinberg joined Countrywide's loan servicing department in 1996.¹⁶ In 1998, he transferred to Countrywide's call center in Rosemead, California, where he handled loan originations.¹⁷ He began working on VIP loans in 2000.¹⁸

On June 22, 2009, Republican staff conducted a transcribed interview with Feinberg. The Committee's Democratic staff was invited to participate in Feinberg's interview. They declined. Under the leadership of Ranking Member Cummings, Committee Democrats took a more active role in the Countrywide investigation than they did during the 111th Congress.

Shortly after it was issued, Cummings described Chairman Issa's subpoena to Bank of America as "unnecessary."¹⁹ After the names of four Republican Countrywide VIPs became known to Committee investigators, Ranking Member Cummings wrote his

¹⁴ See Letter from Ranking Member Darrell Issa to Sen. Barbara Boxer, Chairman, & Sen. Johnny Isakson, Vice-Chairman, U.S. Senate Select Comm. on Ethics (Jul. 13, 2010).

¹⁵ Letter from Chairman Darrell Issa to Rep. Jo Bonner, Chairman, & Rep. Linda T. Sanchez, Ranking Member, H. Comm. on Ethics (Dec. 16, 2011).

¹⁶ Transcript of Interview of Robert Feinberg by H. Comm. on Oversight & Gov't Reform Minority Staff, Jun. 22, 2009, at 9 [hereinafter Feinberg Tr.].

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Letter from Ranking Member Cummings to Chairman Issa, Feb. 24, 2011.

first substantive letter to Chairman Issa about the Countrywide investigation.²⁰ And his second.²¹ In those letters, the word “Republican” appeared 22 times.

On January 14, 2012, a story by John Emshwiller in the *Wall Street Journal* identified McKeon and Gallegly as recipients of VIP loans.²² In a letter to Chairman Issa on January 17, 2012, Cummings confirmed that in fact four Members of Congress identified on documents produced under Chairman Issa’s subpoena were Republicans. In that letter, Cummings reversed his earlier stance on the matter and called for more public disclosures from the investigation.²³ Cummings also described communications between Countrywide VIP unit employees as they prepared loan documents for McKeon. Cummings disclosed an internal e-mail and other information related to McKeon’s loan.

The Committee’s Democratic staff participated in each of the transcribed interviews conducted thereafter.

Request to Interview Angelo Mozilo

On February 14, 2012, Chairman Issa requested a transcribed interview with Angelo Mozilo.²⁴ Mozilo’s attorney notified the Committee that doctors advised his client not to participate in transcribed interviews for medical reasons. Because of the serious nature of his medical condition, the Committee agreed to submit questions to Mozilo in writing.²⁵

On February 25, 2012, the Committee submitted questions to Mozilo through his lawyer. Mozilo’s responses are attached to this report as Exhibit A.

IV. VIP Loan Program Overview

When Committee Republicans began investigating the scope and purpose of Countrywide’s VIP loan program, the Bank’s lawyers defended it as a means for providing enhanced customer service to customers with outstanding credit history, high income, and other favorable loan characteristics. In a September 2009 letter to Members of the Committee, then-Chairman Towns characterized the VIP program as “. . . enhanced customer service, in a manner similar to airline frequent flier programs or supermarket discount cards.”²⁶ The documents show this was a mischaracterization. VIPs with low credit scores, low or undocumented income, and other negative loan

²⁰ Letter from Ranking Member Cummings to Chairman Issa, Jan. 17, 2012.

²¹ Letter from Ranking Member Cummings to Chairman Issa, Jan. 25, 2012.

²² John R. Emshwiller, *Lawmakers Tied to VIP Loan Program*, WALL ST. J., Jan. 14, 2012.

²³ Jon Prior, *Countrywide VIP mortgage program investigation goes dark*, HOUSINGWIRE, Jan. 17, 2012.

²⁴ Letter from Chairman Issa to David Siegel, attorney for Angelo Mozilo, Feb. 14, 2012.

²⁵ Letter from Chairman Issa to David Siegel, Apr. 25, 2012.

²⁶ Letter from then-Chairman Edolphus Towns to Members of the H. Comm. on Oversight and Gov’t Reform, Sep. 30, 2009.

characteristics received discounted loans. In fact, the Countrywide VIP team ignored Towns' low credit score in order to process his loan quickly.²⁷

Countrywide's VIP unit was housed in the company's Rosemead office.²⁸ Identified internally with its own Branch designation -- Branch 850 -- the VIP unit consisted of approximately 13 Countrywide employees who handled VIP loans from origination to closing.²⁹

A log of all the borrowers whose loans were processed by the VIP unit between January 1996 and June 2008 showed 17,979 loans.³⁰ Because a portion of the loans listed were duplicates, and because some borrowers had multiple VIP loans, the total number of VIP borrowers is significantly less than 17,979. Additionally, the Bank's lawyers acknowledged that the log may not include all VIP loans processed by Countrywide.

The log listed VIP borrowers along with information about the employer identified by the borrower on loan application documents. In some cases, loan documents showed who referred a covered borrower to the VIP unit. In other cases, it appeared that a covered borrower was referred to the VIP unit because of the position of a spouse or co-borrower.

V. The Referral Process

When the VIP Loan Unit was established in 1991, it processed loans for members of Countrywide's Board of Directors and friends and customers referred by CEO Angelo Mozilo or President/COO David Sambol. The VIP unit identified customers referred by Mozilo internally as "Friends of Angelo." Countrywide lobbyist Jimmie Williams -- who was based in the company's Washington, D.C. office -- was also a frequent source of referrals. Mozilo, Williams, and former Fannie Mae CEO Jim Johnson were responsible for referring the majority of covered borrowers to the VIP program.

Countrywide Executive Vice President Stephen Brandt, who managed the VIP Loan Unit, stated that Johnson's referrals were always handled as VIP customers. He stated:

Q: [W]as Mr. Johnson making other VIP referrals to Countrywide?

A: He did.

²⁷ E-mail from Gene Soda to Americo Salazar (Jul. 22, 2003) (CW-COGR2-0025286). *See infra* Section XIII.

²⁸ Feinberg Tr. at 10.

²⁹ CW-COGR-0000001.

³⁰ CW-COGR-0000012.

Q: And when his referrals came in were they always treated by the VIP unit?

A: I believe they were.³¹

Referrals also came from individuals with personal and professional relationships with Mozilo and Williams. For example, Danner Bethel – who identified the White House as his employer on a 2001 loan application – was referred to the program by Peter Segal of Powell, Goldstein, Frazer & Murphy L.L.P. Segal had a professional relationship with Mozilo and was a frequent source of referrals. Segal also referred former Senator John Edwards to the VIP loan unit. Bethel’s wife Tracy, who was employed by the U.S. Department of Education as an advisor, was the co-borrower on the loan. In 2001, the Bethels obtained a 30-year mortgage for \$250,320 at a rate of 6.125 percent.³² The loan was discounted by one point.³³

VIP Loan Unit Operating Procedures

The original version of a document with heading “VIP Loan Unit – Operating Procedures” outlined VIP unit protocols and provided contact information for various employees.³⁴ The document was revised to provide more extensive guidance to VIP unit employees with a focus on how to handle “B/C” (subprime) loans.³⁵ Both versions are undated. Stephen Brandt testified that the Operating Procedures were drafted in 2002 or 2003.³⁶

According to the Operating Procedures, the VIP unit was established in September 1991 “for the purpose of originating, processing and funding home loans to senior level employees and VIP customers.”³⁷ The document further defines “VIP customers” as members of Countrywide’s Board of Directors and friends and customers referred by CEO Angelo Mozilo or President/COO David Sambol.³⁸ When Countrywide’s Central Processing moved from Rosemead, Calif. to Plano, Texas, the VIP unit continued to operate in Rosemead.³⁹ The Rosemead VIP loan unit is identified as “Branch 850.”⁴⁰

The Operating Procedures explained how company executives cultivated VIP customers. In a section explaining the role of senior management in the VIP unit, the document states:

³¹ Brandt Tr. at 115-116.

³² CW-COGR-0061096.

³³ CW-COGR-0061245.

³⁴ CW-COGR-0000001-05.

³⁵ CW-COGR-0000006-11.

³⁶ Brandt Tr. at 8-13.

³⁷ CW-COGR-0000001.

³⁸ *Id.*

³⁹ CW-COGR-0000006.

⁴⁰ CW-COGR-0000008.

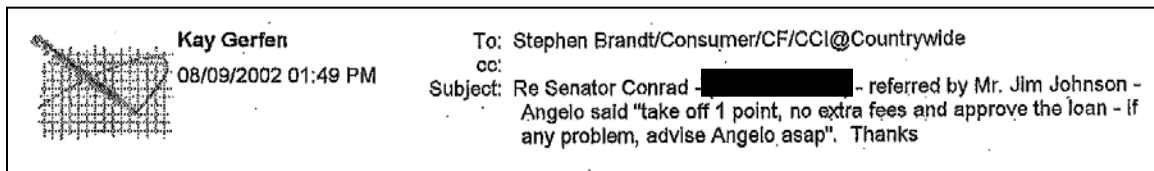
Often VIP loans arise out of unique business relationships with Senior Management of Countrywide Financial Corp and its subsidiaries. The majority of loans to VIP customers require some type of special handling⁴¹

The Operating Procedures notified Account Executives that VIP borrowers had high expectations for service. The VIP unit was staffed with 13 full-time individuals with extensive training because "VIP loans by their very nature demand a heightened degree of customer interaction and special handling."⁴² According to the Operating Procedures, the suite of benefits available to VIP borrowers included program/underwriting and pricing exceptions.⁴³

FINDING: *Countrywide established the VIP unit in 1991 to process loans for senior Countrywide officials and their friends. Referred to internally as Branch 850, the unit had 13 full-time employees trained to provide enhanced customer service. According to VIP Loan Unit operating procedures, the suite of benefits available to VIP borrowers included program/underwriting and pricing exceptions.*

Angelo Mozilo Referrals

The VIP unit processed hundreds of loans for borrowers referred by Angelo Mozilo. Mozilo often gave specific instructions regarding pricing and fees to his executive assistant, who transmitted that information to staff in the VIP unit.



Mozilo referred a number of covered borrowers to the VIP unit, including several Members of Congress positioned to benefit the company. Countrywide identified former Senate Banking Committee Chairman Chris Dodd internally as a Friend of Angelo as early as 1999.⁴⁴ In August 2002, Jim Johnson referred Senate Budget Committee Chairman Kent Conrad to Countrywide via Angelo Mozilo.⁴⁵

⁴¹ CW-COGR-0000003.

⁴² CW-COGR-0000001.

⁴³ CW-COGR-0000002.

⁴⁴ E-mail from Joseph Reed to Maritza Cruz (CW-COGR2-0002817).

⁴⁵ E-mail from Kay Gerfen to Stephen Brandt (Aug. 9, 2002) (CW-COGR2-0002196).

Mozilo not only referred politicians to the VIP unit – he referred people he met while travelling, playing golf, and attending conferences, among other places. Countrywide Executive Vice President Stephen Brandt testified that Mozilo cast a “wide net.”⁴⁶ He stated:

Q: Okay. I think I might have already asked you this, and if I did, I apologize, but when Angelo was out you know, there are emails, I think, for example, from Postmaster General, says something along the lines of you know, Angelo ran into John Potter and said he should call the VIP branch. And there are other e-mails to that effect for all sorts of different borrowers where it seems like Angelo was out traveling across the country and would run into whoever and give them a phone number or give them a card and refer them to the VIP branch. Is that consistent with your understanding?

A: Oh, yeah, it could have been a driver in a particular city, or a caddy on a golf course, or a gardener at a home. I mean, it was --

Q: Whoever he happened to run into. There was no real rhyme or reason?

A: It was a wide net, yes.

Q: Wide net. So you don't know why on any given afternoon, he would decide to hand out the VIP unit number to somebody?

A: No. I would suspect that it was related to some sort of conversation that occurred where somebody had a need for home financing.

Q: But he generally wouldn't share that anecdote when he would refer somebody to the VIP branch?

A: No. He quite often would explain what the relationship was. Yeah, he wouldn't just throw a name over. He would say, this is such and such, I met him or her here, and this is what they need.⁴⁷

Mozilo stayed involved in the loan process for those borrowers who he referred to the VIP unit. Countrywide VIP Loan Unit Underwriter Maritza Cruz stated that Mozilo weighed in on discounts and other issues that arose as VIP loans were processed. She stated:

⁴⁶ Brandt Tr. at 88-89.

⁴⁷ *Id.*

Q: If it was a VIP but not one of Angelo's referrals, not an FOA, and there was some sort of question, let's say, about how much of a discount to give or whether or not a discount should be given, might that be raised to Angelo?

A: Not regularly, because it would have to go to the referring source. Say an [Executive Vice President] sent somebody and we granted a discount and the person is not happy with what they received, it would go back to that person.

Q: And in cases where Angelo was the referring source, then it would go back to him?

A: It would go back to him, yes.

Q: And what did his involvement look like when a situation like that was raised to his attention, whether it was a phone conversation or an email conversation? How would he –

A: He was very quick to answer. I would have a phone call to him, and Kay would tell me, 'Well, he is in a conference call right now, but he will call you right back.' And if he was leaving the office, he would email me. So there was an instant communication, because he really was concerned about customer service.

Q: So you would describe the problem to him and he would kind of give a ruling or an instruction on how to proceed?

A: Correct.

Q: Okay. Do you have any sense of how often he would have to get personally involved?

A: Well, he was a very hands on in the business. And if he referred somebody to us for handling, he wanted an update, and we made sure that we kept him posted where we were. If there was a delay for some reason, we would send a note to Kay saying this is happening so that Mr. Mozilo is aware. Because the customers would not hesitate to call him wherever he was and we would get a call in 2 seconds.

Q: And those were generally people who had met him or encountered him somewhere?

A: Yes.⁴⁸

Jimmie Williams Referrals

FINDING: Countrywide lobbyist Jimmie Williams referred Congressmen Bob Ney and Gregory Meeks to Countrywide's California office. Bank of America did not locate any documents related to loans for Ney and Meeks.

In addition to taking referrals from Mozilo, the VIP unit also contacted covered borrowers referred by Countrywide lobbyist Jimmie Williams. Williams testified that he referred Reps. Bob Ney, Gregory Meeks, and Elton Gallegly to Countrywide's California office for processing. He stated:

Q [D]id you ever refer a Congressman to this desk, to the referral desk?

A Yes.

Q Who did you refer?

A Wow. You know, gosh, there was a list. I mean, so I am thinking. Yeah, there were several Members that I can recall and some of them that I don't recall, but let's see. Yes, I remember -- okay, I have to quantify, I sort of remember, because it really was to the point that a lot of people came through. I think I remember -- I remember Bob Ney, but I don't know if that was VIP. I think that was Office of the President for a complaint. I remember something to do with Meeks. You are asking for Congressmen?

Q Uh-huh, Members.

A And I remember working on something that had to do with -- and all of this is, like I said, sketchy. I remember something having to do Gallegly. And I am sure I am skipping some people, but those are just as far as I can remember.⁴⁹

After jobs with Rep. Gus Savage and the House Committee on Transportation and Infrastructure, Williams joined the government relations staff of Countrywide's Washington, D.C. office in 1995. At the time, the office consisted of Williams and two lobbyists. Williams stated:

⁴⁸ Rose Tr. at 156-159.

⁴⁹ 49-50

Q Can you just describe for us a little bit what the Washington office looked like back in '95, '96?

A Yes. Small office. As a matter of fact, I forgot the location on Pennsylvania Avenue, but three people. So you had a head lobbyist, you had a junior lobbyist, and then you had myself as a manager. Head lobbyist was really responsible for, you know, coordinating -- typical duties of a head lobbyist. But it was a very small office, three people.⁵⁰

Williams was initially tasked with compiling a newsletter to keep Countrywide's senior management in California aware of legislative activity and other news from Washington. Williams stated:

Q Okay. When you were hired on at Countrywide in '95, can you explain to us what your first job there was and kind of walk us through how that progressed over 10 years or so?

A Sure. My first job, the original reason that I was hired was actually to draft a newsletter. They wanted a regular newsletter to go to some of the executives and some of the senior management. So that's pretty much what I did.

* * *

[B]asically, my whole function was just to update them on legislative occurrences, happenings, and make sure that they were getting a brief update that was from the viewpoint of Countrywide of interests that they would have, instead of what you saw in the media.⁵¹

Williams became aware in the first few years after taking the job at Countrywide that there was a dedicated VIP unit that processed loans for Mozilo and his friends. He stated:

Q Can you explain for us how you first became aware of the program?

A You know what? That was actually in the first few years when I first started when I first heard about that there was a VIP program. And I heard them mention that there was a dedicated

⁵⁰ Transcribed Interview of Jimmie Williams by H. Comm. on Oversight and Gov't Reform Staff, Feb. 28, 2012, Transcript at 8. [hereinafter Williams Tr.]

⁵¹ *Id.* at 6-7.

program, but I was also told that was a program that was for Angelo and Angelo's friends.⁵²

Williams immersed himself in learning about the mortgage industry. By 2000, he was advising senior management about how decisions in Washington might affect the company.⁵³ Williams eventually registered as a lobbyist and began representing Countrywide in meetings on Capitol Hill. Congressional staff who met with Williams would frequently ask him if he could connect them with someone at Countrywide to arrange a mortgage. In some cases, Williams met with Hill staffers who had unpleasant customer service experiences with Countrywide or complained about service at the local branches.

The frequent requests for help and complaints started interfering with his business on Capitol Hill. He began to forward the complaints to Countrywide Managing Director Sydney Lenz in California. He stated:

[A]s I was progressing, the bigger Countrywide got and the more that I was on the Hill and the mortgage market was beginning to heat up, I noticed more people started asking me, do I know a person to talk to? And if you are in the mortgage business, that's quite common. People are looking for someone, that they can refer me to someone.

The other thing I noticed is that when I would come on the Hill I also heard all the things that went wrong. So more and more if -- let's just say I was coming to talk about a program we had or something involving loans to minorities. I could walk in an office on any given day and spend the first 30 minutes talking about someone whose loan was mishandled, whose papers didn't come, or who didn't get the rate; and it was happening with more frequency that I started -- I realized it was an impediment. And some of the stories I heard were just major ball drops, and I felt that it got in the way of me doing what my real job was, that I was becoming more of an ambassador, also; and that was beginning to wear thin.⁵⁴

* * *

Not to personalize it, but if I am basically having an issue on lobbying and you are on Financial Services and you had an issue with Countrywide and I wanted to talk with you about some new loan program we are having, I quickly figured out you are not going to hear anything I said when you had a bad problem with

⁵² *Id.* at 16.

⁵³ *Id.* at 12-13.

⁵⁴ *Id.* at 18-19.

Countrywide. And so I was really making an argument that I would go there, that would happen. I would go to a dinner of the mortgage industry or go to the dinner of let's just say the Sisters of St. Casimir, making up a name, and I would hear these. And I was letting [Lenz] know that, in my job, in my area with my professional responsibilities, these are the people. So I wanted to illustrate to the people in California that we -- I can't do my job if I am spending time taking complaints.⁵⁵

* * *

A Well, I think let's just -- I think if -- I keep going back to the legislative director in a congressional office, let's just say from Illinois or California. You drop the loan, of course they will tell others, you know, they will tell other staffers, you know, 'Countrywide does horrible loans, their reputation is bad, they got my papers bad.' If I come in the office and I talk about a Countrywide program, already I think you are starting off with negative points because they say the company couldn't even process my loan right.

Q So this was to avoid a sort of negative reputational consequence of failure to actually process the loan?

A I just -- yeah, I didn't want dropped balls. I didn't want mishandled loans. And I certainly didn't want -- I think, at the time, it looks like I was being polite, but I definitely was concerned.⁵⁶

Lenz testified that the company's senior leadership in California was sensitive to the company's reputation among individuals with access to media outlets. When Williams referred a complaint from Billings, Montana Mayor Chuck Tooley to the Office of the President, Countrywide officials explicitly weighed the cost to the company of resolving the complaint in Tooley's favor against the harm Tooley and his wife could do on "the speaking circuit."⁵⁷ Lenz stated:

Q The email says, 'I'm usually in favor of settling on the side of the borrower with political influence; however, in this case, I think the mortgage insurance payment for the life of the loan has the potential of being a greater number than the mayor of Billings, Montana, influence.'

This email comes as part of a chain discussing whether or not to

⁵⁵ *Id.* at 37-38.

⁵⁶ *Id.* at 73.

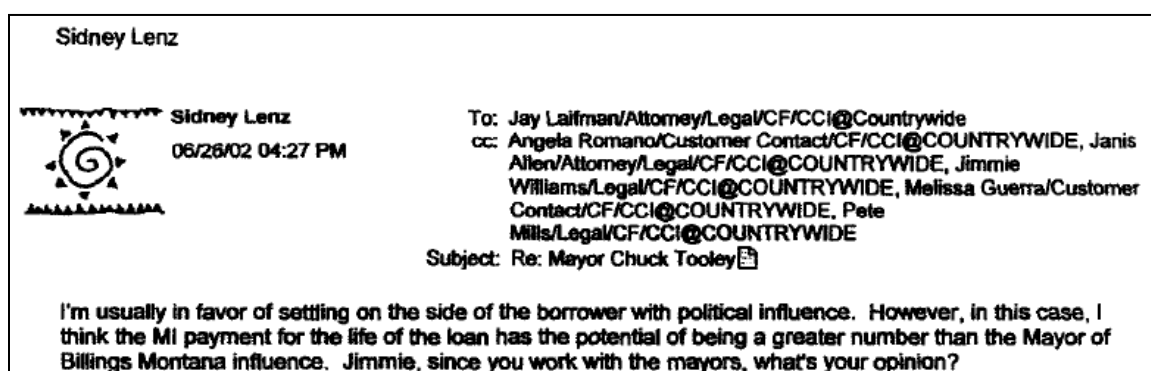
⁵⁷ E-mail from Jimmie Williams to Sidney Lenz (Jun. 27, 2002) (Countrywide_000016-17).

waive a mortgage insurance payment for Mayor Tooley. Can you just explain for us what you meant there?

A Yes. First of all, it was a poor choice of words on my part, and I don't -- let me also say that I do not remember this chain of emails, although, yes, I wrote this. But I don't remember. The point would have been to solve the customer problem, as we would with any customer problem, but keeping in mind that high-profile customers we really wanted to make sure that we made every effort to keep them happy.

Q Why was that?

A Well, if you read this chain, you know this particular borrower's wife worked for a publication, and anybody that touched the news media was already a sensitive issue because they could, of course, create negative publicity for the company and hurt it in that way.⁵⁸



FINDING: *Jimmie Williams referred Members of Congress and congressional staff to the company's VIP desk in California to create a favorable impression of the company on Capitol Hill. To better position himself to lobby Members and staff, Williams made sure they received enhanced customer service.*

Williams believed negative experiences that gave some congressional staff an unfavorable impression of the company undermined his ability to represent Countrywide's interests on Capitol Hill. Williams encountered an increasing number of complaints at receptions and other events. He stated:

And just to walk you through so you understand, my biggest lesson learned, because at the time Countrywide had one branch in the

⁵⁸ Transcribed Interview of Sidney Lenz by H. Comm. on Oversight and Gov't Reform Staff, May 23, 2012, Transcript at 17-18. [hereinafter Lenz Tr.]

District of Columbia, and that branch was almost in Maryland on Georgia Avenue, almost out of the city. It was in a bad location. Before then, it was on Benning Road, which was another bad location. So if you were to go there, that's the branch you had to go to.

So what I did one time is I think a staffer -- and I don't remember who -- asked me to refer them to someone. And I referred them to the branch, because I figured that's where I started. It was poorly handled. The branch manager was less than courteous. But let's just say that was the first time I realized something blew up in my face with somebody that I would have to see again on company business.⁵⁹

* * *

Q Okay. And you mentioned before that, because this was an individual that you expected to have to see again or do business with again, that you wanted to make sure that he received better service in the future? Is that right?

A Yes.

Q Can you just explain for us a little more what you meant by that?

A You know, I don't remember the name of the person or what they did at the time. But I knew I thought it was important. And I don't remember the title, but I knew they worked on Capitol Hill, and it was someone I had worked with before, and it was either a legislative director or a chief of staff. That's all I remember.⁶⁰

* * *

And, just to be clear, it wasn't just Capitol Hill, but I could be at a reception at an -- I don't know -- any type of reception, group, and not necessarily industry, but if you had the Countrywide card it was the same thing. So pretty much I felt like at the time that I spent a whole lot of time doing -- sending things to offices of the president for resolution or hearing about complaints about a loan where they didn't get it quickly enough.⁶¹

⁵⁹ Williams Tr. at 26-27.

⁶⁰ *Id.* at 30-31.

⁶¹ *Id.* at 22-23.

Williams attempted to address the problem by referring disgruntled Countrywide customers in Washington to the Office of the President. The Office of the President was created by Mozilo to resolve issues for customers who raised complaints to him directly. Lenz stated:

Q [] Can you maybe start a little bit by explaining for us what your understanding of -- what the Office of the President was?

A Yes.

Q It was described to us as some sort of, like, dispute resolution center. Is that familiar to you?

A Yes. Certainly that was one of their functions, although they were not responsible for resolving all disputes. They were originally founded . . . because an increasing number of customer issues were elevated to Angelo, and he did not want to send them back down to someone else but wanted someone to take responsibility for those resolutions. So a group was put together to, in fact, handle those specific customers.

* * *

Q And where would complaints that were processed by the Office of the President come from?

A They came from anyone who was applying for or held a mortgage at Countrywide that called in to Angelo's office or wrote a letter to him. They came from all over.⁶²

Williams found that the Office of the President often did not resolve the complaints he referred promptly or satisfactorily. He stated:

Q When somebody would have a complaint for you, did you tell them -- did you give them a phone number to call? Or were you kind of taking their complaint and being the person who reached out to California?

A Initially, I started giving them a number to call. But that became a problem, too. Sometimes I would get a call back and say I haven't gotten a call back. So, initially, it did start as me giving them a number, saying call this number. But that -- quickly, that didn't work.

⁶² Lenz Tr. at 7-8.

Q Whose number were you giving out at that time?

A I would give the number for the office of the president. There was a toll free number you could call. And pretty much that was -- that just meant it was elevated problem resolution. Anyone could get to the office of the president if you wrote a letter, if you had a call and you asked to elevate it. So you could get there anyway. So that's why I gave them the toll free number. But if it wasn't resolved quickly, then, long story short, I just felt like I spent an inordinate amount of my time managing customer service issues.⁶³

FINDING: *In approximately 2000, Jimmie Williams began routing Members of Congress and congressional staff who he lobbied to a referral desk in California. Williams understood that the referral desk could handle loans for high-profile clients because the staff there frequently handled loans for celebrities. The referral desk was in fact the VIP unit.*

Around the year 2000, he decided to route congressional staff and others in Washington seeking loans to a "referral desk" in California known for providing enhanced customer service to demanding customers and celebrities. In some cases, borrowers asked Williams if he could arrange a discount. He stated:

Q Did any borrowers ask you for discounts?

A That is a good question. I am almost certain that some might have.

Q And if they did, do you recall what you would have said or what you did say in that instance?

A Yes, I do. I would tell them that, you know, all of that is based on our underwriting department, and I would refer you over. But I distanced myself from anything having to do with the loan process, so -- but I usually would tell them.⁶⁴

Williams testified that he was not aware the referral desk was in fact the VIP Loan Unit. He was aware the referral desk had a reputation for being discrete and professional, even when handling loans for celebrities. Williams stated:

Q And so at that point the referral desk you didn't associate with the Friends of Angelo desk, if you will.

⁶³ Williams Tr. at 22-23.

⁶⁴ *Id.* at 60-61.

A No. Definitely not.

Q This referral desk you just were aware of as a group of people that could provide enhanced customer service to some extent?

A They were thorough and they were used to handling high maintenance or -- yeah.

Q Okay.

A The other thing is, you know, I should say they were also used to handling celebrities without being fans.⁶⁵

FINDING: Williams referred new customers to the VIP Loan Unit and disgruntled existing customers to the Office of the President. The VIP Loan Unit gave enhanced customer service and discounts to Williams' referrals from Washington. The Office of the President – a Countrywide dispute resolution center – was able to resolve issues for Countrywide customers who complained to Williams. Williams forwarded customers in Washington to the California office to protect the company's reputation, and his own.

Williams referred new customers to the VIP Loan Unit and disgruntled existing customers to the Office of the President. Williams arranged enhanced customer service for Members of Congress, congressional staff and others in Washington to protect the company's reputation, and his own. He stated:

Q Is that how, kind of, your way of handling these complaints remained for the next few years? Office of the President for existing customers who had complaints and Stephen Brandt's group for potential new customers?

A As far as I can recall, yes. I think by that time I felt that, as a representative of the company, I wanted to make sure anyone I referred, which I thought was also my personal reputation, wasn't mishandled.⁶⁶

* * *

⁶⁵ *Id.* at 36.

⁶⁶ *Id.* at 43.

Q Would that have been just Members of Congress and staff, or would that have included, you know, somebody who saw you at an event or somebody who you knew personally?

A At the time, they would have all -- I would have done the same thing with anyone. Members of Congress, anyone I would have dealt with, I would have run into would have gone through that same route.⁶⁷

Williams testified that he had no expectation that people he referred to the VIP unit would receive discounts. He stated that he referred people to the VIP unit to provide them with an enhanced customer service experience. He stated:

Q Did you have any awareness that that group of people customarily gave out discounts to friends of Angelo?

A At the time, the friends-of-Angelo list was probably a mystery. I knew he had some people he sent there, but I wasn't really clear what that meant. But, you know, in retrospect, I am, you know -- I don't know what I was thinking at the time, but I am sure there was some benefit, you know, to being a friend of the CEO of that company.⁶⁸

* * *

Q And what did you expect would happen when they reached that referral desk?

A I would expect that they, one, that they did get a level of customer service, a good level of customer service; that they would have gotten someone who would respond to their questions and be knowledgeable and process their loan appropriately.

Q Did you think that they were going to get a discount on their loan?

A No. I had no reason to expect that, no.

Q And did you ever communicate, sort of, over the phone with the people at the referral desk yourself personally?

A Yes.

⁶⁷ 62

⁶⁸ 44

Q And when you did, did you ever discuss these people you were referring getting a discount?

A No.⁶⁹

Williams, however, was aware that the VIP unit often waived junk fees and other costs. He testified that he was not surprised to learn that customers he referred to the desk in California were not charged junk fees. He stated:

Q Were you aware at this point or at any point that a half a point discount was kind of the VIP desk standard discount?

A I wasn't aware, to answer your question.

Q Have you since become aware, either through news articles or reports that you have read?

A Most of it is what I have seen in subsequent news articles.

Q Did it come as a surprise when you learned that there was kind of a standard practice of giving out discounts?

A Yes. Well, yes, but let me be more specific. On the garbage fees, that was no surprise. I expected garbage fees to come off at some point depending on the negotiation, because that happens in the branch, also. On the points, hearing a standard, I wasn't aware.⁷⁰

Although he was aware that the VIP unit waived junk fees for Members of Congress and congressional staff, Williams testified that he occasionally advised staff that they should not discount those loans because of congressional ethics rules. Documents show that customers referred by Williams did in fact receive discounts. He stated:

Q So is that also something that you communicated with the people that you were referring them to? So Stephen Brandt's office, right, did you communicate to them that these people were not supposed to be getting special deals?

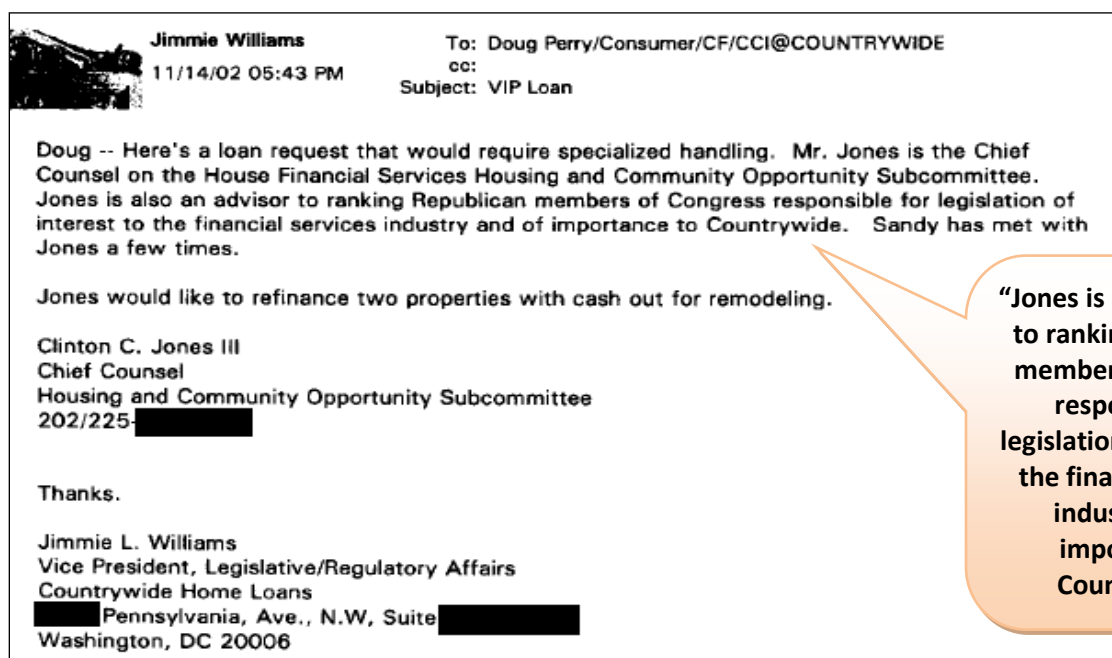
A I know that there were -- I don't know if I did that on every call. But I know initially we were pretty clear on more than one level that, you know, no special -- that this was -- Members of Congress and making them aware that no special deals and they

⁶⁹ *Id.* at 45-46.

⁷⁰ *Id.* at 85-86.

had to be typically available to the general public. So I knew that they were aware of that, at least at my level.⁷¹

By 2002, Williams was aware that Countrywide was processing the loans he referred to the desk in California as VIP loans.⁷² Williams referred congressional staff to the VIP unit and often included a detailed description of how the staffer's position could affect the company's interest in Washington. When he referred House Financial Services Housing and Community Opportunity Subcommittee Chief Counsel Clinton Jones to the VIP unit, Williams noted that Jones was "an advisor to ranking Republican Members of Congress responsible for legislation of interest in the financial services industry and of importance to Countrywide."⁷³



Williams testified that he was trying to convey to the VIP unit staff why Jones was "important."⁷⁴ He attached similar descriptions to several referrals for congressional staff. He stated:

Q So you provided . . . a lot of, sort of, detail about who Mr. Jones was. And can you explain why you were providing that detail?

A Yes. I think, one, earlier I mentioned, you know, Sidney Lenz had requested, because I was -- they were trying to get a picture of what my position, what my issues were here in

⁷¹ *Id.* at 55.

⁷² *Id.* at 70.

⁷³ E-mail from Jimmie Williams to Doug Perry (Nov. 14, 2002) (Countrywide_000830).

⁷⁴ Williams Tr. at 71.

Washington, D.C. So she had asked me to provide them kind of a picture, a snapshot, of why I was kind of -- I am looking for a word -- why I was flummoxed about every time, when I got either a referral or a complaint.

So I was really trying to give them a picture of who they are, why they are important, and the whole dropped-ball scenario that I mentioned earlier of why I just kept seeing it as an issue and an impediment for me.

Q But this email was to -- wasn't to Ms. Lenz. It was to Doug Perry, who was essentially from the VIP unit. So why did you need to explain to him that you were having customer service issues? At this point you were -- I guess my point is, at this point you were already getting to use the referral number, so --

A Well, I think at the same point, and what Sidney suggested was probably a good idea, is that **you are sending an email to someone who was in California, where they are more likely to deal with, you know, a celebrity star as opposed to some of the issues that we face. And mine were political, mine were consumer advocate, mine were D.C.-based.**

So, for me, so that they were clear on, you know, what I was sending, you know, the time, if they took 2 months, 3 months. Here I noticed, you know, I sent it on 11/14, and I had to follow up on December 27th, so it tells me that there was a little bit of a black hole there in response. So normally what I would do is kind of paint them a picture of the role, whether it was -- it could have been Johnny -- I just wanted to illustrate who I was sending to them.

Q And why would it matter -- I mean, why would it matter if who you were sending to them was somebody who was from House Financial Services or somebody who was very important to you?

A Why would it matter to me?

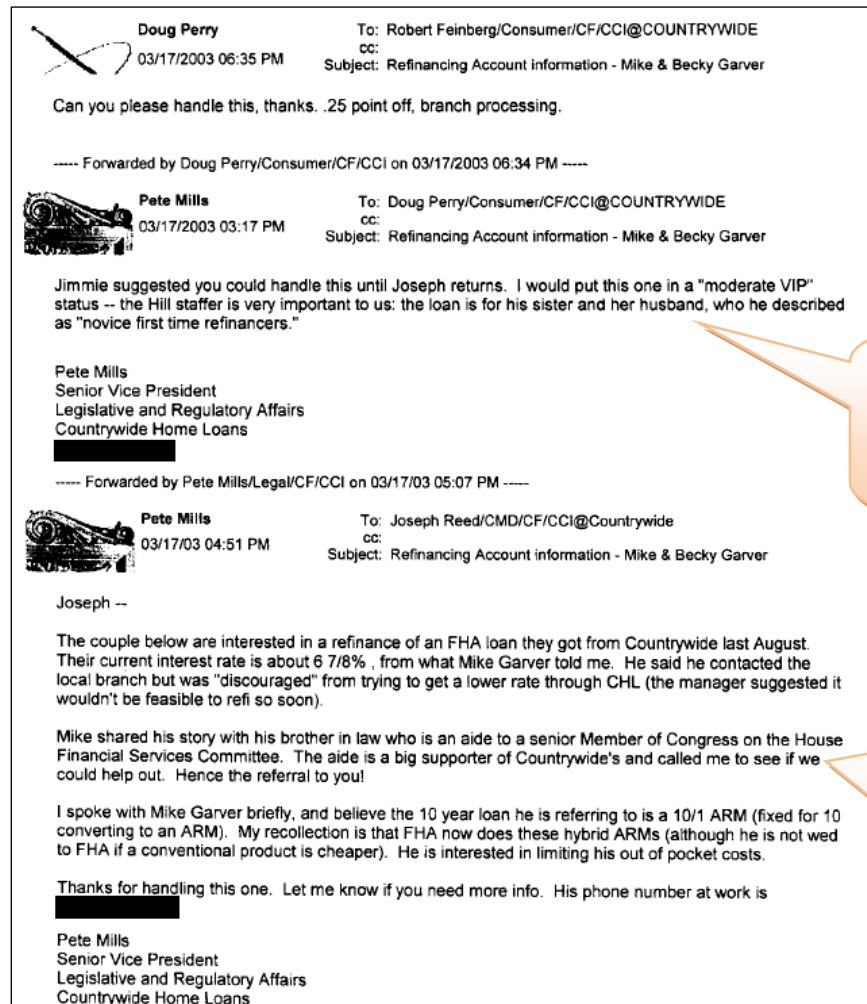
Q Yes. Why would it matter to them, I guess is really --

A Well, I think that --

Mr. Pollack [Attorney for Williams] Why is that something that you felt you wanted to communicate to the referral desk or the VIP desk?

A Because I think if the loan got dropped, and whether you are on House Financial Services or, to me, any committee, then let's just say you screwed up the loan, then I saw that as a problem. I saw that as a reputational problem, and I saw it as reflective on the company and reflective on my job to really convey a message and do my job.⁷⁵

Williams and Countrywide lobbyist Pete Mills eventually started indicating what degree of urgency the VIP Loan Unit should have in processing loans for his referrals.



"I would put this one in a 'moderate VIP' status -- the Hill staffer is very important to us"

"The aide is a big supporter of Countrywide and called me to see if we could help out."

When the VIP unit became bogged down by a high volume of loans, Mills and Williams advised staff whether they should expedite processing for his referrals. Williams stated:

Q In the second email from the top . . . Pete tells Doug, 'I would put this one in a 'moderate VIP' status -- the Hill staffer is

⁷⁵ Williams Tr. at 71-72 (emphasis added).

very important to us: the loan is for his sister and her husband, who he described as 'novice first time refinancers.'

And then we see in the very first email Doug Perry telling Robert Feinberg a quarter point off, branch processing. Based on what we have learned, a quarter point off and branch processing is not the typical VIP discount. It's somewhat less of a discount than most VIPs received. Would you connect that in any way to Pete telling Doug that this is a moderate VIP?

A You know what? I don't know. I don't know the thinking process here.⁷⁶

A . . . I do know that when the desk at one point became swamped and they were looking for ways to try to prioritize how quickly to get to someone and how to handle, but more so how quickly, and I remember experimenting with one, two, three, four, red light-green light, or something to let them know. And so my emails would probably be inconsistent.

But, to answer your question, no, I don't -- here, I didn't have a consistent way of kind of doing that. But I remember at one point I was struggling trying to help them prioritize.⁷⁷

Q Were you using that scale more to evaluate the level of urgency in terms of where somebody was in the loan process or to give a sense of their potential importance to the company?

A Well, to answer your question, first of all, no. And then to explain it better, I think -- I would hope that my narrative kind of had already done that, you know, by saying what the relationship was, where they worked, and whatever I knew about the loan process, whether they were already in process. So I would already hope that that would already have kind of --

Q Speak for itself?

A -- provided a good picture of that. At some point, I might have experimented with saying, can I get something that -- you know, when I did find out that the desk was just being flattened, as

⁷⁶ *Id.* at 88.

⁷⁷ *Id.* at 88-89.

all were, any loan origination areas, I probably did try to come up with -- come back with this one, two, three, four, with one being right now, with two being later, and three being, you know, as soon as you can. And with all of them being don't take a month.⁷⁸

VI. The Application Process

A group of dedicated VIP Account Executives contacted customers referred to the VIP unit. These executives collected basic information from the referrals – when they were willing to provide it.

Robert Feinberg started as a VIP Account Executive in 2000. Feinberg's first exposure to VIP loan processing came in 2000, when a VIP unit manager called him into his office.⁷⁹ Feinberg got simple instructions:

He called me in the office and said he had a piece of paper. He said I need you to call this guy, and [give him] this rate, waive these fees, take his application, lock him in, meaning to lock in the loan program, and this is a friend of Angelo's.⁸⁰

Feinberg's manager made it clear that originating a loan for a "friend of Angelo's" raised the stakes. Feinberg was instructed to report directly to his manager as he processed his first VIP loan. His manager gave a final instruction: "Don't fuck it up."⁸¹

VIP Account Executives Contacted Borrowers

FINDING: *Account Executives in the VIP unit had to fill in blanks on loan applications because "Friends of Angelo" were reluctant or unwilling to provide basic information such as salary and employment information. Angelo Mozilo and another senior Countrywide official had already promised most VIP borrowers specific loan terms and guaranteed approval, so efforts by VIP Account Executives to fill out fields on loan application documents amounted to "courtesy calls."*

Feinberg immediately observed that taking a loan application from a VIP borrower was different. He was accustomed to taking applications over the phone from borrowers who had to provide basic employment, income, and debt and credit

⁷⁸ *Id.* at 90.

⁷⁹ Feinberg Tr. at 10.

⁸⁰ *Id.*

⁸¹ *Id.*

information.⁸² Feinberg learned it was common for VIP phone applicants to share only the information they wanted to.⁸³

Feinberg's first customer explained he was a friend of Angelo's and would only provide limited personal information.⁸⁴ Feinberg testified that the borrower's unwillingness to provide full and complete responses to his questions led to a loan application with "a lot of holes in it."⁸⁵ When Feinberg reported back to his manager, he was told not to worry about the gaps.⁸⁶ He was instructed to "do the best you can" to fill them in on his own.⁸⁷

As Feinberg handled more VIP loans, he frequently needed to populate the fields in VIP loan applications with information that borrowers refused to provide.⁸⁸ Feinberg testified that this was an "ordinary occurrence."⁸⁹ VIP borrowers frequently relied on their relationship with Mozilo to justify sharing only limited information. Feinberg testified:

If somebody didn't want to provide you something, and they say 'Well, I'm a friend of Angelo's,' you know, 'He already told me I'm getting this,' you didn't question back to that person. You did the best you could⁹⁰

Feinberg stated that when he needed to "fill in the blanks" on a VIP loan application he would rely on Countrywide's imaging database to gather information from previous applications when possible.⁹¹ Most VIP borrowers had already been promised specific loan terms and guaranteed approval, so when Feinberg would take a VIP application over the phone it amounted to a "courtesy call."⁹²

After Feinberg completed a VIP loan application, he would turn in the file to the manager of the VIP processing team.⁹³ For most of Feinberg's tenure, Maritza Cruz managed the VIP team at Countrywide's Rosemead call center.⁹⁴ Feinberg testified that he noted each borrower's reason for VIP unit processing using a Sharpie pen to allow Cruz to prioritize the files she was moving through the processing pipeline.⁹⁵ Feinberg

⁸² *Id.* at 11.

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.* at 12.

⁸⁸ *Id.* at 24.

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.* at 24-25.

⁹² *Id.* at 25.

⁹³ *Id.* at 153.

⁹⁴ *Id.* at 29.

⁹⁵ *Id.* at 152.

marked “VIP” on the files of borrowers who were being processed by the VIP unit.⁹⁶ Feinberg marked “FOA” on files of borrowers who were friends of Angelo Mozilo.⁹⁷

THIS IS A PURCHASE LOAN		PIGGY? ☐ Yes ☒ No
LOAN #	██████████	* VIP FOA *
BORROWERS NAME	Robert Sanborn	

Account Executives in the VIP unit used a “VIP Referral” form to summarize the basic characteristics of loans referred to them. The form shows that Countrywide applied discounts and exceptions to VIP loans as early as 1997. On the form, Countrywide’s VIP Account Executives identified the source of the VIP referral, and tracked waived fees, special pricing, system overrides and guideline exceptions. The form also included space for Account Executives to write in “special instructions or background needed to better handle this transaction.”⁹⁸

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ VIP Referral form, Oct. 20, 1997 (CW-COGR-0029783).

V.I.P. REFERRAL

BORROWER'S NAME: Wayne Josephine Hall LOAN # _____

PROGRAM TYPE: NonComp 30 (PURCHASE/REFINANCE)

LOAN AMOUNT: 372,000 LTV: 80

LOAN REFERRED BY: Angelo

NO UP-FRONT FEES TO BE COLLECTED: _____ APPROVED: _____
 STEPHEN BRANDT

FEES TO BE WAIVED: junk fees APPROVED: _____
 STEPHEN BRANDT

SPECIAL PRICING GRANTED: 1.000

COST CENTER # TO BE CHARGED: per Angelo

WAS A SYSTEM OVER-RIDE REQUIRED TO COMMIT LOAN? _____

EXCEPTION TO GUIDELINES REQUIRED? See Comments

EXISTING CHL LOAN # _____ OLD FILE ORDERED: YES NO
 (circle)

APPRAISER CONTACT ON PURCHASE: 

NAME: _____
 COMPANY: _____
 TEL #: _____

BUYER'S AGENT: NAME: _____
 TEL #: _____ COMPANY NAME: _____

ESTIMATED CLOSING DATE: Nov. 1st

SPECIAL HANDLING OF DISCLOSURE PACKAGE: Call Wayne at

PLEASE PROVIDE ANY SPECIAL INSTRUCTIONS OR BACKGROUND NEEDED TO BETTER HANDLE THIS TRANSACTION: _____

A/E x Karen Brachen DATE 10-20-97

VIP Benefits

FINDING: *The foremost benefit of being a Countrywide VIP was access to discounted loans in the form of waived points. The standard reduction was 0.5 points. Countrywide routinely waived junk fees typically ranging from \$350 to \$400 for VIP borrowers.*

Feinberg stated that the foremost benefit of being a VIP borrower was access to discounted loans.⁹⁹ According to Feinberg, VIP borrowers usually received loans at

⁹⁹ *Id.* at 53.

below-market rates.¹⁰⁰ For VIP borrowers, Countrywide waived “points.”¹⁰¹ Normally paid at closing and calculated to be equivalent to one percent of the total loan amount, borrowers pay points to reduce the interest rate on a loan.¹⁰² Feinberg testified that VIP loans were “priced lower than what the current market rate would be, and when I say pricing lower, you’re basically waiving and lowering the rate in the form of waiving points.”¹⁰³

According to Feinberg, the standard reduction for VIP borrowers was half a point.¹⁰⁴ For VIP borrowers, junk fees were also regularly waived.¹⁰⁵ Feinberg testified:

So a VIP or FOA would get, depending on their level, usually, the standard was a half a point ... and that over time just became you knew to give a half a point right off the bat unless you were told something different; if you were told something different, to give something specific, which ... does happen quite a bit. But, for the most part, a lot of them were mainly half a point off and you waived what we called the junk fees. Junk fees are lender fees which are your document preparation fees, your underwriting fees and your processing fees.¹⁰⁶

Feinberg stated that junk fees typically ranged from \$350 - \$400.¹⁰⁷ According to Feinberg, junk fees were waived “automatically pretty much for every single VIP. I would say every single one of them.”¹⁰⁸ Stephen Brandt stated:

Q: It was generally our understanding that those people being processed through the VIP unit were sort of as a standard getting about a half point off of the loan origination fee. Does that sound accurate to you?

A: That sounds accurate, yes.

Q: And why would they have been getting that?

A: I would say that if Angelo extended a discount for a customer, his standard sort of typical discount, although it wasn't

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² U.S. Dep’t of Housing and Urban Development, “Glossary,” available at <http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm> (last visited May 4, 2012).

¹⁰³ Feinberg Interview Transcript at 53.

¹⁰⁴ *Id.* at 53.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 54.

¹⁰⁸ *Id.*

all encompassing, was typically to take a half of a point off of the discount points and to waive the Countrywide fees.¹⁰⁹

Feinberg stated that the suite of benefits available to VIP borrowers also included various exceptions to Countrywide company policies regarding minimum credit scores, income and employment documentation, and access to interest rate “float downs.” For some VIP borrowers, Countrywide financed commercial and multi-unit properties. According to Feinberg, “This would not have been done for a non-VIP or non-FOA. It would have been, ‘No, we don’t do that. And go find your financing elsewhere.’”¹¹⁰

To facilitate processing for VIP borrowers whose loans did not conform to Countrywide’s internal guidelines, VIP Account Executives “flagged” the paperwork before sending it to underwriting support.¹¹¹ Countrywide underwriters then modified the loan to make it saleable on the open market.¹¹² If an underwriter needed to add points or change the terms of the loan to make it saleable, Angelo Mozilo or a Countrywide manager would subsequently waive the added points to reinstate the VIP discount.¹¹³

Countrywide Call Recording System

FINDING: Countrywide used a phone call recording system at its Rosemead branch as early as 2003. Bank of America advised Committee investigators that the recordings were destroyed as part of regular system maintenance prior to congressional interest in Countrywide’s VIP program.

In his interview, Feinberg described a phone call recording system, referred to as the “NICE System,” in use at Countrywide’s VIP call center. Research of products offered by NICE Systems, Inc. revealed a product line, called the NICE *Perform*, consistent with Feinberg’s description. Feinberg stated, and the company’s product description confirmed, that Countrywide successor Bank of America could have preserved the archive of call.

The call recording system was in place at least as early as 2003.¹¹⁴ Like all calls in the Rosemead call center, Feinberg’s were recorded, but they may not have been “grade[d]” by quality assurance monitors because of the “special” nature of his clients.¹¹⁵

¹⁰⁹ Brandt Tr. at 59.

¹¹⁰ Feinberg Tr. at 77.

¹¹¹ *Id.* at 124.

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 165.

The system was used for “compliance” and for quality assurance purposes.¹¹⁶ In his interview, Feinberg stated:¹¹⁷

[T]he Nice System recorded every call coming in and out every day of the week, every hour, 365 days a year. So if you were a team leader and we wanted to listen to your call on Tuesday at four o'clock because something went wrong with the phone call or the customer called and complained, I would go into the software, pull that call, and sit at my desk and listen to it.

Committee investigators requested access to the Bank’s searchable archive of recorded phone conversations between Countrywide VIP account executives and their customers.¹¹⁸ Access to this archive would shed considerable light on the patterns and practices of the VIP program. Bank of America informed Committee investigators that conversations recorded and stored by the NICE system no longer exist.¹¹⁹ The Bank advised Committee investigators that the tapes were destroyed as part of regular system maintenance prior to congressional interest in Countrywide’s VIP program.¹²⁰

VII. Loan Processing

After VIP Account Executives like Feinberg collected loan application information from VIP customers, files moved to the VIP processing team for underwriting. Because the loan terms ordered by Mozilo frequently did not conform to the company’s underwriting standards, the processing team had to arrange program and pricing exceptions for VIP customers.

The VIP processing team also interacted with VIP customers on the phone and by mail. In all cases, the VIP processing team identified themselves as such. Countrywide’s VIP customers received letters and business cards with conspicuous “VIP” markings.

Program/Underwriting Exceptions

The Operating Procedures stated that VIP customers expected loans to be approved “regardless of documentation or qualifying challenges.”¹²¹ However, the Operating Procedures made clear that Countrywide’s normal credit standards applied to VIP borrowers unless a company executive expressly authorized an override:

¹¹⁶ *Id.*

¹¹⁷ *Id.* at 164.

¹¹⁸ Letter from Ranking Member Darrell Issa to Bank of America CEO Kenneth Lewis, Sept. 24, 2009.

¹¹⁹ Meeting with Counsel for Bank of America Steve Ross and H. Comm. on Oversight & Gov’t Reform Republican Staff, Sep. 8, 2009.

¹²⁰ *Id.*

¹²¹ CW-COGR-0000001.

A common expectation of a VIP customer is their loan is to be approved regardless of documentation or qualifying challenges. This is not a procedure in the VIP unit. The VIP unit will maintain the same credit standards with VIP customers as with all other CMD originated loans unless overridden by Executive Management. The VIP unit must be creative and tenacious in order to obtain the documentation necessary to affect a marketable loan.¹²²

The Operating Procedures included a protocol for arranging exceptions for VIP borrowers who did not conform to Countrywide credit standards. In those cases, “every effort must be made to either offer the customer an alternative loan program or pursue a program or underwriting exception through the proper channels.”¹²³

Pricing Exceptions

The Operating Procedures stated that VIP unit Account Executives should discuss loan pricing directly with the referring executive.¹²⁴ In general, VIP unit Account Executives were instructed not to act on or communicate exceptions prior to receiving written confirmation from senior management.¹²⁵ The Operating Procedures warned that in some cases, the customer will communicate “special considerations” offered directly by a senior manager.¹²⁶ In those cases, the Account Executive was supposed to confirm with the senior manager that the special considerations were in fact promised to the borrower.¹²⁷

The Operating Procedures identified VIP unit employees by name and title. The document also provided contact information for individuals positioned to assist the VIP unit at various related companies such as Landsafe Credit (“for issues with credit reports”), CW Bank (for credit issues), and Landsafe Appraisal (“for issues with low values/other issues”).¹²⁸

Countrywide VIP account executive Robert Feinberg testified it was the practice of VIP loan officers to communicate to “Friends of Angelo” they were receiving special pricing and preferential treatment. Documents produced by Bank of America show many ways that Countrywide notified VIP customers that the VIP unit was handling their loans.

¹²² *Id.*

¹²³ CW-COGR-0000002.

¹²⁴ *Id.*

¹²⁵ CW-COGR-0000003.

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ CW-COGR-0000004.

VIP Borrowers Were Made Aware of VIP Processing

FINDING: Countrywide marked documents sent to VIPs in a variety of ways for the apparent purpose of notifying borrowers that the VIP Loan Unit was processing their loans. VIP borrowers received documents in the mail and via fax that clearly identified Countrywide's "VIP Team" as the point of contact in the company.

Feinberg told Committee staff that one of the primary purposes of the “Friends of Angelo” program was to ingratiate Countrywide with politically influential people who could help the company.¹²⁹ Countrywide marked documents sent to VIP customers in a variety of ways for the apparent purpose of notifying borrowers that the VIP unit was processing their loans.

Opening Package Cover Letter

VIP borrowers received an “opening package” of documentation for review and signature. In some cases, Countrywide also used the opening package to request additional documents from the borrower. The cover letter attached to the opening package clearly identified “Countrywide’s VIP Team” as the point-of-contact at the company. The package also included business cards for VIP Account Executives:

¹²⁹ *Id.*

SENT VIA UPS OVERNIGHT DELIVERY

October 7, 1998

Howard McKeon

Patricia McKeon

Stevenson Ranch, Ca 91381

Re: Your refinance loan for property located at [REDACTED],
Stevenson Ranch, CA 91381

Dear Mr. & Mrs. McKeon,



Thank you for allowing COUNTRYWIDE's VIP TEAM to assist you with your financing needs on the above referenced property. Our goal is to offer you high quality service from the initial application to final closing so that you loan closes quickly.

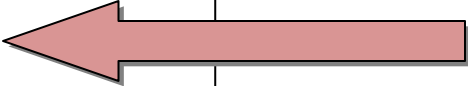
Enclosed is your "opening package". Carefully review all the documentation before signing. The forms on the left side should be thoroughly completed then signed/initialed and dated. The forms on the right side are for your records.

In addition, the following item will be required to complete your package.

1. Current Homeowners Insurance Declaration Page

We hope this condition are all we will need to complete your loan. If you have any questions, please call us at the number on the business cards attached.

THE VIP TEAM



VIP Loan Underwriter Maritza Cruz testified that it was common for VIP customers to receive cover letters that identified the VIP unit. She stated:

Q: Would he have also -- as part of the VIP unit, would he have also have received a letter, like we saw for Mr. McKeon, saying, "Welcome to the VIP unit"?

A: Very likely, yes.

Q: Very likely. It was your policy to submit a letter, because he was processed by the VIP unit, notifying him, just like Mr.

McKeon, 'Welcome to the VIP unit. The VIP unit processed your loan.'

A: Yes. As a courtesy, we felt that sending that cover letter would identify to them what we were trying to accomplish, giving them good customer service.¹³⁰

The opening package also contained business cards that identified the VIP unit staff working on the loan. Cruz stated:

Q: In your experience speaking with customers in those situations, were they aware that they were being processed in the VIP unit?

A: Yes.

Q: How did they become aware of that?

A: If they were not aware when the loan officer took the application, they always got a cover letter that said you are being processed in the VIP -- employee/VIP unit.

Q: Did anybody ever ask you what that meant?

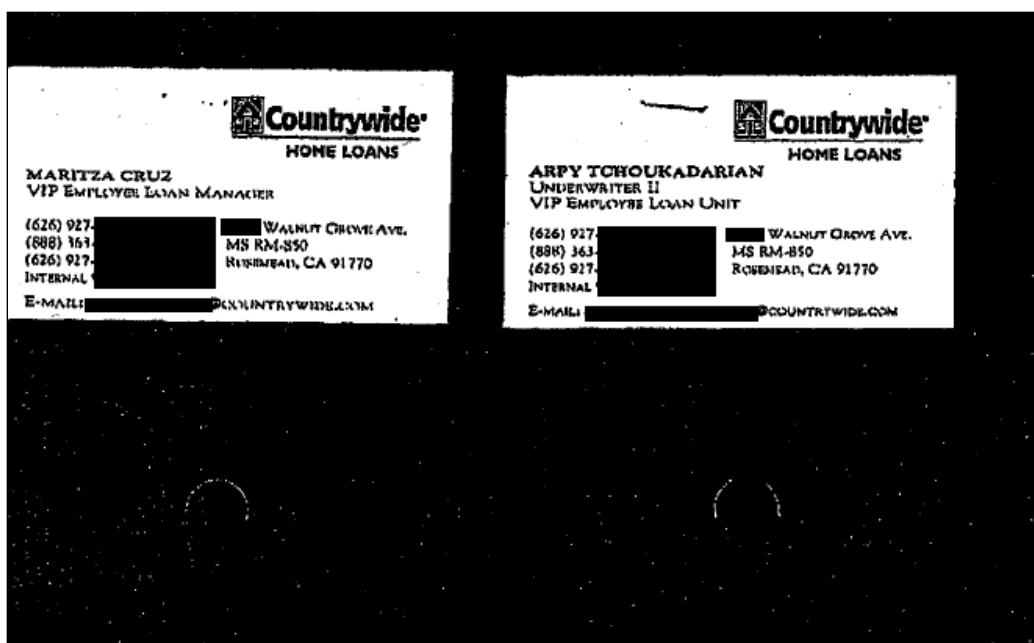
A: Not to me. The loan package was a folder, very nice folder that had pockets. And on the side we always inserted the business card on all loans. Whether they were VIP, employee, or regular, they always would get the business card so they knew where to call and who to call.

Q: Do you remember when you started using the cover sheet that said "VIP team" or the business cards with "VIP"?

A: There was always a letter, a cover letter.¹³¹

¹³⁰ Rose Tr. at 139-140.

¹³¹ Rose Tr. at 38.



Telephone Greetings

Maritza Cruz testified that when she spoke with VIP customers on the phone, she identified herself as a VIP unit employee. She used the same greeting for inbound and outbound calls. She stated:

Q: Okay. You described earlier, when people would call in, you would give a greeting that mentioned, 'You have reached the VIP unit' or something to that effect?

A: Yes.

Q: How about on outgoing calls from the VIP unit? Would you identify yourself --

A: Yes.

Q: -- on those, as well?

A: Yes.

Q: What sort of greeting would you use on an outbound call?

A: Outbound call, I would say, 'This is Maritza Cruz from the VIP unit.'

Q: Okay. So if somebody was speaking to your unit on the phone, whether they called you or you called them, they were hearing that message?

A: Yes.¹³²

Even the recorded message that callers heard when the phone went unanswered mentioned the VIP unit. Cruz stated:

Q: So they were always sure they were talking to the VIP unit?

A: Oh, yeah, always. And our dedicated line that we had also had a recording that said that you have called the employee/VIP unit.¹³³

VIP Employee Loan Unit Stamp

VIP borrowers received documents from Countrywide with markings that identified Countrywide's VIP Loan Unit as the loan processor. Branch 850 of Countrywide's Rosemead facility used an address stamp on Loan Application Disclosure Acknowledgements and other forms sent to borrowers. These documents were sent to borrowers for signature:

Countrywide
HOME LOANS

LOAN APPLICATION DISCLOSURE ACKNOWLEDGEMENTS

Loan No.: 251-41412-24576435
Borrower: K. J. IN... K. J. IN...
Property: 4470 ...

Branch Address: COUNTRYWIDE HOME LOANS
VIP EMPLOYEE LOAN UNIT
1515 WALNUT GROVE AVE
MS RM-850
ROSEMEAD CA 91770

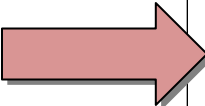
Application Disclosure Handbook
I/We acknowledge receipt of the Application Disclosure Handbook and further acknowledge the following:

Fax Time Stamp

Borrowers became further aware that the VIP unit was processing their loans VIP unit when they sent and received loan documents via fax. "Countrywide VIP unit" appeared alongside the time stamp on incoming faxes:

¹³² Rose Tr. at 154-156.

¹³³ Rose Tr. at 52.



08/11/03	15:53	DEPUTY SECRETARY OFFICE → 626 927 4558	NO.097	001
Aug-08-03	08:08am	From-Countrywide VIP Unit	626-827-4558	T-731 P.001/005 F-300

FACSIMILE COVER SHEET

Third-Party Documents

Even documents sent to VIP borrowers from third-party service companies bore a stamp that designated the borrower as a Countrywide VIP. For example, when VIP borrowers received documents from title insurance company First American, they were marked with a VIP unit stamp:

VIP 3274408

Dear Customer

Thank you for choosing First American to coordinate your refinance. We appreciate your business. Attached, please find the indicated item(s).

☐ Your complete signed loan package
☐ Signed HUD-1 Settlement Statement
☐ Your signed loan package missing the following _____, which we are working to correct and will forward you upon completion.
☐ Signed _____ to complete the loan package already forwarded to you.

We appreciate your business and look forward to serving you again soon!

Thank you,
First American

VIP/EMP. UNIT

SEP - 8 2005

VIII. Loans to Members of Congress and Key Policymakers

Documents produced by the Bank during the 111th Congress showed that Countrywide gave 30 VIP loans to employees of the U.S. Senate, ten loans to employees of the U.S. House of Representatives, and one loan to an employee of the U.S. Congress. The subpoena drafted by Chairman Towns did not require the Bank to identify Members of Congress who received VIP loans.

The subpoena issued by Chairman Issa during the 112th Congress compelled the Bank to identify current and former Members of Congress who received VIP loans. The

Committee also obtained complete loan files for other influential borrowers positioned to benefit the company. The documents show that the VIP unit processed loans for former Senator Christopher Dodd, Senator Kent Conrad, Congressman Edolphus Towns, Congressman Howard “Buck” McKeon, Congressman Pete Sessions, Congressman Elton Gallegly, and former Congressman Tom Campbell. Additionally, Jimmie Williams testified that he referred Congressman Gregory Meeks and former Congressman Bob Ney to Countrywide’s offices in California.

Senator Christopher Dodd

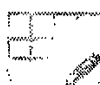
On July 28, 2009, a spokesman for Dodd stated: “As the Dodds have said from the beginning, they did not seek or expect any special rates or terms on their loans and they never received any; they were never offered special or sweetheart deals and if anyone had made such an offer, they would have severed that relationship immediately.”¹³⁴ Documents produced by the Bank show that the Dodds did in fact receive special rates and terms on their loans from Countrywide.

Countrywide identified Dodd internally as a Friend of Angelo as early as 1999.¹³⁵ Mozilo approved discounts for Dodd on two loans in October 1999.¹³⁶

¹³⁴ Glenn Thrush and John Bresnahan, *Chris Dodd, Kent Conrad deny knowing about VIP deals*, POLITICO, July 28, 2009.

¹³⁵ E-mail from Joseph Reed to Maritza Cruz (CW-COGR2-0002817).

¹³⁶ *Id.*


Maritza Cruz
 10/05/99 04:10 PM

To: Patricia Carter/CMD/CF/CCI@COUNTRYWIDE
 cc: Arpine Tchoukadarian/CMD/CF/CCI@COUNTRYWIDE
 Subject: FOA - Senator Chris Dodds [REDACTED]

LN sent by Joseph FYI.

----- Forwarded by Maritza Cruz/Consumer/CF/CCI on 10/05/99 04:07 PM -----

Joseph Reed

To: Maritza Cruz/Consumer/CF/CCI
 cc:
 Subject: FOA - Senator Chris Dodds [REDACTED]

This 80/10/10 purchase will be transferred to you today. It is a **SUPER RUSH** the package needs to be sent to the Co-Borrowers office address to be received by Thursday as she will be leaving the country on Friday 10/8 until 10/19 (you will be able to communicate with the borrower during that time frame). There is a note from Stephen attached to the file regarding the discounts and Angelos approval of the deal (It's a good deal and will meet guidelines).

Thanks

Documents show that Countrywide in fact applied discounts to at least one of Dodd's 1999 loans. An entry by Joseph Reed on an internal Customer Comment Sheet notes that Dodd is an "FOA referral" and that Mozilo had approved the loan. He ordered a discount of 1.5 points.¹³⁷ Reed also waived processing and document preparation fees.¹³⁸

Comments	
Customer Number: [REDACTED]	
10/05/1999-09:27 AM Joseph Reed	FOA referral, per Stephen's attached note, Approve per Angelo. Closing 10/22. Discount 1.5 points, processing and doc prep. Used 1.125 for rate reduction. .375 for 80/10/10 premium.

When Dodd refinanced the mortgage for his East Haddam, Connecticut home in the summer of 2001, Mozilo again ordered the VIP unit to apply discounts. In an e-mail on June 28, 2001, Mozilo ordered the VIP unit to apply the "employee discount" to Dodd's loan.¹³⁹ He knocked off a half point, waived garbage fees, instructed the loan to be processed with minimal documentation, and ordered the loan approved.¹⁴⁰ Mozilo

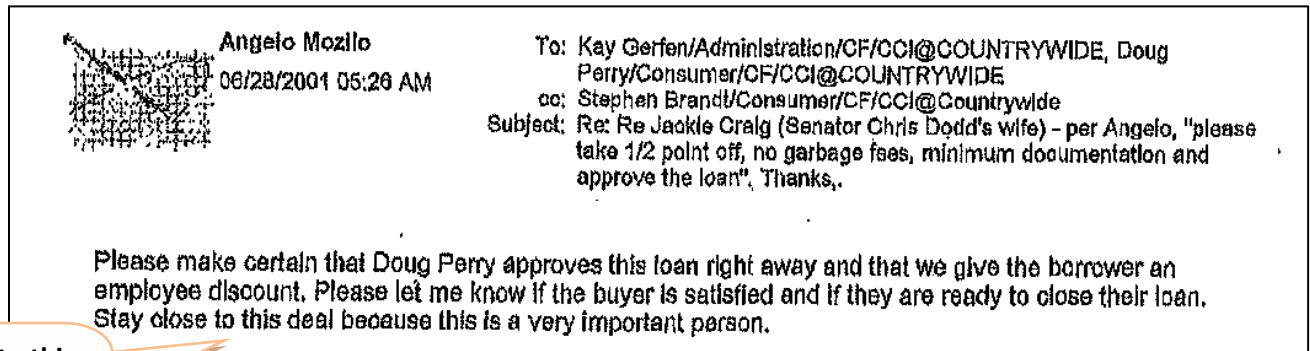
¹³⁷ Countrywide Comment Sheet (CW-COGR2-0002818).

¹³⁸ *Id.*

¹³⁹ E-mail from Angelo Mozilo to Kay Gerfen, Jun. 28, 2011 (CW-COGR2-0003825).

¹⁴⁰ *Id.*

advised his assistant Kay Gerfen to “stay close to this deal because this is a very important person.”¹⁴¹



“Stay close to this deal because this is a very important person.”

An internal Countrywide pricing worksheet for the 2001 refinance shows that the discounts ordered by Mozilo were in fact applied. In a comments section near the bottom of the worksheet, Maritza Cruz noted that a “.50 discount” was applied to the cost of the refinance.¹⁴² The discount reduced the cost of Dodd’s refinance by \$1,025.

¹⁴¹ *Id.*

¹⁴² Pricing Worksheet for Christopher Dodd (CW-COGR2-0003817).

Prepared by: M. OHUZ

DATE: 09/05/2001
BORROWER: CHRISTOPHER J. DODD
CASE #:
LOAN #:
PROPERTY ADDRESS:

EAST HADDAM, CT 06423

COUNTRYWIDE HOME LOANS, INC.

BRANCH #850
1515 WALNUT GROVE AVE., RM-850
ROSEMead, CA 91770-
(888)363-4667
Br Fax No.: (626)927-4558

Pricing Worksheet

Loan Amount \$ 205,000.00

Transaction Type (Check Applicable Blanks)

New Application: ☐ Purchase: ☐ Refinance: ☒ Recorder Lock: ☐
Lock & Shop/Sell Conversion: ☐ Float to Lock: ☐ Recommitment: ☒
Renegotiation: ☐

Pricing Exception Calculation

Base Price (Excluding Origination Fee) 0.375
Less short term lock
Plus extended lock
Plus points in lieu 0.000
Plus program adjustments (NOO)
Plus low loan adjustment
Plus LTV adjustment
Plus loan amt adjustment
Total points required

Points locked in

Pricing Exception

Branch Income

1% Origination Fee \$ 2,050.00
Points in Lieu \$ 0.00
Low loan balance \$
Processing fee \$ 0.00
Underwriting fee \$ 0.00
Document Prep fee \$ 0.00
Refinance Adjust
FHA add'l income
Total income

Pricing Exception \$

Income after
pricing exception: \$

Income as percentage: *
*(Branch Income / mortgage amount = income
as percentage)

Reason for exception

Establish relationship ☐ Meet competitor price ☐ Resolve customer conflict ☐

Cover fee reduction ☒ Renegotiation ☒ Other
Comments: SWITCHED TO 30 YEAR FIXED LESS .50 DISCOUNT PT CREDIT-F.O.A.

RVP Authorization: Date:

DVP Authorization: Date:

In addition to reducing the cost of the refinance, Countrywide also applied a reduced rate to the new 30-year mortgage on the Dodd's Connecticut home. Countrywide's VIP unit reduced the new rate by .625 points in the form of a "VIP discount."¹⁴³

¹⁴³ E-mail from Doug Perry to Arpine Tchoukadian, July 19, 2001 (GW-COGR2-0003769).

Doug Perry
07/19/2001 03:08 PM

To: Arpine Tchoukadarlan/OMD/CF/CCI@Countrywide
cc:
Subject: Re: Senator Dodd [E]

30 year fixed 7% .875 points or 7.125% with .25 points. This includes her .625 point VIP discount.
Arpine Tohoukadarlan

Arpina Tohoukadarlan
07/19/2001 06:58 AM

To: Doug Perry/Consumer/CF/OOI@COUNTRYWIDE
cc:
Subject: Re: Senator Dodd

"This includes her .625 point VIP discount."

The loan number is 5887434.
Doug Perry



Doug Perry
07/18/2001 04:43 PM

To: Arpine Tchoukadarian/CMD/CF/OC@Countrywide
cc:
Subject: Re: Senator Dodd

What's the loan number?

Arpine Tohoukaderian

Arpine Tchoukadarian
07/18/2001 04:38 PM

To: Doug Perry/Consumer/CF/OCL@COUNTRYWIDE
cc:
Subject: Senator Dodd

Hi Doug, I spoke with senator's wife Jackie, she wants to change the loan program to 30 years fixed. She was talking about 7.000% but did not know the points. Can you please give me the pricing so I can go ahead and change it and have the package out. Thanks

Maritza Cruz testified that she notified Dodd's wife that the VIP unit was processing the loan. She stated:

Q: Okay. And do you remember communicating with her that you were in the VIP branch? I guess it was on your business card?

A: She knew. She knew. And I answered.

Q: As you usually do –

A: Yes.

Q: -- with the greeting?

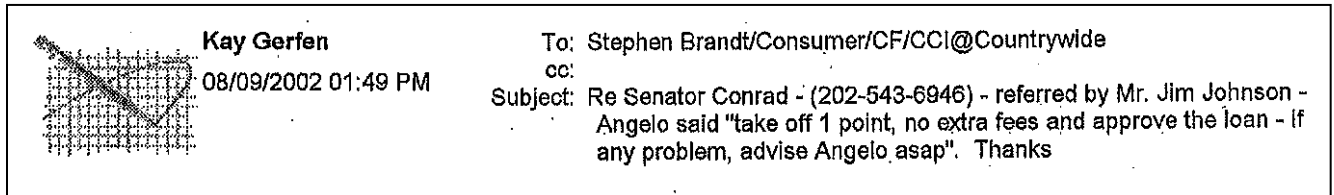
A: Uh huh.¹⁴⁴

Senator Kent Conrad

On July 28, 2009, a spokesman for Senator Conrad told Larry Margasak of the Associated Press that the senator “never asked for, expected or was aware of loans on any preferential terms. He went with Countrywide simply because they already had his financial information.”¹⁴⁵

Bethany Beach Mortgage (2002)

In fact, Jim Johnson referred Conrad to Countrywide. In August 2002, Johnson referred Senator Conrad to Countrywide through Angelo Mozilo. Conrad was seeking financing to purchase a vacation home in Bethany Beach, Delaware. He applied for a \$1.16 million loan.¹⁴⁶ Mozilo gave Kay Gerfen specific instructions for pricing Conrad’s loan. He told Gerfen: “take off 1 point, no extra fees and approve the loan – if any problem, advise Angelo asap.”¹⁴⁷ The instructions were forwarded from Gerfen to VIP Account Executive Americo Salazar.



The Uniform Residential Loan Application Conrad signed in August 2002 showed a rate of 6.625 percent.¹⁴⁸ As the closing drew near, Mozilo stepped in to make sure Conrad received a price that “beat the competition.”¹⁴⁹ The rate on Conrad’s loan was reduced to 6.125 percent.¹⁵⁰

¹⁴⁴ Rose Tr. at 95-97.

¹⁴⁵ Larry Margasak, *Testimony: Sens. Conrad, Dodd told of VIP loans*, ASSOC. PRESS, Jul. 28, 2009.

¹⁴⁶ Uniform Residential Loan Application, Kent Conrad (Aug. 22, 2002) (CW-COGR2-0002186).

¹⁴⁷ E-mail from Kay Gerfen to Stephen Brandt (Aug. 9, 2002) (CW-COGR2-0002196).

¹⁴⁸ Uniform Residential Loan Application, Kent Conrad (Aug. 22, 2002) (CW-COGR2-0002186).

¹⁴⁹ E-mail from Angelo Mozilo to Stephen Brandt (Oct. 10, 2002) (CW-COGR2-0002482).

¹⁵⁰ E-mail from Americo Salazar to Maritza Cruz (Oct. 10, 2002) (CW-COGR2-0002482).



Americo Salazar

10/10/2002 04:56 PM

To: Maritza Cruz/Consumer/CF/CCI@COUNTRYWIDE

cc:

Subject: Re: Sen. Conrad -Friend of Jim Johnson

Maritza,

Please read below and float him down to 6.125% at 0.

Thanks,

Americo

----- Forwarded by Americo Salazar/Consumer/CF/CCI on 10/10/2002 04:55 PM -----

Stephen Brandt

10/10/2002 04:43 PM

To: Americo Salazar/Consumer/CF/CCI@Countrywide

cc:

Subject: Re: Sen. Conrad -Friend of Jim Johnson

----- Forwarded by Stephen Brandt/Consumer/CF/CCI on 10/10/2002 04:42 PM -----

Angelo Mozilo

10/10/2002 04:43 PM

To: Stephen Brandt/Consumer/CF/CCI@Countrywide

cc:

Subject: Re: Sen. Conrad -Friend of Jim Johnson

Give him our 30 day price and take 3/4 off. This price should beat the competition.

Bethany Beach Refinance (2003)

In March 2003, Conrad approached Countrywide to refinance the mortgage he obtained in 2002 for his Delaware vacation home. Countrywide's VIP unit staff continued to note that Johnson had referred Conrad.

V.I.P SUMMARY	
DATE:	3/11/03
NAME:	SEN. KENT CONRAD
TEL:	(202) 228-4150
REQUEST:	Ref
REFERRED BY:	FOA Jim Johnson

Brandt requested guidance from Mozilo to determine what discount to apply to Conrad's loan. In a March 11, 2003 e-mail to Mozilo, Brandt wrote:

Jim Johnson's referral is back for another refinance. What discount, if any, should we extend. If he walked in off the street, the most that we would probably do to keep him as a customer would be .500 (our GPM's increased again today). Thanks.¹⁵¹

Mozilo ordered a discount well beyond what would be offered to a customer who walked in off the street. Mozilo instructed Brandt to take 1.25 points off the loan and to waive all extra fees. He further instructed Brandt to "close the loan on a fast and easy basis and give the closing the highest priority."¹⁵²

¹⁵¹ E-mail from Stephen Brandt to Angelo Mozilo, Mar. 11, 2003 (CW-COGR2-0001195).

¹⁵² E-mail from Angelo Mozilo, Mar. 11, 2003, 6:35 PM; E-mail from Angelo Mozilo to Stephen Brandt, Mar. 11, 2003, 6:36 PM (CW-COGR2-0001195).

Stephen Brandt
03/11/2003 08:23 PM
To: Americo Salazar/Consumer/CF/CCI@Countrywide
cc:
Subject: Senator Conrad

Please proceed as directed by Angelo.

Angelo Mozilo
03/11/2003 06:36 PM
To: Stephen Brandt/Consumer/CF/CCI@Countrywide
cc:
Subject: Senator Conrad

Also close the loan on a fast and easy basis and give the closing the highest priority. ✓

----- Forwarded by Angelo Mozilo/Managing Directors/CF/CCI on 03/11/2003 06:35 PM -----

Angelo Mozilo
03/11/2003 06:35 PM
To: Stephen Brandt/Consumer/CF/CCI@Countrywide
cc:
Subject: Re: Senator Conrad

Take 1.25 points off and no extra fees. ✓

----- Forwarded by Angelo Mozilo/Managing Directors/CF/CCI on 03/11/2003 06:35 PM -----

Stephen Brandt
03/11/2003 02:10 PM
To: Angelo Mozilo/Managing Directors/CF/CCI@COUNTRYWIDE
cc:
Subject: Senator Conrad

Jim Johnson's referral is back for another refinance. What discount, if any, should we extend. If he walked in off of the street, the most that we would probably do to keep him as a customer would be .500 ✓ (our GPM's increased again today). Thanks.

"Take off 1.25 points and no extra fees."

A VIP Call Center Support document created on March 17, 2003 reflected the discount Mozilo had ordered. VIP Account Executive Americo Salazar noted on the document that Conrad was seeking a "No Cost Refinance" to obtain a lower rate and lower monthly payment.¹⁵³

Date: 03/17/2003
AE #: 166 AE Name: Americo Salazar
Borrower: Kent Conrad Phone Number: (202) [REDACTED]

	TOPIC	COMMENTS
1	Best Time to Contact Customer	At home during regular business hours
2	Potential Challenges	none
3	Exception Information	Per Angelo Borrower is to get 1.250% in discount. We are using .750 to offset the rate and .500 to cover closing costs
4	Motivation	No Cost Refinance to obtain a lower rate and lower monthly payment

Because Conrad was a Friend of Angelo, the VIP unit floated his rate down twice when interest rates dropped over the course of the next two weeks.

¹⁵³ CMD Call Center Support Documentation for Kent Conrad, Mar. 17, 2003 (CW-COGR2-0001361).

Reason for exception			
Establish relationship	☐	Meet competitor price	☐
Cover fee reduction	☐	Renegotiation	☒
		Other	☐
Comments: <u>SECOND FLOAT DOWN PER ENCLOSED NOTE = F.O.A.</u>			

Conrad's loan was for \$1.16 million. Each float down to a lower interest rate would have cost Conrad points, or a percentage of the total value of his loan. For a regular customer with a loan the size of Conrad's, the float downs would have cost more than \$10,000. For Conrad, they were free.

	Americo Salazar	To: Maritza Cruz/Consumer/CF/CCI@COUNTRYWIDE, Luanne Hogan/Consumer/CF/CCI@Countrywide
	05/13/2003 01:49 PM	cc:
		Subject: 2ND float down for Sen Conrad
	Please float him down to the rate 5.625.	

Bethany Beach Refinance (2004)

Conrad refinanced his vacation home again in March 2004.¹⁵⁴ Robert Feinberg notified Mozilo that he was "looking at" a rate of 4.875 percent and a one point charge.¹⁵⁵ Mozilo ordered Feinberg to "take off 1 point," saving Conrad \$10,700.¹⁵⁶

North Dakota Refinance (2004)

In 2004, Conrad contacted Feinberg to discuss refinancing an eight-unit apartment building he owned in North Dakota.¹⁵⁷ Countrywide policy prohibited loans for buildings of more than four units, so Feinberg contacted Mozilo and asked for guidance.¹⁵⁸ Mozilo instructed Feinberg to ask Managing Director Dave Spector to "make an exception due to the fact that the borrower is a senator."¹⁵⁹ Spector told Feinberg to proceed with the loan.¹⁶⁰

¹⁵⁴ E-mail from Robert Feinberg to Angelo Mozilo (Mar. 15, 2004) (CW-COGR2-0002034).

¹⁵⁵ E-mail from Robert Feinberg to Angelo Mozilo (Mar. 15, 2004) (Countrywide_000021).

¹⁵⁶ E-mail from Angelo Mozilo to Robert Feinberg (Mar. 17, 2004) (Countrywide_000021). Reducing his rate by one point would have cost Conrad one percent of the total loan value (one percent of \$1.7 million is \$10,700).

¹⁵⁷ E-mail from Robert Feinberg to Angelo Mozilo (Apr. 23, 2004) (Countrywide_001657).

¹⁵⁸ *Id.*

¹⁵⁹ E-mail from Angelo Mozilo to Robert Feinberg (Apr. 23, 2004) (Countrywide_000760).

¹⁶⁰ E-mail from David Spector to Robert Feinberg (Apr. 28, 2004) (Countrywide_001656).

Congressman Edolphus Towns

On December 19, 2011, the blog *The Brooklyn Politics* posted a statement from Congressman Edolphus Towns regarding his VIP loan. According to the author, “Congressman Towns declined to comment further other than to say he was not involved in a VIP program with Countrywide and he received no benefits that were not available to everyone else.”¹⁶¹

Towns himself issued several public statements denying that he knowingly received any preferential treatment from Countrywide.¹⁶²

Documents show that Countrywide’s VIP unit did in fact process Towns’s loans. In July 2003, Towns applied for a loan to finance the purchase of a home in Lutz, Florida.¹⁶³ In an e-mail with Subject “Important Customer,” Stephen Brandt instructed VIP Account Executive Americo Salazar to contact Towns at his office in Washington.

Gene & Stephen,

I call Congressman Townes office his secretary advised me to call tomorrow between 11:00 AM - 1:00 PM. I left my information with her and will call back between the specified times tomorrow.

Thanks,

Americo Salazar
Countrywide Financial Corporation
1515 Walnut Grove Avenue
Rosemead, CA 91770
(800) 641-3586 Ext. # [REDACTED]
E-Mail: [REDACTED]
Stephen Brandt

Stephen Brandt To: Americo Salazar/Consumer/CF/CCI@Countrywide
07/21/2003 02:02 PM cc: Gene Soda/Consumer/CF/CCI@COUNTRYWIDE
 Subject: Important Customer

Please call Congressman Townes at his office (202-[REDACTED]) This is a 2nd home in Florida and should go to Maritza.

Please let Gene and myself know what happens. The package MUST go out on time. Thanks.

Salazar spoke with Towns. He subsequently notified the VIP processing team that Towns’s credit score might be an issue.¹⁶⁴ Salazar explained that the “Anthrax ordeal in the Capital” prevented Towns from paying bills mailed to his Washington office on time.¹⁶⁵

¹⁶¹ Blog entry by Colin Campbell, “Report: Ed Towns among Congressional members participating in Countrywide VIP loans [UPDATED],” *The Brooklyn Politics*, Dec. 19, 2011, available at <http://www.thebrooklynpolitics.com/post/14459552283/report-ed-towns-among-congressional-members> (last visited Mar. 28, 2012).

¹⁶² Letter from Ranking Member Elijah Cummings to Chairman Darrell Issa (Jan. 17, 2012) at 5.

¹⁶³ E-mail from Americo Salazar to Gene Soda and Stephen Brandt (Jul. 22, 2003) (CW-COGR2-0025286).

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

Countrywide Underwriter Gene Soda responded to Salazar. He stated that “the credit shouldn’t be a problem.”¹⁶⁶ He added that because “this is a Congressman, we must get his 3 day package out on time.”¹⁶⁷

“[T]his is a Congressman, we must get his 3 day package out on time.”

Gene Soda

07/22/2003 10:07 AM

To: Americo Salazar/Consumer/CF/CCI@Countrywide
cc: Stephen Brandt/Consumer/CF/CCI@COUNTRYWIDE, Maritza Cruz/Consumer/CF/CCI@COUNTRYWIDE
Subject: Re: Important Customer

The credit shouldn't be a problem. Maritza, if there's a concern regarding his credit please call me. Also, this is a Congressman, we must get his 3 day package out on time. I appreciate your help.

Americo, thanks for making the call and keeping me in the loop on this. Have a great day.

When he refinanced his vacation property, Towns received an \$182,972, 30-year adjustable rate mortgage starting at 4.50 percent.¹⁶⁸

Less than a month later, in the summer of 2003, Towns obtained a 30-year, \$194,540 mortgage for his Brooklyn residence.¹⁶⁹ Salazar and the VIP unit also handled that loan. Even though Towns identified “US Capital” as his employer on loan applications for both the Brooklyn and Florida properties, documents show that the VIP unit was aware of Towns’ position as a Member of Congress.

CONGRESSMAN*

LOAN # [REDACTED]

CUSTOMER NAME Edolphus Towns

Countrywide®
HOME LOANS

REFINANCE WRAP UP SHEET

Type of Loan Conv Uninsured

Documentation Type Alternate

PIGGY? ☐ Yes ☒ No

Finance Sub Type No Cash Out

APPRAISAL? ☒ Yes ☐ No Full

**DR #1000000000
VIP**

Congressman Howard “Buck” McKeon

In October 1998, McKeon and his wife used Countrywide to refinance a mortgage on a property in Stevenson Ranch, California. The VIP unit processed the loan. On February 12, 2012, the *Los Angeles Times* reported that a spokesperson for Congressman McKeon’s office said McKeon “had no knowledge of the Friends of Angelo

¹⁶⁶ E-mail from Gene Soda to Americo Salazar (Jul. 22, 2003) (CW-COGR2-0025286).

¹⁶⁷ *Id.*

¹⁶⁸ Uniform Underwriting and Transmittal Summary (Aug. 29, 2003), CW-COGR2-025228.

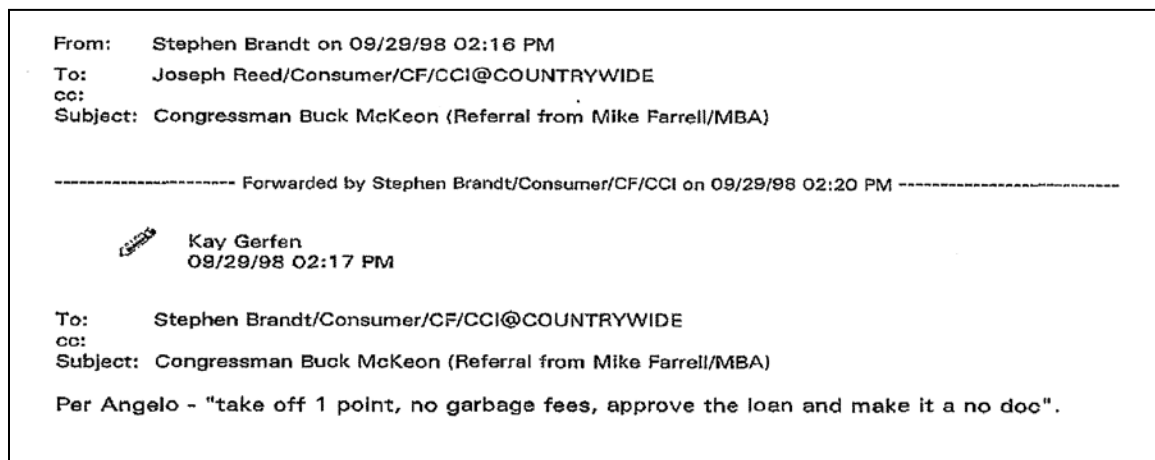
¹⁶⁹ Mortgage (Sep. 18, 2003), CW-COGR2-0025555.

designation.”¹⁷⁰ McKeon told the *Times* he paid garbage fees and did not get a point off on the loan.¹⁷¹

Internal Countrywide documents show that Angelo Mozilo ordered a point off McKeon’s loan and waived garbage fees. The discount is not reflected on documents signed by McKeon. However, internal Countrywide documents show that one point was in fact waived.¹⁷²

In an internal e-mail from September 29, 1998, Kay Gerfen noted that McKeon was referred to Countrywide by “Mike Farrell/MBA.”¹⁷³ Farrell was the chief lobbyist and legislative strategist for the Mortgage Bankers Association of America (MBA).¹⁷⁴ At the time, Farrell was working on “leading the industry’s successful campaign . . . to raise the maximum loan amount for FHA single-family insured mortgages.”¹⁷⁵ Mozilo served as the President of the MBA from 1991 to 1992 and remained closely connected to the association, which represented the interests of the real estate finance industry.¹⁷⁶

A September 29, 1998 e-mail from Kay Gerfen to Stephen Brandt described Mozilo’s instructions for pricing and processing McKeon’s loan. Gerfen stated: “Per Angelo – ‘take off 1 point, no garbage fees, approve the loan and make it a no doc.’”¹⁷⁷ Brandt forwarded Gerfen’s e-mail to Joseph Reed in the VIP unit.



¹⁷⁰ Abby Sewell and Catherine Saillant, *Details emerge on Rep. McKeon’s Countrywide loan*, L.A. TIMES, Feb. 12, 2012.

¹⁷¹ *Id.*

¹⁷² Loan Policy Analysis (CW-COGR2-0004000).

¹⁷³ E-mail from Kay Gerfen to Stephen Brandt (Sep. 29, 1998) (CW-COGR2-0003963).

¹⁷⁴ Biography of Michael Farrell, *available at* <http://www.ftc.gov/bcp/workshops/etaildetails/bios/ferrell.pdf> (last visited May 7, 2012).

¹⁷⁵ *Id.*

¹⁷⁶ Executive Profile of Angelo Mozilo, Businessweek.com, *available at* <http://investing.businessweek.com/research/stocks/people/person.asp?personId=264658&ticker=CFC:VN> (last visited May 7, 2012).

¹⁷⁷ E-mail from Kay Gerfen to Stephen Brandt (Sep. 29, 1998) (CW-COGR2-0003963).

On October 5, 1998, Reed updated a “Countrywide Comment Sheet” for McKeon’s loan. Reed’s comments about the McKeon loan reflected the content of a series of telephone conversations with McKeon, his wife, and his secretary. Reed stated:

FOA [Friends of Angelo] referral, Please order appraisal ASAP. You may call the borrower at his Washington office [number redacted] and get the Sons phone number for the appraiser contact. The borrower would like to hear from the appraiser this week. The borrower is a bit difficult to deal with. He seems on the edgy side.¹⁷⁸

On October 7, 1998, Countrywide sent an “opening package” of loan documents to the McKeon’s at their Stevenson Ranch home. The cover letter stated: “Thank you for allowing COUNTRYWIDE’s VIP TEAM to assist you with your financing needs on the above referenced property.”¹⁷⁹

¹⁷⁸ Countrywide Comment Sheet (CW-COGR2-0004036).

¹⁷⁹ Opening Package Cover Letter (Oct. 7, 1998) (CW-COGR2-0004029).

SENT VIA UPS OVERNIGHT DELIVERY

October 7, 1998

Howard McKeon

Patricia McKeon

Stevenson Ranch, Ca 91381

Re: Your refinance loan for property located at [REDACTED],
Stevenson Ranch, CA 91381

Dear Mr. & Mrs. McKeon,

Thank you for allowing COUNTRYWIDE's VIP TEAM to assist you with your financing needs on the above referenced property. Our goal is to offer you high quality service from the initial application to final closing so that you loan closes quickly.

Enclosed is your "opening package". Carefully review all the documentation before signing. The forms on the left side should be thoroughly completed then signed/initialed and dated. The forms on the right side are for your records.

In addition, the following item will be required to complete your package.

1. Current Homeowners Insurance Declaration Page

We hope this condition are all we will need to complete your loan. If you have any questions, please call us at the number on the business cards attached.

THE VIP TEAM

Congressman Pete Sessions

In April 2007, Congressman Sessions and his wife applied for a loan to purchase a home in Dallas, Texas. The VIP unit in Rosemead, California processed the loan. On January 17, 2012, a statement from a Sessions spokesperson appeared in a story by John Bresnahan in *Politico*. According to the spokesperson:

Out of an abundance of caution in managing his personal finances, Congressman Sessions specifically requested that he not be extended any special benefits or treatment from Countrywide.

Everything about his experience suggests that his simple request was honored and that he was treated like every other customer.¹⁸⁰

FINDING: *Congressman Pete Sessions requested not to receive a discount from Countrywide. Countrywide commemorated Sessions' request in internal e-mail. Countrywide did not apply the standard VIP discount to Sessions' loan.*

Documents show that Countrywide honored Sessions's request not to receive a discount. In an April 23, 2007 e-mail to Angelo Mozilo, Loan Consultant David Kovnesky wrote: "Due to the fact that Mr. Sessions is an elected official, we did not offer a discount."¹⁸¹

David
Kovnesky/Consumer/CF/CCI
04/23/2007 06:46 PM

To Angelo Mozilo/Managing
Directors/CF/CCI@COUNTRYWIDE
cc Kay Gerfen/Administration/CF/CCI@COUNTRYWIDE,
Stephen Brandt/Consumer/CF/CCI@Countrywide, Maritza
Cruz/Consumer/CF/CCI@COUNTRYWIDE, Aaron
bcc
Subject Congressman Pete Sessions

Mr. Mozilo:

I locked Mr. Sessions' purchase loan this afternoon, and received a CLUES Accept. Please review the loan scenario referenced below:

Purchase Price: \$1,300,500
Loan Amount: \$1,040,000
LTV: 80%
Property Type: Single Family Res., Dallas, TX
Loan Type: 30 Fixed
FICOs: 797 / 764
DTI: 32 / 51
Reserves: \$2,700,000

Due to the fact that Mr. Sessions is an elected official, we did not offer a discount. We will let you know if we run into a problem with the transaction.

Please let me know if you have any questions, or instructions.

Thank you.

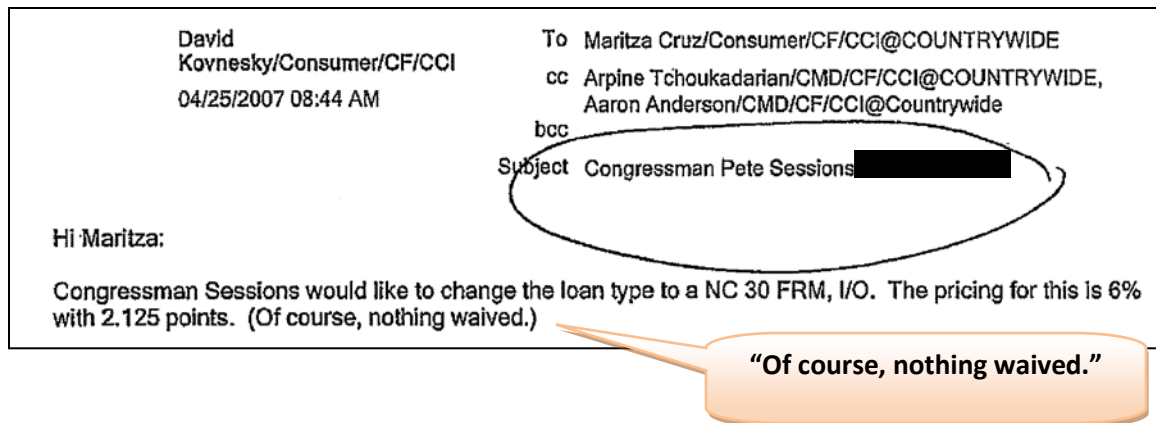
On April 25, 2007, Sessions notified Kovnesky that he preferred a 30-year fixed rate interest only mortgage program.¹⁸² Kovnesly notified Maritza Cruz of the change. In his e-mail to Cruz, he confirmed that no discounts were being applied.¹⁸³

¹⁸⁰ John Bresnahan, *Pete Sessions got Countrywide VIP loan*, POLITICO, Jan. 17, 2012.

¹⁸¹ E-mail from David Kovnesky to Angelo Mozilo (Apr. 23, 2007) (CW-COGR2-0024677).

¹⁸² E-mail from David Kovnesly to Maritza Cruz (Apr. 25, 2007) (CW-COGR2-002461).

¹⁸³ *Id.*



Documents show that market terms – 6.00 percent interest with a fee of 2.125 points – were in fact the rate and price charged for Sessions’s loan.¹⁸⁴ Sessions’s loan was for slightly more than \$1 million.

Congressman Elton Gallegly

Documents show that in the summer of 2004, Congressman Gallegly applied for a home equity line of credit from Countrywide. The VIP unit in Rosemead, California processed the loan. Countrywide’s headquarters in Calabasas was near Gallegly’s home, just outside California’s 24th congressional district.

Gallegly told John Emshwiller of the *Wall Street Journal* that he had not previously heard of the VIP program and would have “run away from” any offer that possibly carried special favors.¹⁸⁵ Documents show that Gallegly’s loan was processed as a Friend of Angelo loan.¹⁸⁶ Three-eighths of a point was waived.

¹⁸⁴ Uniform Residential Loan Application (CW-COGR2-0024821); Houdini Snapshot (CW-COGR2-0024670).

¹⁸⁵ John Emshwiller, *Lawmakers Tied to VIP Loan Program*, WALL ST. J., Jan. 14, 2012.

¹⁸⁶ CMD Call Center Support Document (CW-COGR2-002404).

CONSUMER MARKETS DIVISION CMD CALL CENTER SUPPORT BRANCH REQUIRED DOCUMENTATION	
Date: 06/22/2004	AE Name: Linda B. Crawford
AE #: 13	Phone Number: [REDACTED]
Borrower: Eldon W. Gallegly	
Topic	Comments
Best Time to Contact Customer	mrs on cell [REDACTED] for appraisal
Potential Challenges	none
Exception Information	waive .375 to have prime only rate <i>exception submitted</i>
Miscellaneous 1	cost heloc to be paid from countywide cost but no cost to client please increase line amount to 750,000.00 will send in exception for .375
Miscellaneous 2	friend of angelo
<i>no cost to client</i>	

Page 1 of 1

Former Congressman Tom Campbell

In June 1997, former Congressman Thomas Campbell approached Gene Zink in Countrywide's Consumer Markets Division for a home equity line of credit. Because Campbell was a Member of Congress, Zink forwarded his application to the VIP unit.¹⁸⁷

Countrywide Comment Sheet	
Loan Number:	
HELOC Loan Number:	[REDACTED]
Last Updated:	6/7/97 4:31:03 PM By User: GZINK
6/7/97	
Comments	
VIP LOAN-- THIS CUSTOMER IS A US CONGRESSMAN FOR THE STATE OF CALIFORNIA AND THAT IS WHY I HAVE SENT THE LOAN TO THE VIP UNIT	

¹⁸⁷ Countrywide Comment Sheet (Jun. 7, 1997) (CW-COGR2-001579).

Zink prepared a Transmittal Summary that accompanied Campbell's file when he transferred it to the VIP unit. On it, he noted that Campbell was a VIP.¹⁸⁸ He sent the file to Maritza Cruz, who processed the loan in Rosemead.¹⁸⁹

VIP LOAN TELEMARKETING TRANSMITTAL SUMMARY			
CONTENT CHECKLIST STACKING ORDER		New Loan #	
☒	Loan comment screen print	☒	Policy Analysis
☒	Pre Qual	☒	Lock N Shop Screen
☒	Loan lock in screen print with rate sheet	☒	Closing Costs (including no cost)
		☒	1003 with Credit Report
		☒	AS400 Doc Tracking (if applicable)
		☒	FHA Worksheet
GENERAL INFO			
Date:	6/14/97 JUN -	Branch #:	1850
Account Executive:	GENE ZINK	1-800-669-5198	X 6565
AE #:	333	Supervisor:	Marty Scirratt
Borrower:	Campbell	Ext #:	
		Review:	☐ Y ☒ N

Former HUD Secretary Alphonso Jackson

Former Secretary of Housing and Urban Development (HUD) received several VIP loans from Countrywide. He finteracted with Jimmie Williams so frequently that the two developed a personal friendship. When Jackson's daughter, Annette Watkins, needed a second mortgage on a property in Texas, Jackson approached Williams for help. Williams stated:

Q Do you remember how you came into contact with either Ms. Watkins or her father, Alphonso Jackson?

A I knew Alphonso Jackson but not Ms. Watkins.

Q Did Secretary Jackson -- he notified you that his daughter needed a loan? Is that how this kind of conversation started?

A Yes.

Q How did he make you aware of that? How did that conversation go?

A He called me and told me.

Q How did he know to call you? How did he know you might be helpful?

A Because I mean I knew him. When he was Acting Secretary, I knew him.

¹⁸⁸ Telemarketing Transmittal Summary (CW-COGR2-001578).

¹⁸⁹ E-mail from Maritza Cruz to Kristina Rodusky (Jun. 10, 1997) (CW-COGR2-001578).

Q Was that a personal friendship, or is that a professional relationship?

A It turned into both.

Q Had you helped him on a loan? I think he had a Countrywide loan himself.

A Yes.

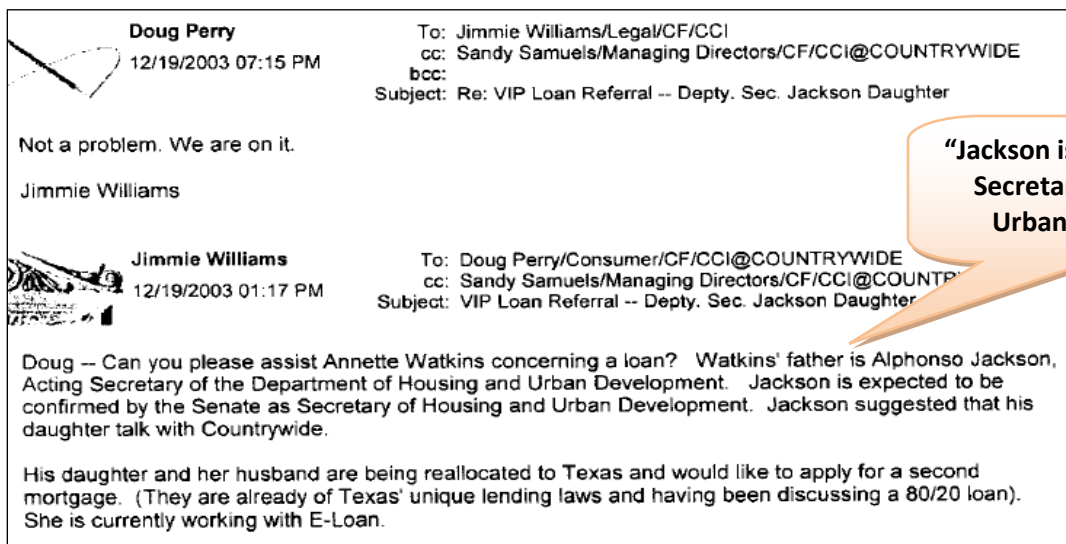
Q Was he referred to the VIP unit?

A Yes.¹⁹⁰

Williams contacted Countrywide Senior Vice President Doug Perry on Watkins's behalf because "Jackson suggested his daughter talk with Countrywide."¹⁹¹

Williams told Perry that Watkins's father "is expected to be confirmed by the Senate as secretary of Housing and Urban Development."¹⁹²

Because the property Watkins was financing was in Texas, unique lending laws applied. Williams notified Perry of this potential complication.¹⁹³ Perry assured Williams the Texas laws do not prevent Countrywide from helping Watkins. He stated: "Not a problem. We are on it."¹⁹⁴



¹⁹⁰ Williams Tr. at 94-98.

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*

¹⁹⁴ E-mail from Doug Perry to Jimmie Williams (Dec. 19, 2003) (Countrywide_001655).

Williams testified that his relationship with Jackson impressed his bosses in California. Countrywide's senior leadership relied on Williams for meetings with Jackson. He stated:

Q . . . [D]id he ever express to you that he was satisfied with the great service that he got or had a great experience? Did he ever explain to you why he was coming back to you now to help his daughter?

A Because it made me look good.

Q How do you mean that?

A Because I am -- I knew the Secretary, so I think that might have counted for something. Seriously. Even if I just referred it up.

Q You mean in the eyes of the people in California. You got a sense that they were impressed that you had a relationship with the Secretary?

A Less about the loan and more about, yeah, that we got along.

Q And did the Secretary ever communicate to you that he appreciated your assistance?

A I am sorry, with the loan or --

Q Yeah, either with the original loan or that he appreciated you assisting with his daughter's loan?

A With me efficiently getting it through, he just said thank you.¹⁹⁵

Q So you had described that you had a personal relationship with Mr. Jackson. Can you describe that relationship? How often did you guys speak with each other?

A Well, I would talk with him by phone, and I have gone out to dinner with him. If there was some event that I thought was a good event, I would go with him. And even when they were

¹⁹⁵ Williams Tr. at 94-98.

looking for houses, I would call them over the weekend and tell them where to go look, to find out where they went.

Q And I think you described that you thought that relationship with the Secretary would make you look good within Countrywide? Is that sort of an accurate --

A I thought it would make me look good, period, yeah. Yeah, to know a Cabinet member at the time, yeah, I just thought that was a plus.

Q Do you recall it ever actually, sort of, panning out in any particular way, your relationship with him, in terms of on Countrywide's behalf? Did you end up asking him for something or --

A You know, for me, I don't think I made a specific ask. But I do know that for meetings they would call me first. If there was going to be a meeting pretty much at Countrywide, they would let me know that they were going to meet with him. In so many ways, that was my client and my relationship, so.

Q Did you think that that benefit that you were getting, in terms of, you know, getting called for a meeting, was related to your personal relationship with Mr. Jackson or to the fact that Mr. Jackson himself had his own Countrywide loan?

A I don't think the loan had anything to do with it. I think the relationship did.¹⁹⁶

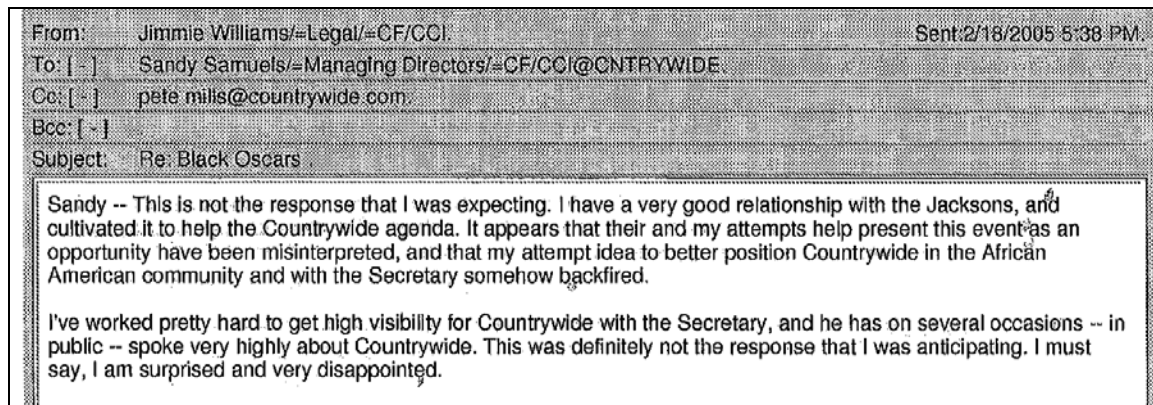
In 2005, Jackson's wife asked Williams to secure Countrywide sponsorship of a table at 25th Annual "Friends of the Black Oscar Nominees" event in Los Angeles.¹⁹⁷ Mozilo declined to buy a table at the event.¹⁹⁸ Williams was disappointed. He e-mailed Sandy Samuels: "I've worked pretty hard to get high visibility for Countrywide with the Secretary, and he has on several occasions -- in public -- spoke very highly about Countrywide."¹⁹⁹

¹⁹⁶ Williams Tr. at 123-125.

¹⁹⁷ E-mail from Jimmie Williams to Tiarzha Taylor (Jan. 13, 2005) (CW-COGR-0087940).

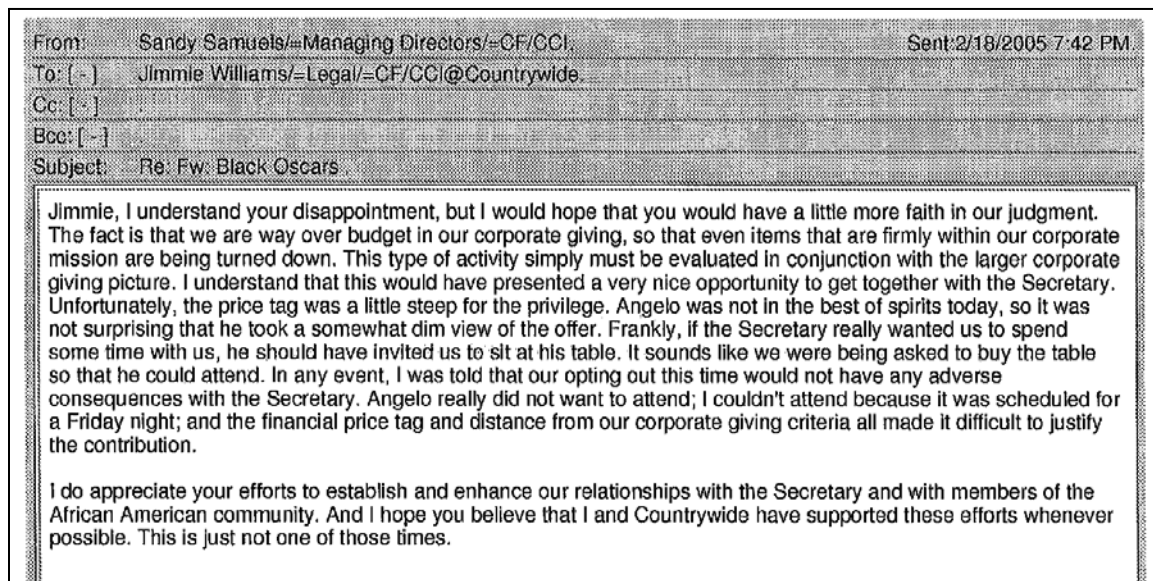
¹⁹⁸ E-mail from Sandy Samuels to Jimmie Williams (Feb. 18, 2005) (CW-COGR-0088112).

¹⁹⁹ E-mail from Jimmie Williams to Sandy Samuels (Feb. 18, 2005) (CW-COGR-0088122).



Samuels told Williams that Countrywide had already exceeded its budget for corporate giving.²⁰⁰ Samuels and Mozilo did not share Williams' concerns that declining to sponsor the "Friends of the Black Oscars" event would damage the company's relationship with Jackson. Samuels e-mailed Williams: "I was told that our opting out this time would not have any adverse consequences with the Secretary."²⁰¹

Samuels also reassured Williams that the company appreciated his efforts to build goodwill with Secretary Jackson.²⁰² Williams' largesse appeared to make a good impression on the Secretary. In April 2006, Williams coordinated a Kennedy Center event that Mozilo, Jackson, his daughter, and son-in-law attended. Countrywide Managing Director for Public Affairs Mary Jane Seebach saw Secretary Jackson on April 20, 2006. She e-mailed Williams: "I said hello to the Secretary today after he spoke -- he lights up when I said Countrywide."²⁰³



²⁰⁰ E-mail from Sandy Samuels to Jimmie Williams (Feb. 18, 2005) (CW-COGR-0088130).

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ E-mail from Mary Jane Seebach to Jimmie Williams (Apr. 20, 2006) (CW-COGR-0090140).

Former HUD Secretary Henry Cisneros

President Bill Clinton nominated Henry Cisneros to serve as Secretary of Housing and Urban Development on December 17, 1992.²⁰⁴ He was confirmed by the U.S. Senate on January 21, 1993, and sworn into office the next day.²⁰⁵

As the Clinton administration's top housing official, "Cisneros loosened mortgage restrictions so first-time buyers could qualify for loans they could never get before."²⁰⁶ Cisneros first met Mozilo when the two negotiated a pledge to use "proactive creative efforts" to extend homeownership to minorities and low-income Americans.²⁰⁷ Cisneros joined Countrywide's board in 2001.²⁰⁸

Cisneros received several loans from Countrywide while he served on the board. The VIP unit processed the loans. Cisneros – apparently concerned about Sarbanes-Oxley restrictions that applied to board members – requested not to receive a discount. Maritza Cruz testified:

Q: . . . And did anyone ever tell you they can't accept a certain benefit or certain discount or exception because they were a government employee?

A: I only heard it once.

Q: When was this?

A: I forgot his name. Board of directors.

Q: Was it Henry Cisneros?

A: Cisneros. I couldn't remember the name. I did a few loans for him. And he did say, I don't want discounts. That's the only time I have seen it.

Q: And when he told you that, what did you?

A: We did what he wanted us to do.

Q: Not give him any discounts? Is that correct?

²⁰⁴ Henry G. Cisneros, HUD Archives, *available at* <http://archives.hud.gov/secretaries/cisnerosbio.cfm> (last visited May 7, 2012).

²⁰⁵ *Id.*

²⁰⁶ David Streitfeld and Gretchen Morgenson, *Building Flawed American Dreams*, N.Y. TIMES, Oct. 18, 2008.

²⁰⁷ *Id.*

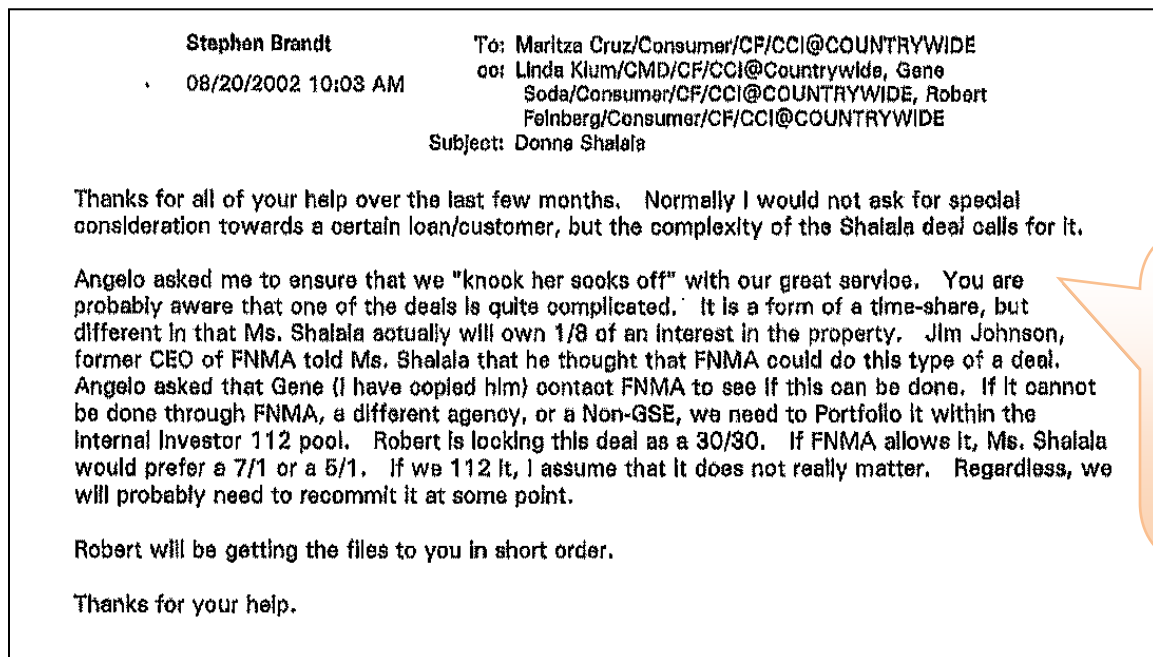
²⁰⁸ REUTERS, *Countrywide says ex-HUD chief Cisneros quits board*, Oct. 24, 2007.

A: Exactly.²⁰⁹

Former HHS Secretary Donna Shalala

Shalala, like Jim Johnson, had a home in Ketchum, Idaho, near the Sun Valley ski resort. When Shalala was seeking to finance the purchase of her Idaho vacation home in 2002, Johnson referred her to Countrywide and advised her that Fannie Mae would be able to back the complicated loan.²¹⁰ At the time, the former HHS Secretary was President of the University of Miami.²¹¹

Mozilo referred Shalala's loan to the VIP unit and instructed Stephen Brandt to "knock her socks off with our great service."²¹² Shalala was simultaneously refinancing the Countrywide mortgage on her Washington, D.C. home.²¹³



"Angelo asked me to ensure we 'knock her socks off' with our great service."

VIP Account Executive Robert Feinberg made a note on a Call Center Support document to remind him and anyone else who used the document to process Shalala's loan that the former Secretary should receive VIP treatment.²¹⁴

²⁰⁹ Transcribed Interview of Maritza Rose by H. Comm. on Oversight & Gov't Reform Staff, Jan. 19, 2012, at 56. [hereinafter Rose Tr.]

²¹⁰ E-mail from Stephen Brandt to Maritza Cruz (Aug. 20, 2002) (CW-COGR2-0007149).

²¹¹ Biography of Donna Shalala, available at http://www.miami.edu/index.php/about_us/leadership/office_of_the_president/president_donna_e_shalalas_biography/ (last visited Mar. 30, 2012).

²¹² *Id.*

²¹³ E-mail from Maritza Cruz to Robert Feinberg (Sep. 21, 2002) (Countrywide_000007).

²¹⁴ CMD Call Center Support document (Aug. 21, 2002) (CW-COGR2-0007177).

*** VIP FOA ***
SHALALA

The documents show that Mozilo personally priced Shalala's loan.²¹⁵ Cruz forwarded an appraisal to Mozilo's office so Mozilo could determine for himself the terms of Shalala's financing.²¹⁶

Maritza Cruz 09/19/2002 02:57 PM	To: Kay Gerfen/Administration/CF/CCI@COUNTRYWIDE cc: Subject: Can you show Angelo this appraisal for Donna Shalala. He was going to determine what financing we are going to give her. Thanks! Maritza
--	---

Among the perks given to Shalala were .25 point float downs on each of the two loans she financed through Countrywide.²¹⁷

Maritza Cruz 09/21/2002 11:04 AM	To: Robert Feinberg/Consumer/CF/CCI@COUNTRYWIDE cc: Stephen Brandt/Consumer/CF/CCI@Countrywide Subject: Donna Shalala
--	--

We are ready to close both transactions for Donna Shalala. I floated both of them down to current pricing from 6.25% to 6% on the timeshare and from 5.375 to 5.125% on her property in Washington DC

She already is aware that loan documents will be sent to her within next week.

IX. Countrywide and Fannie Mae Were Closely Aligned

In 1999, Fannie Mae CEO Jim Johnson and Countrywide CEO Angelo Mozilo reached a strategic agreement giving Fannie Mae exclusive access to many of the loans originated by Countrywide in exchange for a discount on fees Fannie charged when buying loans. The agreement linked the growth and success of Countrywide to Fannie Mae's continued desire to acquire a large volume of loans.

Fannie Mae designed the deal to lock competitor Freddie Mac out of the market for Countrywide's loans.²¹⁸ The agreement amounted to a volume discount. According to Paul Muolo and Matthew Padilla, co-authors of *Chain of Blame*, the arrangement linked Fannie Mae and Countrywide "at the hip."²¹⁹ Instead of assessing the standard fee

²¹⁵ E-mail from Maritza Cruz to Kay Gerfen (Sep. 19, 2002) (CW-COGR2-0007149).

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ Paul Muolo and Matthew Padilla, "Chain of Blame," John Wiley & Sons, July 2008 at 113.

²¹⁹ *Id.*

of 23 basis points (0.23 percent) for every loan it guaranteed, Fannie Mae charged Countrywide only 13 basis points, “the lowest ‘g-fee’ deal Fannie had ever granted.”²²⁰

While negotiating the volume discount, Countrywide CEO Angelo Mozilo leveraged his company’s position as the nation’s largest residential housing lender to extract concessions from Fannie Mae CEO Jim Johnson, who himself received more than \$10 million worth of Countrywide VIP loans.²²¹

Fannie Mae General Counsel Alfred Pollard stated that he is “not aware of a general industry practice of other purchasers of mortgages entering into similar agreements during this timeframe”²²²

FINDING: A strategic alliance forged in 1999 between Countrywide and Fannie Mae linked the growth of the two companies. The agreement was unique – there was not a general industry practice of giving a volume discount to a mortgage originator. In 2005, the two companies agreed to work together to expand lending to low-income borrowers.

Countrywide and Fannie Mae further expanded their relationship with another strategic alliance agreement in 2005. During each quarter, Countrywide was required to sell to Fannie Mae at least 70 percent of all “Expanded Criteria Mortgages,” and at least 65 percent of those mortgages each month.²²³

Fannie Mae also agreed to “provide special marketing and other assistance” to Countrywide in its efforts to reach low-income borrowers.²²⁴ Both parties pledged to continue a “Favored Relationship” in which they were “committed to the business success of the other party.”²²⁵

The 2005 agreement required both companies to “maintain the complete confidentiality of the existence and terms of this agreement.”²²⁶

In September 2005, Fannie Mae lobbyist Sharon Canavan wrote an e-mail to Countrywide lobbyist Pete Mills. Canavan, whose own loans were processed by Countrywide’s VIP unit, stated: “We just signed a new alliance deal with you guys. Pleasure doing business with you.”²²⁷

²²⁰ *Id.*

²²¹ Muolo & Padilla.

²²² E-mail from Alfred Pollard, Fannie Mae General Counsel to H. Comm. on Oversight & Gov’t Reform Republican Staff, May 19, 2011.

²²³ *Id.*

²²⁴ *Id.* at 10.

²²⁵ *Id.* at 12.

²²⁶ *Id.*

²²⁷ E-mail from Sharon Canavan to Pete Mills, Sep. 22, 2005 (CW-COGR-0070462).

Mills replied: “Good. I like you guys!!!”²²⁸

Fannie Mae Employees Gave Countrywide Inside Information

Throughout 2005, Fannie Mae and Countrywide continued to expand their alliance. In April 2005, Fannie offered Countrywide “improved pricing for investor loan products,” the goal of which was “to offer an execution that is more competitive with private label execution.”²²⁹

Days later, on April 19, 2005, a Fannie Mae official provided Countrywide executives with “a valuable heads up” on a change in loan collection policy.²³⁰ David Battany, former Director of Single-Family Business in Fannie Mae’s Western Region office located in Pasadena, California, emphasized the sensitive nature of the information. In an e-mail to Countrywide Chief Risk Officer John McMurray, Battany stated:

The above policy is not public, and you should be the first in the country to know this information. Please do not share this information outside of Countrywide at this time.²³¹

Fannie Mae Senior Executives Received the Highest Level of VIP Service

Documents and information obtained by the Committee show the extent of Countrywide’s efforts to align the company with the most senior leadership at the GSEs. Documents show that Mozilo was personally involved in helping obtain discounted loans for former Fannie Mae executives James Johnson, Franklin Raines, Jamie Gorelick and Daniel Mudd. The documents also show Mozilo’s close personal relationship with Johnson, with whom he negotiated the first strategic partnership agreement that formally linked Countrywide and Fannie Mae for the first time.

Jimmie Williams was familiar with Johnson and Raines. He received referrals from Fannie Mae and passed them to the VIP unit. He stated:

Q And did you regularly get referrals from Fannie Mae, or was this sort of a unique experience?

A I remember getting a couple from Fannie Mae.

Q And when you got referrals from Fannie Mae, what did you do with them?

²²⁸ E-mail from Pete Mills to Sharon Canavan, Sep. 22, 2005 (CW-COGR-0070463).

²²⁹ Email from David Battany to David Spector, et al., Apr. 14, 2005 (CW-COGR-0086883).

²³⁰ E-mail from Greg Togneri to David Spector, Apr. 19, 2005 (CW-COGR-0086891).

²³¹ E-mail from David Battany to John McMurray, et al., Apr. 19, 2005 (CW-COGR-086891) (emphasis added).

A The same process. It was the same thing, same process, same number, same desk.²³²

Countrywide processed loans for Fannie Mae employees who participated in an employee assistance program, which provided money that could be put toward a down payment. Cruz testified that the VIP team was familiar with these complicated loans and processed them frequently. She stated:

Q: Do you recall that Fannie Mae and Freddie Mac employees were frequently referred into the program?

A: Yes. Actually, more Fannie Mae than Freddie Mac, but anybody that wanted to access our unit would get an application in and we would process it. In fact, we were aware of the employee assistance program for Fannie Mae, which requires a little bit of process that some people didn't want to get involved when you have to take care of that. So we did, being that they knew among their employees, they knew how we were able to take care of those things, then they would refer themselves to us to take care of those loans.

Q: So Fannie Mae employees who took advantage of their internal employee assistance program

A: Yes.

Q: -- would be made aware of Countrywide's

A: Yes, that we were able to process that part of their transaction. Because it entailed to fill out some forms, get signatures, send it to another underwriter in Fannie Mae that would sign off and say, okay, the loan is okay for this part of the assistance. Because what it was, part of the down payment came from funds from Fannie Mae for them to purchase the property.²³³

Jim Johnson

James "Jim" Johnson became chairman and CEO of Fannie Mae in 1991. David Maxwell, former general counsel for the Department of Housing and Urban Development, had initially recruited him to join Fannie Mae.²³⁴ Shortly after assuming the top position at Fannie Mae, Johnson went on tour to meet with top executives at the

²³² Williams Tr. at 115-116.

²³³ Rose Tr. at 162-165.

²³⁴ Muolo and Padilla at 111.

mortgage banking firms with which Fannie had business.²³⁵ In California, Johnson met Angelo Mozilo, whose company Countrywide was already selling conforming loans to Fannie Mae.²³⁶ Fannie's handled its business with Countrywide from Fannie Mae's west coast office, "conveniently located right across the street from Countrywide's headquarters."²³⁷

Johnson and Fannie Mae accountants in charge of tracking the sources of the loans purchased by the GSE noticed Countrywide's rapid growth.²³⁸ Realizing Fannie Mae would be buying the majority of its loans in the future from non-bank mortgage companies like Countrywide, Johnson made an effort to court Mozilo.²³⁹ At the time, Countrywide was originating billions in loans and was on its way to becoming "the largest residential lender in the United States."²⁴⁰

"When Jim realized how much volume Countrywide was taking down, especially in California, he made it his mission to get to know Angelo," said a Johnson aide.²⁴¹ He did. Johnson and Mozilo became closely aligned.

As the business ties between Countrywide and Fannie Mae grew stronger, so too did the personal ties between the two CEOs. When Mozilo ordered discounts and other forms of preferential treatment for Johnson and his friends and family, he frequently reminded staff how important Johnson was to the company. After waiving one and a half points on a loan for Johnson, Mozilo reminded David Kovnesky: "Jim Johnson continues to be a source of many loans for our Company and this is just a small token of my appreciation for the business that he sends to us and for his loyalty to the Company."²⁴²

When Mozilo was helping Johnson arrange a loan for his son, he e-mailed Carlos Garcia: "I agreed to make a loan to Jim Johnson's [son's] trust . . . [I]f Jim needs to cosign, he will. It is important that we make this loan because of Jim's help to the Company over many years. Please call Jim directly . . . and let me know if you need anything else."²⁴³

In an e-mail to Andrew Gissinger, Mozilo stated: "Jim is a very important customer."²⁴⁴ Johnson was described as a "big time FOA" in another internal e-mail.²⁴⁵

Mozilo's message got through. When Underwriter Gene Soda was uncomfortable approving a loan to Johnson because of credit issues, he knew to seek further instructions

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ *Id.*

²³⁸ *Id.* at 112.

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ *Id.* at 112-113.

²⁴² E-mail from Angelo Mozilo to David Kovnesky, Nov. 13, 2007 (CW-COGR-0065615).

²⁴³ E-mail from Angelo Mozilo to Carlos Garcia, Mar. 27, 2006 (CW-COGR-0073048) (emphasis added).

²⁴⁴ E-mail from Angelo Mozilo to Andrew Gissinger (Apr. 17, 2007) (CW-COGR-

²⁴⁵ E-mail from David Kovnesky to Eve Brooks (Nov. 14, 2007) (CW-COGR2-0067900).

rather than deny Johnson's loan application.²⁴⁶ In an e-mail to Managing Director David Spector, Soda wrote:

In the past these loans were just approved as directed. However, based on [the credit report] I'm concerned about signing on these loans. These are obviously very high profile borrowers and lack of performance will be reported. I need some direction on how to proceed.²⁴⁷

Mozilo ordered the loan approved, and gave Johnson a break. He instructed the VIP unit: "Charge him ½ under prime. Don't worry about [the credit score]. He is constantly on the road and therefore pays his bills on an irregular basis but he ultimately pays them."²⁴⁸

When *Condé Nast Portfolio* and *The Wall Street Journal* broke the story of the VIP program in June 2008, Johnson's legal team requested help from Countrywide in developing a public relations strategy. In an e-mail to Countrywide's Chief Legal Officer, Johnson's lawyer wrote:

On behalf of Jim Johnson, I wanted to solicit Countrywide's willingness to put out a brief statement simply noting that this was part of a regular business program at Countrywide that served hundreds of senior corporate executives and high-net worth clients (much as any private banking unit would at any lender), and was not specific to Johnson's Fannie Mae connection."²⁴⁹

Mozilo obliged. He notified Countrywide's public relations staff that Johnson was enrolled in the VIP program because he referred a lot of business to Countrywide. Mozilo wrote:

Jim received no 'special' treatment. He has been the source of much business to Countrywide because of his confidence in us and knowing that we would treat anyone who comes to us fairly.²⁵⁰

In fact, Countrywide gave Johnson special treatment to a greater extent than it did for any other VIP borrower. Mozilo made sure Countrywide went to great lengths to reward Johnson for his personal and professional relationship with the company. Johnson received the full suite of benefits from Countrywide's VIP unit – from keeping Johnson's purchase of a condominium in the Ritz Carlton secret from his wife so he could surprise her,²⁵¹ to giving discounted loans to his son²⁵² and his maid,²⁵³ to ignoring

²⁴⁶ E-mail from Maritza Cruz to Gene Soda, Apr. 27, 2005 (CW-COGR-0073839).

²⁴⁷ E-mail from Gene Soda to David Spector, et al., Apr. 27, 2005 (CW-COGR-0086892).

²⁴⁸ E-mail from Angelo Mozilo to David Kovnesky, Jun. 14, 2005 (CW-COGR-0064057).

²⁴⁹ E-mail from Brian Brooks to Sandy Samuels, et al., Jun. 9, 2008 (CW-COGR-0086184) (emphasis added).

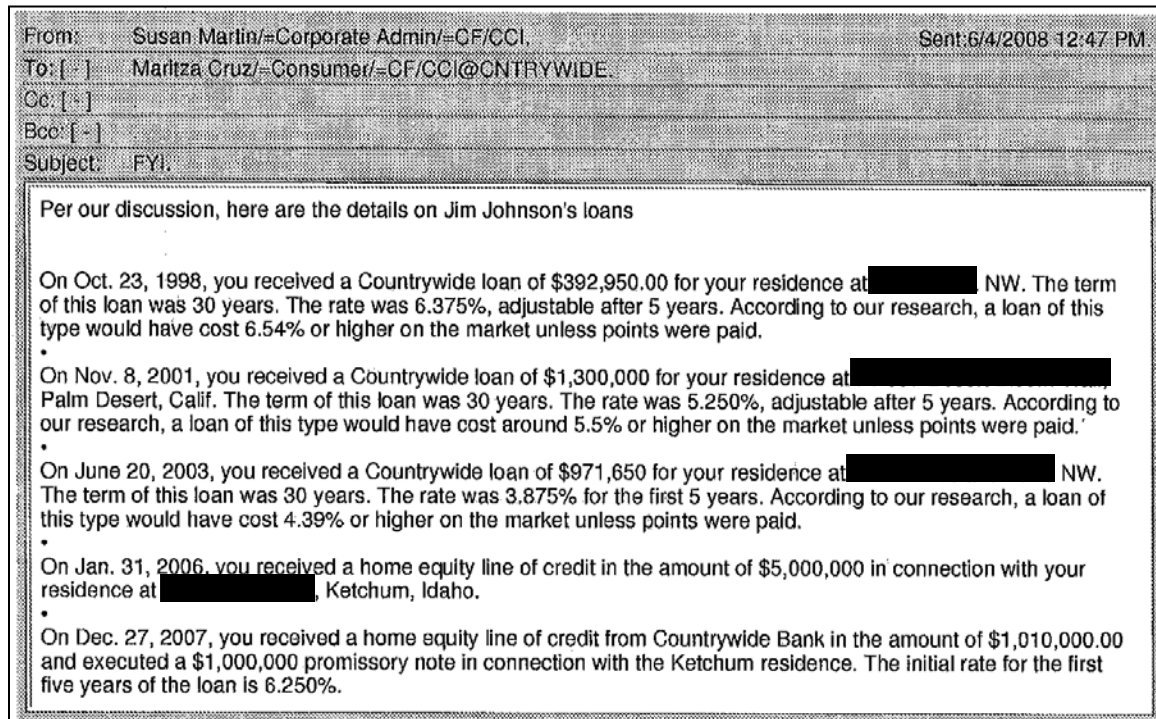
²⁵⁰ E-mail from Angelo Mozilo to David Bigelow, Jun. 9, 2008 (CW-COGR-0073739). (emphasis added)

²⁵¹ E-mail from Kay Gerfen to Stephen Brandt, Jan. 6, 2005 (CW-COGR-0066559).

credit issues²⁵⁴ and debt ratios²⁵⁵ when Johnson's loans did not comply with lending standards.

Additionally, Johnson was able to refer borrowers to the VIP unit. Johnson referred John Potter, Kent Conrad, and Donna Shalala to Countrywide, among others.

To assist Johnson's lawyers, Countrywide quickly gathered data about the various loans Johnson received from Countrywide. The company's own audit showed that Johnson received loans at below-market rates.²⁵⁶



Johnson served as Chairman and CEO of Fannie Mae until 1998. In the 2011 book *Reckless Endangerment: How Outsized Ambition, Greed and Corruption Led to Economic Armageddon*, authors Gretchen Morgenson and Joshua Rosner wrote that Johnson was one of the key figures responsible for the financial crisis.²⁵⁷

²⁵² E-mail from Angelo Mozilo to Carlos Garcia, Mar. 27. 2006 (CW-COGR-0073048).

²⁵³ E-mail from David Kovnesky to Doug Perry, Apr. 6, 2005 (CW-COGR-0066663).

²⁵⁴ E-mail from Angelo Mozilo to David Kovnesky, Jun. 14, 2005 (CW-COGR-0064057).

²⁵⁵ E-Mail from David Kovnesky to Angelo Mozilo, Nov. 14, 2007; E-mail from Angelo Mozilo to David Kovnesky, Nov. 15, 2007 (CW-COGR-0065628).

²⁵⁶ E-mail from Susan Martin to Maritza Cruz (Jun. 4, 2008) (CW-COGR-0074551).

²⁵⁷ Gretchen Morgenson and Joshua Rosner, *Reckless Endangerment: How Outsized Ambition, Greed and Corruption Led to Economic Armageddon*, Times Books, 2011.

In an interview on National Public Radio's *Fresh Air*, Morgenson described Johnson as "corporate America's founding father of regulation manipulation."²⁵⁸ Morgenson stated:

This is a person who really, really wrote the blueprint for how to neutralize your regulator, how to manipulate Congress to get your way and, you know, essentially how to destroy your critics. And they just took no prisoners over those years. They were extremely hard-nosed, extremely aggressive and abrasive, and really understood how to make sure that they had friends in Congress at all times. Now, their regulator at that time was very weak. It was HUD, the Housing and Urban Development, and essentially what Johnson did, which was really amazing at the time, was to help write legislation in 1991 and '92 which became the Safety and Soundness Act that was designed to prevent Fannie Mae and Freddie Mac from calling on taxpayers in a time of failure.²⁵⁹

Also according to Morgenson, Johnson changed Fannie's executive compensation plan to reward volume rather than quality of loans.²⁶⁰ Johnson earned over \$200 million while working at Fannie Mae.²⁶¹

Franklin Raines

Under the leadership of Franklin Raines, Fannie Mae moved away from the goal stated in its charter to provide access to home ownership for low- and middle-income Americans and adopted a strategy to maximize profit by acquiring and holding mortgages and mortgage-backed securities. Critics argued acquiring this portfolio was not worth the risk to taxpayers because it did nothing to put people in homes and existed only to make money for the companies' executives and shareholders.²⁶² The move did not seem to correlate to Fannie's stated goals, and the new strategy drew the attention of Congress. "It doesn't do anything to support their core mission," said Senator John Sununu, "and it increases their exposure to interest-rate risks."²⁶³

Under pressure from the Clinton Administration to increase home ownership rates among low- and moderate-income borrowers, Raines lowered Fannie Mae's lending standards to include "individuals whose credit is generally not good enough to qualify for

²⁵⁸ Transcript, "Fresh Air," NPR, May 24, 2011, *available at* <http://www.npr.org/templates/transcript/transcript.php?storyId=136496032> (last visited Mar. 28, 2012).

²⁵⁹ *Id.*

²⁶⁰ Morgenson and Rosner.

²⁶¹ *Id.*

²⁶² Bethany McLean, *Fannie Mae's Last Stand*, VANITY FAIR, February 2009 [hereinafter McLean].

²⁶³ Byron York, *Politics and the Fannie Mae Piggy Bank*, NAT'L REVIEW, Sep. 9, 2008.

conventional loans.”²⁶⁴ At the time of this move by Fannie Mae into the non-conventional market, a record number of Americans owned their own homes.²⁶⁵

Raines also announced a new goal to double Fannie Mae’s earnings-per-share in five years, from \$3.23 to \$6.46.²⁶⁶ This ambitious – or perhaps reckless – goal became part of the culture at Fannie. According to a report by the Office of Federal Housing Enterprise Oversight, “\$6.46, the EPS goal, became the corporate mantra — everything else was secondary to hitting that target.”²⁶⁷

Mozilo himself observed a change in the way Fannie Mae did business under Raines. When *Fortune* magazine ran a negative article on Fannie Mae under Raines’s tenure, Edwin Woodsome, one of Mozilo’s lawyers, forwarded the article to Mozilo and included his take. He wrote: “Angelo, I assume you saw the article on Fannie. They did a job on Raines, who may have deserved it. Things have certainly changed since Jim Johnson was there.”

Mozilo weighed in on Raines’s leadership in his response to Woodsome. Mozilo stated:

There is no question, in retrospect, that Franklin Raines was the cause of much of his problems. His arrogance and his total lack of sensitivity to the world around him was at the root of all that you read today. By the way I will be with Frank and Vernon Jordan tomorrow nite [sic] to see the President at the Alfafa [sic] Club. It will be interesting to see Frank’s current state of mind. I was with Jim Johnson yesterday and he agrees with my assessment of Frank.²⁶⁸

Mozilo was also unimpressed by the careers of several top Fannie Mae executives after they left the GSE. In response to an inquiry about the possibility of hiring a number of former Fannie executives who were looking for jobs after accepting a 2007 buyout, Mozilo stated:

For the most part being a long timer at Fannie means that you haven’t functioned in the real world. You can see what has happened to Frank Raines, Larry Small, Jamie Gorelick and many other top executives that were revered at Fannie and were unable

²⁶⁴ Steven A. Holmes, *Fannie Mae Eases Credit to Aid Mortgage Lending*, N.Y. TIMES, Sept. 30, 1999.

²⁶⁵ Dept. of Housing and Urban Development (“HUD”) website, <http://www.hud.gov/library/bookshelf12/hudhistory.cfm> (last visited Mar. 10, 2009) (According to the HUD, in 2000, home ownership rates in the United States reached 67.7%. 71.6 million American families own their own home).

²⁶⁶ Office of Federal Housing Enterprise Oversight Report, *Report of the Special Examination of Fannie Mae*, May 23, 2006 [hereinafter OFHEO Report].

²⁶⁷ *Id.*

²⁶⁸ E-mail from Angelo Mozilo to Edwin Woodsome, Jr., Jan. 21, 2005 (CW-COGR-0072951) (emphasis added).

to function outside of the Fannie caccoon [sic]. There may be some senior executives who have successfully transitioned but frankly I can't think of any.²⁶⁹

Despite his disdain for Raines, Mozilo and the VIP unit gave the former Fannie Mae CEO five loans.²⁷⁰ When Countrywide audited Jim Johnson's loans in response to a request from his legal team, they also looked at the VIP loans to Raines. Maritza Cruz found that Raines received a discount on his most recent loan from Countrywide. She reported her findings to Susan Martin. Cruz wrote: "For Mr. Raines we located the last transaction we did for him and the discount given was less than the employee discount. For Mr. Johnson, the discounts given in the last three loans exceeded the employee discount."²⁷¹

Raines also received a discount when he refinanced his mortgage in June 2003. At the time, his assistant, Wendy Hogan, telephoned Countrywide on his behalf. According to the phone message, "Wendy stated that per Angelo, Frank needs to refi."²⁷² In response to Wendy Hogan's phone call, Senior Vice President Doug Perry arranged a one point discount and waiver of junk fees on Raines's June 2003 refinance.²⁷³

In March 2003, Raines received a free float down to a lower interest rate.²⁷⁴ Documents also show that Raines received a discount on title insurance from a third party company. In an undated handwritten note to Countrywide VIP Loan Manager Maritza Cruz, Raines wrote:

I have enclosed the loan documents. I would like to use the same escrow agent as the original loan **to receive the discount on title insurance.** Please schedule closing to minimize prepaid interest. No escrows. And we would like automatic deduction. Please call if you have any questions.²⁷⁵

²⁶⁹ E-mail from Angelo Mozilo to Pete Mills, Jun. 28, 2007 (CW-COGR-079266) (emphasis added).

²⁷⁰ E-mail from David Kovnesky to Daniel Whitehead (Jun. 4, 2008) (CW-COGR-0068830).

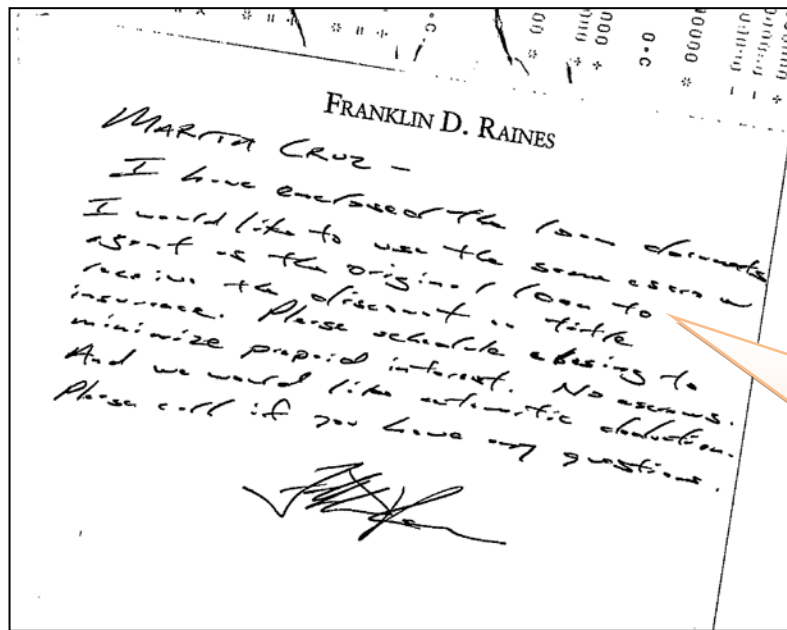
²⁷¹ E-mail from Maritza Cruz to Susan Martin (Jun. 4, 2008) (CW-COGR-0068832).

²⁷² E-mail from Claudia Velazquez to Doug Perry (June 9, 2003) (Countrywide_000010).

²⁷³ E-mail from Doug Perry, Countrywide to Robert Feinberg, Countrywide, June 9, 2003 (Countrywide_000010).

²⁷⁴ E-mail from Robert Feinberg to Maritza Cruz (Mar. 28, 2003) (CW-COGR-0074553).

²⁷⁵ CW-COGR-0004298 (emphasis supplied).



"I would like to use the same escrow agent as the original loan to receive the discount on title insurance."

Maritza Cruz explained that Raines's request for a discount on title insurance was unrelated to his status as a VIP borrower. She stated:

Q: So can you explain the discount on the title insurance and why that happened?

A: That has nothing do with us. That is the title insurance provision. Any time that you have a title insurance, they would give you a discount if you do the refinance with them, because they already insured that property previously. So the policy would be issued on a discounted premium.

Q: Okay. And 'please schedule closing to minimize prepaid interest,' can you explain what that request means?

A: What he was trying to say is to close by the end of the month so that he wouldn't have to come up with any money at closing.²⁷⁶

Daniel Mudd

During negotiations for a pricing exception for former Fannie Mae Vice Chairman and Chief Operating Officer Daniel Mudd, Countrywide's VIP unit was careful to keep all derogatory borrower information in-house. In one e-mail, Production Manager Donald Rector instructed VIP Account Executives, "In processing the loan, it is

²⁷⁶ Rose Tr. at 165-168.

imperative that any (negative) issues that arise be directed back to me before discussing with the financial advisor.”²⁷⁷

Countrywide Executive Vice President Joe Anderson had already notified Rector that Mudd’s deal was sensitive. In an e-mail, Anderson wrote:

Make sure the branch and RVP understand the sensitivity of this deal. **We already are taking a loss, it would be horrible to add a service complaint on top and lose any benefit we generate.**²⁷⁸
[emphasis supplied]

FINDING: Countrywide took a loss on a loan to former Fannie Mae President and CEO Daniel Mudd. A Countrywide manager acknowledged the loss on Mudd’s loan was expected to eventually generate a benefit for the company. Account Executives were instructed to keep any derogatory information related to Mudd’s loan in-house, in order to avoid jeopardizing “any benefit we generate.”

Mudd obtained a \$3,000,000 loan to refinance his mortgage.²⁷⁹ Countrywide charged a rate of 6.5 percent on the 30-year loan.²⁸⁰ Documents show Countrywide applied a one point discount to Mudd’s loan.²⁸¹

As with Johnson and Raines, Mozilo had a personal relationship with Mudd, who took over as CEO when Raines stepped down after the U.S. Securities and Exchange Commission (SEC) found Fannie Mae had violated accounting rules. In an e-mail to Mozilo, Mudd wrote: “Angelo – it looks like we’re speaking to the same OTS conference on Monday; if you stay over Sunday or Monday, I’ll buy you that bottle of Cianti [sic]. Dan.”²⁸²

In December, 2011, the SEC charged Mudd and other Fannie Mae and Freddie Mac executives with securities fraud. The SEC alleged they “knew and approved of” misleading statements claiming the companies had minimal exposure to subprime loans at the height of home mortgage bubble.²⁸³

²⁷⁷ CW-COGR-0003565.

²⁷⁸ CW-COGR-0003566.

²⁷⁹ CW-COGR-0003446.

²⁸⁰ *Id.*

²⁸¹ CW-COGR-0033566.

²⁸² E-mail from Daniel Mudd to Angelo Mozilo, Nov. 28, 2007 (CW-COGR-07331) (emphasis added).

²⁸³ Matt Andrejczak, *SEC Charges 6 ex-Fannie, Freddie execs with fraud*, WALL ST. J., Dec. 16, 2011.

Jamie Gorelick

Gorelick was appointed Vice Chairman of Fannie Mae in 1997 and served in that role through 2003,²⁸⁴ a period during which Countrywide and Fannie Mae forged their close relationship. When difficulties arose related to scheduling an appraisal appointment for Gorelick, Countrywide VIP Account Executive Joseph Reed pointed out that “This borrower is the Vice Chairperson for Fannie Mae.”²⁸⁵

Mozilo personally priced Gorelick’s loan.²⁸⁶ Mozilo knocked off 1.875 points from Gorelick’s \$960,000 loan, which translated to an \$18,000 discount.²⁸⁷ Countrywide also waived processing fees and document preparation fees totaling \$740.²⁸⁸

Fannie Mae Executives Violated the Company’s Code of Conduct by Accepting Discounted Loans

By accepting discounted loan terms and other preferential treatment from Countrywide, Fannie Mae employees violated the company’s Code of Conduct. The Fannie Mae Code of Conduct for Employees (“Code of Conduct”) prohibits them from accepting gifts or other items of value.²⁸⁹ The Code of Conduct puts Fannie Mae employees on notice that accepting “inappropriate gifts” is a violation, and may also be a criminal act.²⁹⁰ The Code of Conduct also explicitly forbids Fannie Mae employees from using their position for personal gain.²⁹¹ The Freddie Mac Employee Code of Conduct contains similar language.²⁹²

Fannie Mae’s Code of Conduct states that a discounted loan is an inappropriate gift. According to a Fannie Mae spokesman quoted in the *Wall Street Journal*, the Code of Conduct “requires the disclosure of potential conflicts of interest and prohibits acceptance of substantial gifts, including loans with preferential terms, from an

²⁸⁴ Biography, Jamie Gorelick, National Commission on Terrorist Attacks Upon the United States website, available at http://www.9-11commission.gov/about/bio_gorelick.htm (last visited Mar. 28, 2012).

²⁸⁵ CW-COGR-0014763.

²⁸⁶ Call Center Support document for borrower Jamie Gorelick by Account Executive Joseph Reed, Nov. 29, 2001. (hereinafter CW-COGR-0014760)

²⁸⁷ Loan Policy Analysis for borrower Jamie Gorelick, Nov. 28, 2001. (CW-COGR-0014708).

²⁸⁸ CW-COGR-0014760; Countrywide fee ledger for borrower Jamie Gorelick. (CW-COGR-0014793).

²⁸⁹ Fannie Mae Code of Conduct for Employees at 11, available at <http://www.fanniemae.com/resources/file/aboutus/pdf/employeecodeofconduct.pdf> (last visited May 17, 2012) [hereinafter Fannie Mae Employee Code].

²⁹⁰ *Id.*

²⁹¹ *Id.*

²⁹² Freddie Mac Employee Code of Conduct, Policy 3-202, available at http://www.freddiemac.com/governance/pdf/employee_code_conduct.pdf (last visited May 7, 2012). According to the Freddie Mac Employee Code of Conduct, “Employees may not solicit or accept discount prices, more favorable loan terms, loan guarantees, investment opportunities, or any other similar treatment or benefits from any source that are offered to them because of their status as Freddie Mac employees.”

organization seeking to do business without prior review and approval by the company.”²⁹³

On July 20, 2010, then-Ranking Member Issa wrote to Federal Housing Finance Agency General Counsel Alfred Pollard to request an investigation of Fannie Mae and Freddie Mac employees who may have violated Employee Codes of Conduct or federal law by accepting discounted loans from Countrywide.²⁹⁴ On August 6, 2010, Pollard provided his findings in writing. He found no evidence that current employees knowingly received preferential loan terms or other economic benefits from Countrywide based on their employment status.²⁹⁵ Pollard also found no evidence that current GSE employees were aware of the VIP program when they selected Countrywide as their lender.²⁹⁶

Pollard’s investigation was limited to current employees of the GSEs.²⁹⁷ In a letter, he concluded that “Most of the [current GSE] employees were in no position to advance in a meaningful fashion any business interests of Countrywide.”²⁹⁸ Johnson, Raines, Mudd and Gorelick no longer worked for Fannie Mae, so they were outside the scope of Pollard’s investigation.

Rank-and-File GSE Employees Received Preferential Treatment

The relationship between Fannie Mae and Countrywide was reflected in the amount of VIP loans processed for employees of the GSE. VIP borrowers identified Fannie Mae on their loan applications more often than any other employer, save for Countrywide itself. Loan documents show that Countrywide’s VIP unit gave preferential treatment and expedited service to senior GSE employees.

FINDING: Besides Countrywide, no employer was identified more often on VIP loan documents than Fannie Mae.

Documents obtained by the Committee show 153 VIP loans to borrowers who identified “Fannie Mae” or “FNMA” as place of employment on loan documents.²⁹⁹ The documents show an additional 20 VIP loans to borrowers who identified “Freddie Mac” or “FHLMC” as place of employment.³⁰⁰

The number of loans to borrowers who worked at Fannie Mae spiked at two points during the lifetime of Countrywide’s VIP program. The first spike came in 1998,

²⁹³ Glenn R. Simpson and James R. Hagerty, *Countrywide Friends Got Good Loans*, WALL ST. J., June 7, 2008.

²⁹⁴ Letter from Ranking Member Darrell Issa to Alfred Pollard, July 20, 2010.

²⁹⁵ Letter from Alfred Pollard to Ranking Member Darrell Issa, Aug. 6, 2010.

²⁹⁶ *Id.*

²⁹⁷ *Id.*

²⁹⁸ *Id.*

²⁹⁹ Bank of America Production No. 2, Nov. 13, 2009.

³⁰⁰ *Id.*

when Countrywide negotiated a volume discount with Fannie Mae; the second spike came in 2001-03, on the leading edge of a “mortgage boom that occurred from late 2002 through 2004” and an expansion of the VIP loan unit.³⁰¹

Account Executives in Countrywide’s VIP unit gave preferential treatment to borrowers employed by the GSEs. They expedited loan processing and ignored company guidelines particularly for those VIPs who worked at Fannie Mae. Documents and other publicly available information show that several former Countrywide employees left the company to work for Fannie Mae. Of this group, some became lobbyists for Fannie Mae and lobbied Congress when GSE reform legislation was under consideration.

FINDING: Fannie Mae employees received expedited processing and exceptions to Countrywide guidelines to a greater extent than other VIPs. Account Executives flagged loan applications from Fannie Mae employees to ensure they received special attention. Loans for Fannie Mae employees were coded “10600” in Countrywide’s computer system.

In some cases, Fannie Mae employees who came to Countrywide for a loan were automatically referred to the VIP unit for processing. When an Account Executive in a local branch forwarded a loan for a Fannie Mae employee to Countrywide’s underwriting team, that team in turn transferred the loan to the VIP unit in California. Loans for Fannie Mae employees were coded “10600” in Countrywide’s computer system.³⁰²

In 2004, Fannie Mae Senior Business Analyst Michelle Sorensen applied for a mortgage at Countrywide’s Acadia, California branch. When the Underwriting Manager in the Acadia branch noticed that Sorensen was participating in Fannie Mae’s Employee Assistance Housing program, he instructed the loan to be forwarded to the VIP unit in Rosemead.³⁰³

³⁰¹ *Id.*; Letters from S. Select Comm. on Ethics to Sen. Christopher Dodd and Sen. Kent Conrad, Aug. 7, 2009.

³⁰² Handwritten note attached to Uniform Residential Loan Application of Joseph Silva, Oct. 7, 2002. (CW-COGR-0059415)

³⁰³ E-mail from Frank Feng to Michelle Sorensen (Oct. 12, 2004).

-----Original Message-----

From: Frank_Feng@Countrywide.Com [mailto:Frank_Feng@Countrywide.Com]

Sent: Tuesday, October 12, 2004 1:51 PM

To: Sorensen, Michelle

Cc: FRANK_FENG@Countrywide.Com

Subject: RE: Loan # [REDACTED]

HI MICHELLE

MY UNDERWRITING MANAGER FOUND OUT THAT YOUR LOAN, WITH THE FNMA EAH PROGRAM, HAS TO BE HANDLED THROUGH A SPECIAL VIP LOAN DEPARTMENT IN OUR ROSEMEAD, CA CENTER. WE TRANSFERRED THE LOAN TO THEM AND YOU CAN CALL MARISSA AT 888-3634667 EXTENSION [REDACTED] TO FOLLOW UP ON ANY QUESTIONS YOU MIGHT HAVE.

THANKS

FRANK FENG

ARCADIA BRANCH
[REDACTED]

Documents show that Countrywide's VIP unit took special notice of loans to Fannie Mae and Freddie Mac employees. On Countrywide call center customer account summary sheets, referred to internally as "CMD Call Center Support" documents, VIP loan processors noted when a borrower was a Fannie Mae employee. This practice was unique to Fannie Mae employees; in almost no other case did Call Center Support documents note the employer of a VIP borrower.

**CONSUMER MARKETS DIVISION
CMD CALL CENTER SUPPORT
BRANCH REQUIRED DOCUMENTATION**

Date: 05/30/2001

AE #: 755 AE Name: Michael Brown

Borrower: Paulette Porter Phone Number: (202) [REDACTED]

TOPIC	COMMENTS
Best Time to Contact Customer	Days at work
Potential Challenges	She works for FNMA this goes to the VIP loan unit

On some Call Center Support documents prepared by VIP Account Executives for Fannie Mae employees, the borrower's employment status was listed as a "Compensating Factor" or a "Miscellaneous Note."³⁰⁴ For Fannie Mae Director Nitirwork Armstrong, it

³⁰⁴ CW-COGR-0005588.

was also noted that the borrower is “FOA [Friend of Angelo’s], [Fannie] Mae referral. Borrower was referred by Angelo through the President of Fannie Mae.”³⁰⁵

13	Miscellaneous 1	Piggy back for additional cash out.
14	Miscellaneous 2	FOA, fannnie Mae referral. Borrower was referred by Angelo through the President of Fannie Mae

For VIP borrower Gerald Langbauer, a Countrywide Account Executive noted that he “needs to close as soon as possible. Freddie Mac VP wants to purchase auto for wife.”³⁰⁶ Countrywide absorbed more than \$1,700 in fees on Langbauer’s loan.³⁰⁷

14	Miscellaneous 2	NEEDS TO CLOSE AS SOON AS POSSIBLE . FREDDIE MAC V P WANTS TO PURCAHSE AUTO FOR WIFE.
----	-----------------	---

The documents show that VIP Account Executives were instructed to expedite processing for Fannie Mae employees. For some VIPs, documents were marked to alert Account Executives to the borrower’s status as a Fannie Mae employee. For example, the heading “FNMA Fast Track” was marked on a script prepared by a Countrywide Senior Account Executive for a phone call with Fannie Mae lobbyist Sharon Canavan.³⁰⁸

FNMA FAST TRACK

Scripts — Standard Conv./Gov. Refi. Piggyback HELOC, if applicable) BORROWER NAME: Sharon 850-004 Canavan

"We've discussed many important issues related to your loan application and to make sure I have everything we discussed in order, let's take a minute to verify the terms of your loan application, so we can expedite (motivation MONEY).

SECURITY, FREEDOM, COMFORT, CONTROL, QUALITY, PRIVACY, TIME and PRESTIGE):"

- The amount of your loan request is \$ 120,500.
- The term is 20 years.
- The loan will be a(n) (circle one) → conventional FHA VA (circle one) → fixed ARM loan.
- The interest rate is 6.875 %.
- We compared Tax Advantage Mortgage Insurance and Default Mortgage Insurance. You have chosen (circle one) → (TAMI or Default MI).
- You will be charged 0 discount point(s) and 0 origination point(s) at closing.
- We are locking the terms of your loan in during the processing of your application for a period of 45 days.

Friend of Angelo
Mozilo

Canavan refinanced a \$121,500 mortgage at 6.875 percent.³⁰⁹

Freddie Mac Lobbyist Kirk Willison

When Maritza Cruz encountered a “serious challenge” trying to arrange a series of exceptions for Freddie Mac lobbyist Kirk Willison, she made sure to notify

³⁰⁵ *Id.*

³⁰⁶ Call Center Support document for borrower Gerald Langbauer by Account Executive Linda Crawford, Feb. 22, 2001. (CW-COGR-0050976)

³⁰⁷ E-mail from Rik Bright to Stan Kurland, Mar. 14, 2001 (CW-COGR-0050977).

³⁰⁸ CW-COGR-0007415.

³⁰⁹ Note (Nov. 4, 1998), CW-COGR-0007354.

Countrywide's underwriting department that the borrower, a former Countrywide employee, was "now working with [Freddie Mac]." ³¹⁰ The exceptions were approved in less than two hours. ³¹¹

From 1992 – 2000, Willison was the Director of Government and Public Affairs at Countrywide. ³¹² According to his public profile on LinkedIn, Willison:

Created [Countrywide's] first-ever department for government affairs and two years later opened its Washington, DC-based lobbying office Substantially increased company's reputation and profile among Washington policy makers and influentials including trade groups and consumer-focused organizations Created Countrywide Political Action Committee to enhance the company's political relationships. ³¹³

In 2000, Willison left Countrywide to become the Senior Director of Government and Industry Relations at Freddie Mac. ³¹⁴ Eight years later, Willison sought Countrywide's assistance in either refinancing his home equity line of credit (HELOC) or taking out a new, higher line of credit to pay off debt and planned college expenses. ³¹⁵ David Kovnesky asked another executive, "Due to the fact that Kirk is employed by Freddie Mac, I assumed we cannot offer an employee discount." ³¹⁶

Because of some credit issues, Countrywide could not initially approve the HELOC. ³¹⁷ Bank officials diligently worked with Willison to improve his credit ratings, ³¹⁸ even going so far as to remove a late payment from his credit report. ³¹⁹ Countrywide's actions on behalf of Willison apparently worked, because an executive instructed Kovnesky to "Give him the 'employee' deal. I like Kirk and I want to help him in anyway that I can." ³²⁰

³¹⁰ CW-COGR-0023434.

³¹¹ *Id.*

³¹² LinkedIn profile of Kirk Willison, *available at* <http://www.linkedin.com/pub/kirk-willison/4/177/916> (last visited Feb. 3, 2011).

³¹³ *Id.*

³¹⁴ *Id.*

³¹⁵ E-mail from Kirk Willison to Stephen Brandt, May 20, 2008 (CW-COGR-0066193).

³¹⁶ E-mail from David Kovnesky to Stephen Brandt, May 20, 2008 (CW-COGR-0066194).

³¹⁷ *See:* E-mail from David Kovnesky to Stephen Brandt, May 21, 2008 (CW-COGR-0066221); E-mail from David Kovnesky to Kirk Willison, May 21, 2008 (CW-COGR-0068789).

³¹⁸ *See:* E-mail from David Kovnesky to Kirk Willison, May 21, 2008 (CW-COGR-0066224); E-mail from David Kovnesky to Stephen Brandt, May 21, 2008 (CW-COGR-0066223); E-mail from Stephen Brandt to David Kovnesky, May 21, 2008 (CW-COGR-006230).

³¹⁹ E-mail from David Kovnesky to Kirk Willison, May 21, 2008 (CW-COGR-006237); E-mail from David Kovnesky to Loretta Pillado, May 21, 2008 (CW-COGR-0068813); Text messages between David Kovnesky and Loretta Pillado, May 22, 2008 (CW-COGR-0068829).

³²⁰ E-mail from Stephen Brandt to David Kovnesky, May 22, 2008 (CW-COGR-00662258) (emphasis added).

Willison received at least two loan products from Countrywide. In December 2001, he and his wife obtained a \$400,000, 30-year adjustable rate mortgage that started at 5.65 percent.³²¹ Less than two years later, Willison took out a \$75,000 home equity line of credit.³²²

Fannie Mae Underwriter Delynn Conley

FINDING: Countrywide waived a prepayment penalty for a VIP borrower because she was “a Fannie Mae employee and part of the Countrywide team.”

When Fannie Mae Underwriter Delynn Conley refinanced her Countrywide loan in 2001, she was subject to a refinance prepayment penalty. On her behalf, Countrywide VIP Account Executive Joseph Silva asked Managing Director Richard Deleo to waive the penalty because the borrower is “a Fannie Mae employee and part of the Countrywide team.”³²³

Two years later, Silva again found himself working on a loan for Conley. He reminded Deleo that Conley was “the lead Fannie Mae Underwriting Consultant on the Countrywide account team.”³²⁴

Joe Silva
09/07/2001 11:40 AM

To: Richard Deleo/Managing Directors/CF/CCI@COUNTRYWIDE
cc:
Subject: [REDACTED] Conley

Richard, this loan belongs to a Fannie Mae employee and part of the Countrywide team. She is trying to refinance her current Countrywide loan with Countrywide, however it has a refi prepayment penalty. Would it be possible to waive the penalty? She is willing to for the new loan to have a refi prepayment penalty? Joe

Conley obtained her first mortgage, for \$199,500, from Countrywide in May 2000.³²⁵ Her second was a \$202,000, 30-year mortgage at 6.75 percent.³²⁶ Conley’s also obtained a \$250,000, 30-year mortgage in 2003.³²⁷

³²¹ Deed of Trust (Dec. 21, 2001), CW-COGR-0022737; CW-COGR-0023202.

³²² Credit Line Deed of Trust (Jul. 7, 2003), CW-COGR-0023707.

³²³ CW-COGR-0007630.

³²⁴ E-mail from Joseph Silva to Richard Deleo, June 20, 2003. (CW-COGR-0025031).

³²⁵ Deed of Trust (May 16, 2000), CW-COGR-0032757.

³²⁶ Uniform Underwriting and Transmittal Summary (Oct. 11, 2001), CW-COGR-0007520.

³²⁷ Deed of Trust (Jul. 16, 2003), CW-COGR-0025335; CW-COGR-0025336.

Fannie Mae Underwriter Jack King

In 1998, Jack King, a Fannie Mae manager, and his wife, Karen, a credit risk manager with Fannie Mae, obtained a mortgage through the VIP program.³²⁸ Nearly ten years later, King wanted to obtain a 30-year fixed-rate mortgage. He asked Maritza Cruz: “How difficult would it be to get us a letter from [Countrywide] saying we’re good” for the loan.³²⁹

Cruz replied: “We will gladly take care of your request promptly.”³³⁰ On internal e-mail, VIP unit staff noted that King was “a FNMA employee that does a lot of work with CHL.”³³¹

David Kovnesky directed Cruz to “Please waive ½ point and charge no CFC fees on Mr. King’s loan.”³³² Kovnesky “got the [loan] exception and pricing taken care of,” saving King nearly \$3,500.³³³

Fannie Mae Vice President Robert Sanborn

Sanborn was responsible for loan underwriting, servicing, appraisals, and loss mitigation at Fannie Mae.³³⁴ When he was promoted and transferred to Dallas in 1997, he went to Countrywide for a \$350,000 home loan.³³⁵ According to VIP Loan Manager Maritza Cruz, Sanborn asked Countrywide “to charge the \$490 processing and \$100 document preparation fee but give him a break on the interest rate.”³³⁶

Cruz asked VIP Executive Vice President Stephen Brandt to elevate Sanborn’s request to Executive Vice President Ralph Mozilo, Angelo’s brother.³³⁷ Ralph Mozilo instructed Brandt to give Sanborn a “small adjustment in the rate.”³³⁸ Sanborn’s decision to push for a reduced rate instead of accepting \$590 in waived fees paid off. Countrywide ultimately waived .25 point on Sanborn’s \$350,000 loan,³³⁹ which saved him \$875.

³²⁸ Jack and Karen King, Uniform Residential Loan Application, Oct. 26, 1998 (CW-COGR-0018621); Fannie Mae, Request for Verification of Employment for Jack King, Oct. 2, 1998 (CW-COGR-0018767); Fannie Mae, Request for Verification of Employment for Karen King, Oct. 2, 1998 (CW-COGR-0018769).

³²⁹ E-mail from Jack King to Gene Soda, Jul. 14, 2006 (CW-COGR-0074011).

³³⁰ Email from Maritza Cruz to Gene Soda, Jul. 14, 2006 (CW-COGR-0074012),

³³¹ E-mail from Gene Soda to David Kovnesky, Sep. 25, 2006 (CW-COGR-0067159).

³³² E-mail from David Kovnesky to Maritza Cruz, Sep. 25, 2006 (CW-COGR-0067162).

³³³ E-mail from David Kovnesky to Jack King, Sep. 25, 2006 (CW-COGR-0067165).

³³⁴ Robert Sanborn biography, available at <http://www.spoke.com/info/p98KO2f/BobSanborn> (last visited Feb. 3, 2011).

³³⁵ E-mail from Maritza Cruz to Stephen Brandt, Feb. 18, 1997. (CW-COGR-0036914)

³³⁶ *Id.*

³³⁷ *Id.*

³³⁸ E-mail from Ralph Mozilo to Stephen Brandt, Feb. 19, 1997. (CW-COGR-0036914)

³³⁹ E-mail from Stephen Brandt to Maritza Cruz, Feb. 19, 1997. (CW-COGR-0036914)

By 2005, Sanborn owned three properties in Dallas. Each was financed with a loan from Countrywide. In an e-mail with subject line “Bob Sanborn, Chief Servicing Officer, Fannie Mae in Dallas,” Account Executive David Kovnesky asked Angelo Mozilo to review a loan scenario for Sanborn’s purchase of two rental units in Dallas. Mozilo instructed Kovnesky to take .5 point off Sanborn’s rate and to “close and thank him for the business.”³⁴⁰

³⁴⁰ E-mail from Angelo Mozilo to David Kovnesky, Sep. 1, 2005. (CW-COGR-0034527)

To: Maritza Cruz
cc: Karen Bracken/Consumer/CF/CCI
From: Stephen Brandt/Consumer/CF/CCI
Date: 02-19-97 02:24:10 PM
Subject: Re: Robert W. Sanborn - FNMA

Let's waive 1/4 pt. Thanks.

----- Forwarded by Stephen Brandt/Consumer/CF/CCI on 02/19/97 02:24 PM -----



Ralph Mozilo
02/19/97 12:59 PM

To: Stephen Brandt/Consumer/CF/CCI
cc:
Subject: Re: Robert W. Sanborn - FNMA

If we can give him a small adjustment in the rate without us losing money (making the loan at a loss to CHL), go ahead and do that. If there is no "fluff" built into the rate, let him know that the best we can do is waive the fees as there is no margin built into the rate for us to discount.

From: Stephen Brandt on 02/18/97 05:21 PM

From: Stephen Brandt on 02/18/97 05:21 PM
To: Ralph Mozilo/Product Admin/CF/CCI
cc:
Subject: Robert W. Sanborn - FNMA

Should any rate consideration be made to the below mentioned individual? Thanks.

----- Forwarded by Stephen Brandt/Consumer/CF/CCI on 02/18/97 05:21 PM -----



Maritza Cruz
02/18/97 04:49 PM

To: Stephen Brandt/Consumer/CF/CCI
cc: Karen Bracken/Consumer/CF/CCI
Subject: Robert W. Sanborn - FNMA

Gene Soda has referred above FNMA executive to us. He is being promoted and relocated to Dallas, Texas.

It is \$465,000 purchase with a loan for \$350,000. He would like for us to charge the \$490 processing and \$100 document preparation fee but give him a break on the interest rate.

I wonder if you could elevate this to Ralph Mozilo in case he would like to grant Mr. Sanborn special pricing.

Thanks again for your help.

In 2005, after Sanborn had left Fannie Mae, he sought and obtained an underwriting exception,³⁴¹ and two years later a pre-approval letter from Countrywide for another property.³⁴² He also obtained a one-time float down on a loan.³⁴³

³⁴¹ E-mail from David Kovnesky to Luanne Medina, Sep. 22, 2005 (CW-COGR-0066881).

³⁴² E-mail from David Kovnesky to Gene Soda, Apr. 13, 2007 (CW-COGR-0067269).

³⁴³ E-mail from David Kovnesky to Bob Sanborn, May 14, 2007 (CW-COGR-0069762).

Fannie Mae Home Loan Technician Derrick Lowe

Jim Johnson referred Fannie Mae Home Loan Technician Derrick Lowe to Countrywide. Despite a low credit score, Stephen Brandt told David Kovnesky “Angelo would like us to fund a S/A HE, prime +1 . . . Angelo would like to have CFC pay off his debt through escrow. . . .”³⁴⁴ A document prepared by Kovnesky noted he did not attempt to start processing the loan “due to the low credit score,”³⁴⁵ and that “Per Mr. Mozilo, we will offer a HELOC at prime +1% [with] no up front fee.”³⁴⁶

Kovnesky “used a prop. value for [Lowe], as opposed to a full appraisal. . . . The referral is from Jim Johnson, and Mr. Lowe is a Fannie Mae employee in Washington DC.”³⁴⁷ When an executive objected, Kovnesky filed for an exception.”³⁴⁸

Lowe obtained a \$45,000 home equity line of credit.³⁴⁹

Freddie Mac Vice President of Risk Management Ingrid Beckles

Freddie Mac Vice President of Risk Management Ingrid Beckles applied for a home equity line of credit (HELOC) that needed an exception, which was approved in July 2006.³⁵⁰ She told Kovnesky, “My hero!!! . . . Thank you soooooo much David!!!”³⁵¹ He informed a fellow Countrywide executive, “Looks like we made Ingrid happy.”³⁵²

When the loan still had not closed a month later, Kovnesky inquired internally to find out why it was taking so long. Countrywide loan processor Luanne Media told Kovnesky: “I have it for review on the 9th why is she calling you?”³⁵³ Kovnesky replied: “because she wants to close as soon as possible. Is there any way to review it sooner?”³⁵⁴ Media told Kovnesky she “will try but it will not be today.”³⁵⁵

Kovnesky stated: “Thanks. I’m not trying to be a pest but she is the VP of default management at Freddie Mac . . .”³⁵⁶ Cruz then informed Media that Beckles “is a very

³⁴⁴ E-mail from Stephen Brandt to David Kovnesky, Feb 17, 2005 (CW-COGR-0051220).

³⁴⁵ Consumer Markets Division, CMD Call Center Support Branch Required Documentation, Feb. 17, 2005.

³⁴⁶ *Id.*

³⁴⁷ E-mail from David Kovnesky to Stephen Brandt, Mar. 18, 2005 (CW-COGR-0064018).

³⁴⁸ E-mail from Stephen Brandt to David Kovnesky, Mar. 20, 2005; E-mail from David Kovnesky to Stephen Brandt, Mar. 21, 2005 (CW-COGR-0064023).

³⁴⁹ Maryland Open-End Deed of Trust (Mar. 26, 2005), CW-COGR-0051281.

³⁵⁰ E-mail from David Kovnesky to Ingrid Beckles, Jul. 25, 2006 (CW-COGR-0067030).

³⁵¹ E-mail from Ingrid Beckles to David Kovnesky, Jul. 25, 2006 (CW-COGR-0067031).

³⁵² E-mail from David Kovnesky to Doug Perry, Jul. 25, 2006 (CW-COGR-0067036).

³⁵³ E-mail from Luanne Media to David Kovnesky, Aug. 7, 2006 (CW-CORG-0067100).

³⁵⁴ E-mail from David Kovnesky to Luanne Medina, Aug. 7, 2006 (CW-CORG-0067100).

³⁵⁵ E-mail from Luanne Medina to David Kovnesky, Aug. 7, 2006 (CW-CORG-0067100).

³⁵⁶ E-mail from David Kovnesky to Luanne Medina, Aug. 7, 2006 (CW-COGR-0067106).

important customer therefore appreciate all you can do to expedite it.”³⁵⁷ The HELOC was funded.³⁵⁸

Other Relationships with Fannie Mae Officials

Documents show Mozilo frequently made charitable contributions and paid for food and entertainment events that further aligned him with Fannie Mae’s most senior leadership.

In 2006, Mozilo directed Countrywide to make a \$300,000 commitment to the Metropolitan Leadership Council, an “invite from Jim Johnson.”³⁵⁹ He also had Countrywide donate \$100,000 to the Kennedy Center honors.³⁶⁰ Mozilo “usually attend[ed] as a guest of Jim Johnson or Fannie Mae.”³⁶¹

Countrywide co-hosted with Fannie Mae a dinner for the Mortgage Bankers Association at Signatures³⁶² – the restaurant owned by lobbyist Jack Abramoff, which prosecutors alleged he used to provide “free or discounted means and drinks to public officials.”³⁶³ Countrywide invited Sharon Cananvan, a Fannie Mae lobbyist to attend the dinner as a guest of the firm.³⁶⁴

Johnson and Mozilo frequently played golf together.³⁶⁵ In 2008, “Phil Weber, who heads Fannie Mae’s Multi Family business,” joined them at their annual golf outing.³⁶⁶

X. Countrywide and Fannie Mae Blocked GSE Reform Efforts

Documents produced by the Bank show Countrywide worked hand-in-glove with Fannie Mae to beat back efforts to reform and restructure the GSEs. When federal regulators tried to force the GSEs to withdraw from the primary mortgage market, Senator Chuck Hagel requested a study. The regulation was effectively killed. Freddie Mac lobbyist Kirk Willison, a former Countrywide employee and VIP customer, e-

³⁵⁷ E-mail from Maritza Cruz to Luanne Medina, Aug. 7, 2006 (CW-COGR-0069343).

³⁵⁸ E-mail from Debra Roberts to Ingrid Beckles, Sep. 15, 2006 (CW-COGR-0069603).

³⁵⁹ E-Mail from Mary Jane Seebach to Tiarzha Taylor, Nov. 10, 2006 (CW-COGR-077664).

³⁶⁰ E-mail from Jimmie Williams to Mary Jane Seebach, Jul. 27, 2006 (CW-COGR-0090619).

³⁶¹ E-mail from Jimmie Williams to Mary Jane Seebach, Jul. 27, 2006 (CW-COGR-0090618).

³⁶² E-mail from Susan DeMars to Lois Jacobs, et al., Apr. 12, 2005 (CW-COGR-070104).

³⁶³ Del Quentin Wilber and Carrie Johnson, *Abramoff Gets Reduces Sentence of Four Years in Prison; Judge Cites Assistance Ex-Lobbyist Provided in Corruption Probe*, WASH. POST, Sep. 5, 2008, at A3.

³⁶⁴ E-mail from Pete Mills to Susan DeMars, Apr. 18, 2005 (CW-COGR-0070104).

³⁶⁵ Gretchen Morgenson and Joshua Rosner, *Reckless Endangerment: How Outsized Ambition, Greed and Corruption Led to Economic Armageddon*, Times Books, 2011.

³⁶⁶ E-Mail from Margret O’Connor to Angelo Mozilo, Jan. 24, 2008 (CW-COGR-0073396).

mailed Countrywide lobbyist Jimmie Williams to express the GSE's gratitude for Countrywide's role in killing the regulation. Willison stated "we appreciate [C]ountrywide's help."³⁶⁷

Countrywide VIPs Lobbied Against GSE Reform

The lobbying effort coordinated by Countrywide and Fannie Mae to block GSE reform legislation was led by individuals who received VIP loans. There were no ethics rules that precluded Countrywide from giving discounted loans to the lobbyists representing the company.

When Fannie Mae dissolved its lobbying network under congressional pressure, Countrywide stepped in to fill the breach. Countrywide lobbyist Pete Mills e-mailed Public Affairs Director Mary Jane Seebach and advised arranging a meeting with Dewey Square Group (DSG). Dewey Square Group's founder Charles Campion received a loan through the VIP unit in 2003, thanks to Mozilo's referral. Former Director of the White House Office of Political Affairs Minyon Moore – who received a discounted loan from Countrywide in 2004 – was also a principal at DSG. Mills stated:

. . . it would be worth sitting down with Chuck Campion at Dewey to make sure we identify a good structure and get some guidance on how to identify the right groups, how to partner with them so that it furthers our objectives, how to sort good opportunities from bad ones, and how Dewey might be able to help spread our reach and assist in this effort in the long run.³⁶⁸

The joint Countrywide-GSEs congressional relations team mobilized to defeat GSE reform legislation on Capitol Hill. They met with a number of Members of Congress and congressional staff who received discounted loans and preferential treatment from Countrywide.

Loans to Congressional Staff Positioned to Affect GSE Reform Legislation

Countrywide gave VIP loans to congressional staff who played a role in policy discussions that affected Countrywide. Staff with connections to the committees of jurisdiction for mortgage industry issues in the House and Senate received VIP loans from Countrywide. Between 2000 and 2005, Fannie Mae and Freddie Mac committed their vast lobbying resources to defeating GSE reform legislation considered by the Senate Committee on Banking, Housing, and Urban Affairs and House Committee on

³⁶⁷ E-mail from Kirk Willison to Jimmie Williams, Apr. 5, 2005 (CW-COGR-0088590).

³⁶⁸ E-mail from Pete Mills to Mary Jane Seebach, Sep. 16, 2005 (CW-COGR-0070454)

Financial Services.³⁶⁹ Countrywide buttressed the efforts of Fannie’s lobbyists by connecting with key staffers through the VIP program.

Documents obtained by the Committee show a staffer in the office of Senator Robert Bennett received several VIP loans.³⁷⁰ Along with Christopher Dodd, Bennett was a member of the Senate Banking Committee, the committee of jurisdiction for the Senate’s consideration of legislation affecting the GSEs and the mortgage industry.

As early as 1998, House Financial Services Committee staff were receiving VIP loans from Countrywide.

Mary Jane Collipriest, Senator Robert Bennett’s Communications Director

In January 2002, Countrywide VIP Account Executive Robert Feinberg received a referral for borrower Mary Jane Collipriest.³⁷¹ At the time, Collipriest was Communications Director for Senator Robert Bennett.³⁷² In 2006, she became Bennett’s Chief of Staff. Bennett was a senior member of the Banking Committee.³⁷³ Senator Christopher Dodd referred Collipriest – who was purchasing her first home – to Countrywide’s VIP unit.³⁷⁴

FINDING: *Senator Christopher Dodd claimed not to be aware that he was enrolled in Countrywide’s VIP loan program. In fact, Dodd referred Mary Jane Collipriest, Communications director for Senator Robert Bennett, to the VIP unit when she refinanced her mortgage in 2002. Countrywide waived processing and junk fees for Collipriest.*

³⁶⁹ Dave Jamieson, *How Finance Bought Congress*, THE NEW REPUBLIC, Oct. 15, 2008.

³⁷⁰ See Minority Staff Report.

³⁷¹ CW-COGR2-0000741.

³⁷² Employment History for Mary Jane Collipriest, *available at* http://www.legistorm.com/person/Mary_Jane_Collipriest/2139.html (last visited Mar. 28, 2012).

³⁷³ Biography, Sen. Robert Bennett, *available at* <http://www.arentfox.com/people/index.cfm?fa=profile&id=572> (last visited Mar. 28, 2012).

³⁷⁴ CW-COGR2-0000741.

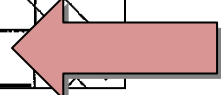
**CONSUMER MARKETS DIVISION
CMD CALL CENTER SUPPORT
BRANCH REQUIRED DOCUMENTATION**

Date: 01/17/2002

AE #: 163 AE Name: Robert Feinberg

Borrower: Mary Jane Collipriest Phone Number: [REDACTED]

TOPIC	COMMENTS
Best Time to Contact Customer	CALL MRS AT WORK OR HOME IN DAYTIME
Potential Challenges	VIP REFERRAL BY SENATOR DODD



The fact that Senator Dodd had referred Collipriest's loan to the VIP unit was noted in several places in internal Countrywide documents.³⁷⁵

Conv Uninsured	Conforming Fixed
NOT CONTINGENT	
THIS IS A PURCHASE LOAN	PIGGY? ☒ Yes ☐ No
LOAN # [REDACTED]	X-VIP - Senator Dodd referral
BORROWERS NAME Mary Jane Collipriest	

Collipriest refinanced her mortgage a number of times in 2002 and 2003. When Collipriest refinanced her loan in January 2003, Countrywide waived junk fees and a processing fee because she was a "Friend of Angelo."³⁷⁶

³⁷⁵ See, e.g., CW-COGR2-0000741; CW-COGR2-0000787.

³⁷⁶ CW-COGR2-0000205.

Date: 01/14/2003

AE #: 163 AE Name: Robert Feinberg

Borrower: Mary Jane Collipriest Phone Number: [REDACTED]

	TOPIC	COMMENTS
1	Best Time to Contact Customer	CALL MRS AT HOME OR WORK IN DAYTIME
2	Potential Challenges	VIP FOA NO JUNK FEES
3	Exception Information	NONE
4	Motivation	ROLL 2ND INTO FIRST RATE REDUCTION AND NEW HELOC TO AVOID PMI
5	List of Items to Pay Off	NONE
6	Income Issues?	RATIOS ARE 26/32
7	Paying off a Second Mortgage/Lien?	YES ROLL INTO FIRST
8	Compensating Factors	FICO SCORE IS 721 AND LTV IS 80% AND CLTV IS 83%
9	Other Properties Owned?	NONE
10	Resolution of negative escrow	NONE
11	Resolution of uncollected late charges	NONE
12	More than 5% per year appreciation explained	PER BORROWER THIS IS CURRENT VALUE OF HOME
13	Miscellaneous 1	THIS IS A CHL TO CHL VIP FOA REFI CASH OUT ROLL IN HELOC UP TO 80% LTV AT 5.5% WITH NO POINTS UNDER THE 7/1 ARM PROGRAM WITH ALL COSTS ROLLED IN AND REST ON HELOC GOLD PROGRAM.
14	Miscellaneous 2	

1/21 Processing fee waived. (FOA)

Maritza Cruz testified that Collipriest was aware that the VIP unit processed her loan. Cruz stated:

A Well, she knew that the loan was being processed in the VIP unit because she got a disclosure package, and she is addressing it in here. Based on the package she received, she is questioning the information. So she knew it was coming from the VIP unit.

And, of course, we always made sure that the cover letter was there. If it wasn't in this case, I would be surprised.

Q And also a followup phone call saying, 'Welcome'?

A Ms. Rose. Uh huh. Yes.³⁷⁷

In 2004, the Senate Banking Committee began considering language for a bill that would require the GSEs to maintain larger capital reserves, among other reforms.³⁷⁸ Documents produced by Fannie Mae to the Committee show that in March 2004, Senator Bennett met with Fannie Mae lobbyists to discuss the direction of the reform legislation under consideration by the Senate Banking Committee.³⁷⁹ In a March 5, 2004 e-mail with subject “Meeting with Senator Bennett,” Fannie Mae lobbyist Nathan Gatten reports “Barker and I had a great meeting yesterday with Senator Bennett.”³⁸⁰

During the meeting, Senator Bennett demonstrated support for terms favorable to Fannie Mae. According to Gatten, Senator Bennett “reported that he spoke up for codifying 2.5% and for giving the regulator the authority to change it only under ‘emergency’ type scenarios, and even then only temporarily.”³⁸¹

In the wake of accounting scandals in 2003 and 2004, Federal Reserve Chairman Alan Greenspan emerged as a powerful opponent of the GSEs. Chairman Greenspan called for stricter regulation of the GSEs and limitations on the growth of their highly profitable, but increasingly risky portfolios.³⁸² Senator Bennett advised Fannie Mae lobbyists that Committee members saw Chairman Greenspan’s tough stance on the GSEs as “posturing.”³⁸³ Senator Bennett warned the lobbyists to “keep a close eye on” fellow Committee members John Sununu and Chuck Hagel, who were “very smart” and “extremely motivated” Respectively.³⁸⁴

³⁷⁷ Rose Tr. at 200-201.

³⁷⁸ *Id.*

³⁷⁹ FM-COGR_00167294-95.

³⁸⁰ *Id.*

³⁸¹ *Id.*

³⁸² Charles Calomiris and Peter Wallison, *Blame Fannie Mae and Congress for the Credit Mess*, WALL ST. J., Sep. 23, 2008 [hereinafter Calomiris and Wallison].

³⁸³ *Id.*

³⁸⁴ *Id.*

-----Original Message-----

From: Gatten, Nathan J

Sent: Friday, March 05, 2004 8:38 AM

To: Duncan, Duane; Donilon, Thomas; Daley, William R; Thompson, Michael; Davis, Michele; Bohley, David; Blickstein, Jill M; Kappler, Ann; Niculescu, Peter

Subject: Meeting with Senator Bennett

PLEASE DO NOT FORWARD THIS EMAIL TO ANYONE

Barker and I had a great meeting yesterday with Senator Bennett. The timing worked out very well as Chairman Shelby held a Republican Members meeting earlier in the day and we were able to get a read out on what some of the members are thinking.

No language was distributed at this meeting. I don't think they even distributed "principles."

On capital, Senator Bennett reported that he spoke up for codifying 2.5% and for giving the regulator the authority to change it only under "emergency" type scenarios, and even then only temporarily. He said that there was discussion of this and that "the body" supported his view. He did NOT say where Shelby had started out, but we have heard subsequently from his staff that they have reservations about the reversion to 2.5 once the "emergency" has gone away as that would not be "bank-like." Nevertheless, I think he will be continue to help until the capital provisions are as he described they should be.

I said that our concern was "Alan Greenspan, Jr." being named as the regulator and he completely agreed that changes to minimum capital should be temporary and only in an emergency. I also gave him the reference points of the Oxley draft and the Corzine bill not having any flexibility on minimum which seemed to give him more comfort with his stance.

He also reported that Sununu and Dole had completely backed off of their bill and were pleased with the direction of the Chairman. He gave us a friendly warning that Sununu was very smart and Hagel was extremely motivated so to keep a close eye on the two of them.

The other area of push-back was on the board. He supports having HUD on the board and said that most members want the board to have teeth. He sees having HUD as crucial to protect any semblance of a housing focus.

On Greenspan, he said that the members saw him as posturing -- that he'd gone further in his comments than even he really believed. He said this was a naked attempt to get the members to go further than they really believe and that it really didn't have much of an effect.

Overall a very good meeting and I believe he will continue to push on capital. We'll probably learn more as more of this meeting starts to leak out.

Nate

The 2005 GSE reform legislation adopted by the Senate Banking Committee never came to a vote.³⁸⁵ If it had passed, the huge growth in the subprime and Alt-A loan portfolios of Fannie Mae and Freddie Mac could not have occurred, and the scale of the financial meltdown would have been substantially less.³⁸⁶ FHFA estimates that, by the end of 2014, between \$220 and \$311 billion in financial support will have been drawn from the Treasury, and FHFA's Acting Director has stated that taxpayers are unlikely to be fully repaid for their support.³⁸⁷

Senator Dodd served as Chairman of the Senate Banking Committee from January 2007 until January 2011. On June 17, 2008, the same day he acknowledged for the first time that he was a Countrywide VIP customer, Dodd announced that he was

³⁸⁵ Calomiris and Wallison.

³⁸⁶ *Id.*

³⁸⁷ *Id.*

bringing to the Senate floor a housing bailout to help Countrywide and other struggling subprime lenders.³⁸⁸ Dodd's plan, known as the Dodd-Shelby bill, allowed mortgage lenders to dump up to \$300 billion of their worst loans on to taxpayers via a new Federal Housing Administration refinancing program.³⁸⁹

The *Washington Examiner* obtained a "confidential and proprietary" document produced by Bank of America and titled "FHA Housing Stabilization and Homeownership Retention Act of 2008."³⁹⁰ The March 11, 2008 document "closely resembles the housing bailout bill drafted by Sen. Chris Dodd (D-Conn.) that the Senate is set to vote on within days."³⁹¹ The *Examiner* quoted anonymous Senate staffers, who stated "the bailout section is exactly what Bank of America and Countrywide wanted. It's obvious they got what they asked for."³⁹²

House Financial Services Committee Deputy Staff Director Joseph Ventrone

In June 1998, Joseph Ventrone and his wife Jeanne Marie Broyhill contacted Countrywide's VIP unit to refinance a second home.³⁹³ At the time, Ventrone was the Deputy Staff Director of the Financial Services Committee. Broyhill worked at Freddie Mac in government relations.³⁹⁴ Ventrone and Broyhill already had two loans from Countrywide – one a mortgage for their primary residence and a home equity line of credit.³⁹⁵

On July 24, 1998, Ventrone and Broyhill received an "opening package" from Countrywide.³⁹⁶ The cover sheet thanked the couple "for allowing the VIP TEAM to assist with your financing needs."³⁹⁷

³⁸⁸ *Angelo's Angel*, WALL ST. J. Editorial, Jun. 19, 2008.

³⁸⁹ *Id.*; see *supra* Section IX.

³⁹⁰ Conn Carroll, *Bank of America Drafted Dodd's Housing Bailout Bill*, Heritage Foundation, Jun. 20, 2008.

³⁹¹ *Id.*

³⁹² *Id.*

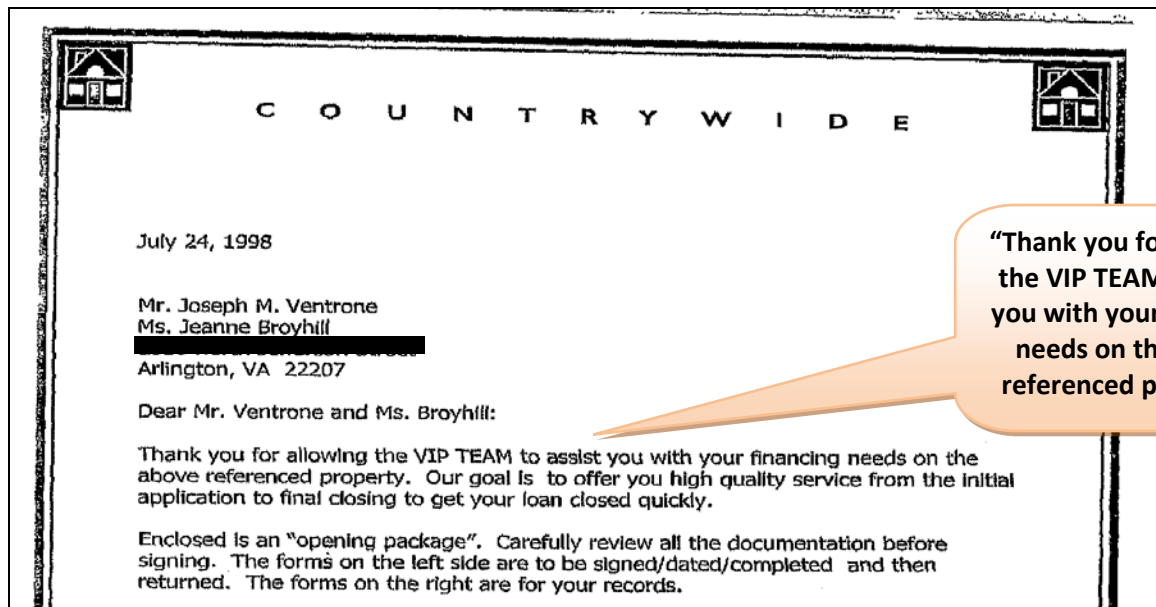
³⁹³ E-mail from Joseph Ventrone to Joseph Reed, June 30, 1998 (CW-COGR-0045312).

³⁹⁴ Biography of Jeanne Marie Broyhill, *available at* <http://www.culpeppergarden.org/popups/broyhill.html> (last visited Mar. 28, 2012).

³⁹⁵ *Id.*

³⁹⁶ Countrywide Opening Package cover letter to Joseph Ventrone and Jeanne Broyhill, July 24, 1998 (CW-COGR-0045329).

³⁹⁷ *Id.*



While in Congress, "Ventrone shepherded some of the most significant federal housing, mortgage finance and urban affairs legislation to pass Congress."³⁹⁸ Ventrone left the Committee to work as a Senior Policy Advisor for the Federal Housing Finance Board, where he "liaised with Congress and trade associations for the independent regulatory agency that oversees the \$700 billion Federal Home Loan Bank System."³⁹⁹ In 2003, he went to work for the Government Affairs team at the National Association of Realtors.⁴⁰⁰

House Financial Services Committee Chief Counsel Clinton Jones III

In November 2002, Countrywide lobbyist Jimmie Williams notified Senior Vice President Doug Perry of a "loan request that would require specialized handling" because of the importance of the borrower:⁴⁰¹

[Clinton] Jones is the Chief Counsel on the House Financial Services Housing and Community Opportunity Subcommittee. Jones is also an advisor to ranking Republican members of Congress responsible for legislation of interest to the financial services industry and of importance to Countrywide.⁴⁰²

Perry then e-mailed VIP Account Executive Robert Feinberg: "Can you please handle this? 0.5 off. No garbage fees."⁴⁰³

³⁹⁸ Employment History, *available at* <http://www.bipartisanpolicy.org/about/housing-expert-bloggers/joseph-m-ventrone> (last visited Mar. 30, 2012).

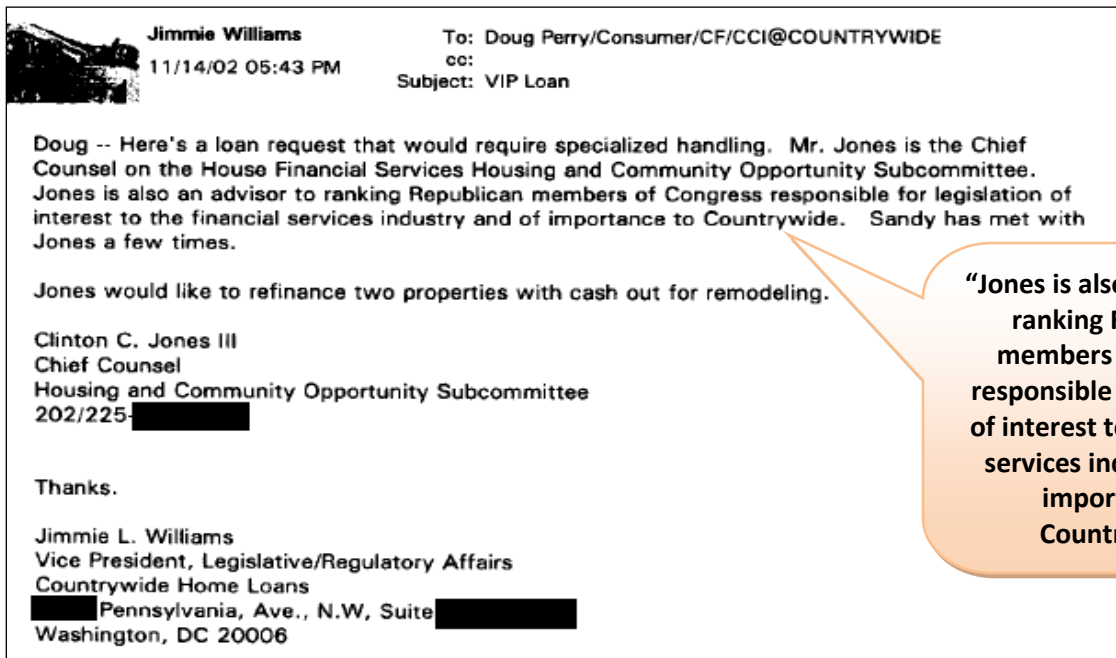
³⁹⁹ *Id.*

⁴⁰⁰ *Id.*

⁴⁰¹ E-mail from Jimmie Williams to Doug Perry, Nov. 14, 2002 (Countrywide_000830).

⁴⁰² *Id.*

⁴⁰³ E-mail from Doug Perry to Robert Feinberg, Nov. 27, 2002. (Countrywide_000830).



In a November 11, 2004 e-mail to Fannie Mae Chairman Franklin Raines, Fannie Mae lobbyist Duane Duncan shared his thoughts on “the current state of play with legislation.”⁴⁰⁴ Duncan advised Raines that some will advise him to “just take the Shelby bill” or “take the Oxley bill.”⁴⁰⁵ Instead, Duncan believed Raines should push for a new draft bipartisan bill in the House.⁴⁰⁶ Duncan explained that House Financial Services Committee Chief Counsel Clinton Jones “has the ‘pen’” and can be trusted because he “does NOT have the bias of the other Oxley staff.”⁴⁰⁷ Jones, of course, was also a Countrywide VIP.

⁴⁰⁴ FM-COGR_00167528.

⁴⁰⁵ *Id.*

⁴⁰⁶ *Id.*

⁴⁰⁷ *Id.*

From: Duncan, Duane
To: Raines, Franklin D
CC: Blickstein, Jill M
Subject: Legislative Meeting
Date: 11/07/2004 13:45:00 (GMT+00:00)

PRIVILEGED AND CONFIDENTIAL

Frank,

I will miss the Tuesday Legislative meeting -- I'm with Chairman Oxley and other Members on the Ripon trip in Budapest. We get back Friday.

I wanted to give you my thoughts re: current state of play with legislation. You may not agree with all of it, but since I will not be there, I wanted to give you a "backdrop" for the discussion Tuesday afternoon.

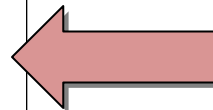
First, as I mentioned last week, the best place to start is with a bi-partisan bill in the House. Ney and Kanjorski are NOT waiting on us. Clinton Jones has the "pen" and they are ready moving forward. I am meeting with them on Tuesday after I return from Ripon. Clinton does NOT have the bias of the other Oxley staff, and I trust his work will be a good starting place.

Some will say "we should just take the Shelby bill" or "take the Oxley bill" from the fall of 2003. I think we shouldn't take either one without considerable work. First, we have NEVER seen the reported Shelby bill (and we know it has a 5% tax and full receivership behind a thin shield of the Bennett amendment). Second, while the Oxley bill was better -- we think -- than the Shelby bill, it had much of the Baker trash like codifying the voluntary initiatives and a full HUD regulatory office with expanded housing goals.

We need to start over, recognizing that the bill needs to reflect -- as a base -- the already developed areas of consensus on the Hill. We should also strive to have the bill crafted as narrowly as possible, so that we can ward off those trying to hang ornaments on it. The more we try to add, the more it legitimates others doing the same. This will be a complicated legislative year anyway, and I would not be surprised if predatory lending and loan limits are added at some point, but we should be the ones trying to keep it clean.

Here's where I think we can find consensus.:

LOCATION: here is where we have the most flexibility. I tend to favor the OCC or OTS so that we can blend in with other larger institutions. I think an independent board or single director works as well, but we have to make it strong and credible so as to not recreate another structure similar to the existing one.



At the time of Duncan's e-mail to Raines in November 2004, Clinton Jones had previously refinanced at least two loans through Countrywide's VIP unit. He obtained a \$101,800, 30-year, fixed-rate mortgage at 6.375 percent.⁴⁰⁸ Jones later received a 30-year mortgage for \$375,000 at 5.875 percent.⁴⁰⁹

Jones left the Financial Services Committee staff in 2007 to become Vice President for Industry Relations at Fannie Mae. He returned to the Committee in 2008.

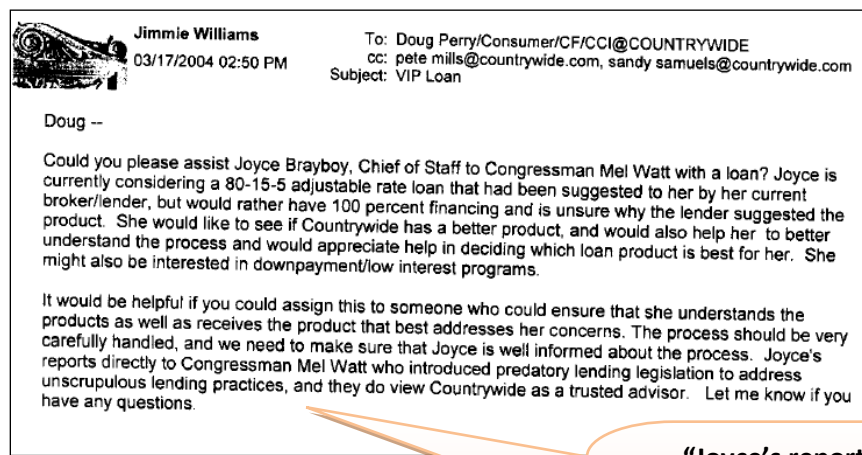
⁴⁰⁸ *Id.* at CW-COGR-005642.

⁴⁰⁹ Uniform Underwriting and Transmittal Summary (Oct. 6, 2004), CW-COGR2-000507.

Joyce Brayboy, Chief of Staff for Rep. Mel Watt

Jimmie Williams referred Joyce Brayboy, Chief of Staff for U.S. Rep. Melvin Watt (D-NC), to the VIP unit in 2004. Williams urged Doug Perry to handle Brayboy's loan "carefully." He wrote:

[Brayboy] reports directly to Congressman Mel Watt who introduced predatory lending legislation to address unscrupulous lending practices, and they do view Countrywide as a trusted advisor.⁴¹⁰



"Joyce's reports directly to Congressman Mel Watt who introduced predatory lending legislation . . . and they do view Countrywide as a trusted advisor."

At the time, Watt served on the House Financial Services Committee and the House Judiciary Committee. Williams, representing Countrywide as part of a coalition of mortgage lenders, worked with Watt and his staff on predatory lending legislation that affected Countrywide. Williams stated:

Q You mentioned predatory lending legislation that Congressman Watt was involved with.

A Yes.

Q Did Countrywide advise him or his staff on that legislation? Was that part of what you are referring to here?

A We didn't really advise, but I think at the time there was a large coalition. So, to answer your question, we, like everyone else, yes.

⁴¹⁰ E-mail from Jimmie Williams to Doug Perry (Mar. 17, 2004) (Countrywide_001574).

Q A coalition of banks?

A Coalition of mortgage lenders, yes.

Q Mortgage lenders?

A Yeah.⁴¹¹

Brayboy ultimately did not receive a loan from Countrywide. She and Williams were personal friends.⁴¹² During the 108th Congress (2003-04) four GSE reform bills were introduced.⁴¹³ None made it out of the Financial Services Committee.

Moira Lenehan-Razzurri, Legislative Assistant for Rep. Ruben Hinojosa

In January 2005, Williams referred Moira Lenehan-Razzurri to Countrywide's VIP unit. Lenehan-Razzurri was a Legislative Assistant in Rep. Ruben Hinojosa's office. Hinojosa has been a member of the Financial Services Committee since 2001.

When Williams's referral was forwarded to Doug Perry for review, Perry asked David Kovnesky if the borrower was "a member of the government."⁴¹⁴ Kovnesky explained that Lenehan-Razzurri was "an Admin[istrative] Assistant in the House of Representatives."⁴¹⁵

Kovnesky proposed a .25 point rate reduction and no junk fees to Perry.⁴¹⁶ Having learned that Lenehan-Razzurri was a congressional staffer, Perry ordered a 0.5 point discount with no junk fees.⁴¹⁷

⁴¹¹ Williams Tr. at 92-94.

⁴¹² *Id.*

⁴¹³ H.R.2117, "To amend the Federal National Mortgage Association Charter Act and the Federal Home Loan Mortgage Corporation Act to remove certain competitive advantages granted to the housing-related government-sponsored enterprises relative to other secondary mortgage market enterprises, and for other purposes," introduced May 23, 2003 by Rep. Pete Stark (D-CA) (Referred to the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises); H.R.2575, "To reform the regulation of certain housing-related Government-sponsored enterprises, and for other purposes," introduced on June 24, 2003 by Rep. Richard H Baker (R-LA) (Committee Hearings Held); H.R.2803, "To establish the Office of Housing Finance Oversight in the Department of the Treasury to ensure the financial safety and soundness of Fannie Mae, Freddie Mac, and the Federal home loan banks," introduced on Jul. 21, 2003 by Rep. Edward R Royce (R-CA) (Referred to the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises); and, H.R.3507, "To expand homeownership opportunities in States having high housing costs," introduced Nov. 18, 2003 by Rep. Brad Sherman (D-CA) (Referred to the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises).

⁴¹⁴ E-mail from Doug Perry to David Kovnesky, Jan. 11, 2005. (CW-COGR-0036465)

⁴¹⁵ E-mail from David Kovnesky to Doug Perry, Jan. 11, 2005. (CW-COGR-0036465)

⁴¹⁶ *Id.*

⁴¹⁷ E-mail from Doug Perry to David Kovnesky, Jan. 11, 2005. (CW-COGR-0036465)

Razzurri received a \$141,800-mortgage at 4.875 percent for a term of 15 years.⁴¹⁸

Doug Perry/Consumer/CF/CCI
01/11/2005 10:30 AM

To: David Kovnesky/Consumer/CF/CCI@Countrywide
cc: [redacted]
bcc: [redacted]

Re: Fw: Molra Lenehan-Razzurri: Referral by Jimmie Williams. 15 FRM, Fast & Easy CLUES Approved. FICO: 698. Can I offer any discount ? [redacted]

.5, no junk.

David Kovnesky/Consumer/CF/CCI

David Kovnesky/Consumer/CF/CCI
01/11/2005 10:15 AM

To: Doug Perry/Consumer/CF/CCI@COUNTRYWIDE
cc: [redacted]

Re: Fw: Molra Lenehan-Razzurri: Referral by Jimmie Williams. 15 FRM, Fast & Easy CLUES Approved. FICO: 698. Can I offer any discount ? [redacted]

Subject: Williams. 15 FRM, Fast & Easy CLUES Approved. FICO: 698. Can I offer any discount ? [redacted]

She is an Admin Assistant in the House of Representatives. (.25 off, no junk ?).

Doug Perry/Consumer/CF/CCI

Doug Perry/Consumer/CF/CCI
01/11/2005 10:13 AM

To: David Kovnesky/Consumer/CF/CCI@Countrywide
cc: [redacted]

Re: Fw: Molra Lenehan-Razzurri: Referral by Jimmie Williams. 15 FRM, Fast & Easy CLUES Approved. FICO: 698. Can I offer any discount ? [redacted]

Subject: Williams. 15 FRM, Fast & Easy CLUES Approved. FICO: 698. Can I offer any discount ? [redacted]

Is this person a member of the government. Please clarify. Thanks.

"Is this person a member of the government. Please clarify."

Maria Meier, Executive Director of the Congressional Hispanic Caucus

Jimmie Williams referred Maria Meier to Countrywide's VIP unit in 2004.⁴¹⁹ At the time, she served as the Executive Director of the Congressional Hispanic Caucus.⁴²⁰

Victor Weetly
05/21/2004 04:06 PM

To: Manuel Rubalcava/FSL/CF/CCI@COUNTRYWIDE
cc: Paul Sellers/FSL/CF/CCI@Countrywide, Ronald Smith/FSL/CF/CCI@Countrywide
Subject: Maria Meier VIP Loan

Manny, this loan was referred by Jimmie Williams, 1st VP of Industry Affairs and Doug Perry, 1st VP of Sales. Based on other VIP loans, Doug seems to be Angelo Mozillo's contact person for FOA loans, and this loan came from the VIP unit upstairs. (Please see lotus notes already in the file). Our challenge is we will need a 10% LTV exception on a \$300,000 purchase. It also appears we will need a 3% D/R exception.

⁴¹⁸ Deed of Trust (Mar. 10, 2005), CW-COGR-0036797; CW-COGR-0036798.

⁴¹⁹ E-mail from Victor Weetly to Manuel Rubalcava (May 21, 2004) (CW-COGR2-002049).

⁴²⁰ Congressional Employment History, *available at* http://www.legistorm.com/person/Maria_Robles_Meier/10539.html (last visited Mar. 30, 2012).

In 2003, the Congressional Hispanic Caucus launched a housing initiative called Hogar – Spanish for “home” – “to work with industry and community groups to increase mortgage lending to Latinos.”⁴²¹ Mortgage companies provided funding to Hogar, and to the National Association of Hispanic Real Estate Professionals, which fielded an army to make the loans.⁴²² Hogar’s backers included Fannie Mae, Freddie Mac, and Countrywide.⁴²³ According to the *Wall Street Journal*:

Hogar’s ties to the subprime industry were substantial. A Washington Mutual vice president served as chairman of its advisory committee. Companies that donated \$150,000 a year got the right to place a research fellow who would conduct Hogar’s studies, which were used by industry lobbyists. For donations of \$100,000 a year, Hogar offered to provide news releases from the Hispanic Caucus promoting a lender’s commercial products for the Latino market, according to the group’s literature.

* * *

The National Association of Hispanic Real Estate Professionals, one of Hogar’s sponsors, advised the group, shared research data and built a large membership to market loans to Latinos. By 2005, its ranks had grown to 16,000 agents and mortgage brokers.

The association, called Nahrep, received funding from some of the same players that funded Hogar. Some 22 corporate sponsors, including Countrywide and Washington Mutual, together paid the association \$2 million a year to attend conferences and forums where lenders could pitch their loan products to loan brokers.

* * *

Nahrep’s 2006 convention in Las Vegas was called ‘Place Your Bets on Home Ownership.’ Countrywide Chairman Angelo Mozilo spoke, as did former Housing and Urban Development Secretary Henry Cisneros, a force in Latino housing developments in the West.⁴²⁴

In 2006, Meier left the Congressional Hispanic Caucus to work for Dewey Square Group along with fellow Countrywide VIPs Minyon Moore and Charles Campion.⁴²⁵ In

⁴²¹ Susan Schmidt and Maurice Tamman, *Housing Push for Hispanics Spawns Wave of Foreclosures*, WALL ST. J., Jan. 5, 2009.

⁴²² *Id.*

⁴²³ *Id.*

⁴²⁴ *Id.*

⁴²⁵ Employment History, available at http://www.opensecrets.org/revolving/rev_summary.php?id=76251 (last visited Mar. 30, 2012).

2011, she returned to Capitol Hill as a Senior Adviser to Senate Majority Leader Harry Reid.⁴²⁶

XI. Conclusion

In 2007 and 2008, as the residential housing market experienced a sharp decline under the weight of widespread defaults by subprime borrowers, GSEs suffered billions of dollars in losses. On September 6, 2008, Fannie Mae and Freddie Mac entered conservatorships overseen by the Federal Housing Finance Agency, and the U.S. Treasury Department began to make substantial purchases of the GSEs' senior preferred stock. As of December 31, 2011, Treasury had committed over \$183 billion to support the GSEs.⁴²⁷

Although expected to be temporary, the conservatorships have been in place for over three years, and there is no end in sight.⁴²⁸ FHFA estimates that, by the end of 2014, between \$220 and \$311 billion in financial support will have been drawn from the Treasury, and FHFA's Acting Director has stated that taxpayers are unlikely to be fully repaid for their support.⁴²⁹

Documents and testimony obtained by the Committee show the VIP loan program was a tool used by Countrywide to build goodwill with lawmakers and other individuals positioned to benefit the company. A Countrywide lobbyist described the VIP program as a means to create a favorable impression of the company on Capitol Hill. In the years that led up to the 2007 housing market decline, Countrywide VIPs were positioned to affect dozens of pieces of legislation that would have reformed Fannie and Freddie and protected taxpayers.

According to 18 U.S.C. § 201(b), "whoever directly or indirectly, corruptly gives, offers or promises anything of value to any public official . . . with intent to influence an official act" shall be fined, imprisoned, or both. The Justice Department has not prosecuted any Countrywide official for actions related to the VIP loan program. Documents and testimony show that Angelo Mozilo and Countrywide's lobbyists may have skirted the federal bribery statute by keeping conversations about discounts and other forms of preferential treatment internal. Rather than making *quid pro quo* arrangements with lawmakers and staff, Countrywide used the VIP loan program to cast a wide net of influence.

Countrywide's effort to build goodwill on Capitol Hill worked. Countrywide became a trusted advisor and was consulted when the House Financial Services Committee and the Senate Banking Committee considered GSE reform and predatory

⁴²⁶ Congressional Employment History, *available at* http://www.legistorm.com/person/Maria_Robles_Meier/10539.html (last visited Mar. 30, 2012).

⁴²⁷ FHFA OIG White Paper WPR-2012-001 (Mar. 28, 2012).

⁴²⁸ *Id.*

⁴²⁹ *Id.*

lending legislation. If Countrywide's lobbyists, and Mozilo himself, were more strictly prohibited from arranging preferential treatment for Members of Congress and congressional staff, it is possible that efforts to reform the GSEs would have been met with less resistance.

Considering the cost to taxpayers of the failure to reform the GSEs, Congress should consider legislation prohibiting companies from offering discounts and other forms of preferential treatment to Members of Congress and congressional staff. In addition to mortgage lenders like Countrywide, such legislation should cover banks, auto dealerships, jewelry stores, and any other company that offers financing to customers.

To foreclose the possibility that a lender might apply a discount to a loan without their knowledge, Members of Congress and congressional staff should consider notifying all parties to complex financial transactions that they must not receive discounts due to congressional ethics rules, as Congressman Sessions did.

About the Committee

The Committee on Oversight and Government Reform is the main investigative committee in the U.S. House of Representatives. It has authority to investigate the subjects within the Committee's legislative jurisdiction as well as "any matter" within the jurisdiction of the other standing House Committees. The Committee's mandate is to investigate and expose waste, fraud and abuse.

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(202) 225-5074

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Fax: (202) 225-3974
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Committee on Oversight and Government Reform
Chairman, Darrell Issa (CA-49)
2157 Rayburn House Office Building
Washington, DC 20515

E X H I B I T

A

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May 25, 2012

VIA E-MAIL AND FEDEX

The Honorable Darrell Issa, Chairman
Congress of the United States
House of Representatives
Committee on Oversight and
Government Reform
2157 Rayburn House Office Building
Washington, D.C. 20515-6143
E-mail: Jon.Skladany@mail.house.gov

Dear Chairman Issa:

Enclosed are Mr. Mozilo's responses to the questions posed by the Committee under cover of your letter of February 25, 2012. The Committee's willingness to be sensitive to Mr. Mozilo's health considerations and to proceed by way of written questions is greatly appreciated.

Mr. Mozilo has responded to each question to the best of his current personal recollection and knowledge, but these responses are limited by his current recollection. We did share with him, as requested, the documents provided by the Committee. However, Mr. Mozilo has not had access to or been able to review other documents or information that we understand are available to the Committee and which may be relevant in answering the Committee's questions, except in those instances where he makes specific reference to a document. As such, due to his health, age, and the passage of time, his recollection no doubt is not perfect, but he has done his best to give the Committee correct answers, to the best of his knowledge and memory.

Mr. Mozilo has responded to the questions as presented and as understood. Any preambles have not been challenged or considered, respectfully, as relevant in responding to the question posed. When responding Mr. Mozilo understands the terms used in various questions either (i) as specifically defined by the Committee for purposes of these questions, as expressly set out in the four definitions, or (ii) as used commonly in the mortgage and home lending industries and as understood by him based on his experience; and not as defined in any House or Senate Ethics Rules or standards. So, for example, for purposes of preparing these responses, Mr. Mozilo uses and understands the terms "discounts"

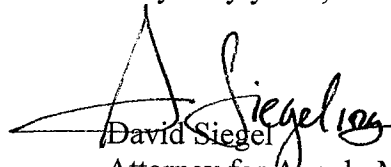
The Honorable Darrell Issa, Chairman
May 25, 2012
Page 2

or "benefits" to mean loan terms which he understood to be generally available to the public (in consideration of various factors as identified in certain of his responses).

These responses are provided today with a faxed copy of Mr. Mozilo's signature, in order to give them to Staff as promptly as convenient. We will forward an original signature upon its receipt.

Finally, we and Mr. Mozilo want to express our appreciation for the Committee's effort and work to respond to questions presented by public media reports, and we hope that Mr. Mozilo's responses are helpful to that process.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Siegel". The signature is stylized with a large, sweeping initial "D" and a cursive "Siegels".

David Siegel
Attorney for Angelo Mozilo

DS:rg
Enclosures

cc: The Honorable Elijah E. Cummings, Ranking Minority Member
Susanne Sachsman Grooms, Minority Chief Counsel

QUESTIONS

1. **Documents produced to the Committee show Countrywide established the VIP Loan Unit in 1991 “for the purpose of originating, processing and funding home loans to senior level employees and VIP customers.”⁴**

- a. **What was your understanding of the term “VIP customers”?**

Answer: Mortgage applicants referred to Countrywide by board members, senior employees, and friends of those directors and officers and others referred to them by third parties. I believe that, at various times, other employees at the Company also referred customers to the VIP Unit. The referrals I made included people from all walks of life with whom I came in contact, including, for example, prominent business people, doctors and nurses, entertainers, civic and community leaders, taxi or limo drivers, secretaries, a car dealer and his employees, a golf club employee, and gardeners. To my understanding, Countrywide employees also were, at least for some of the time, customers of the VIP Unit.

- b. **Were you personally responsible for establishing the VIP Loan Unit? If not, who was?**

Answer: I have reviewed the document provided by the Committee, but I have no independent recollection of the Unit’s origin or when it was first established.

- c. **For what purpose was the VIP Loan Unit established?**

Answer: My understanding is that the VIP Loan Unit provided focused customer support through expeditious and cost-effective processing and service of loans and loan applications that were not originated through our branch office system. In my mind, it was another channel through which we competed to originate loans that we thought would be profitable for the Company. I believe that the Unit helped us broaden consumer perception of Countrywide’s business beyond just an FHA/VA conforming lender and to some degree helped us compete with other lenders who had similar or analogous departments (whether named “VIP,” “private banking,” “private lending,” or “Valued or Preferred Customers” divisions, or some similar name). As I remember things, another purpose served by having a separate unit outside of our branch system was to have employee loans processed and underwritten by people who did not work directly with the employee.

- d. **Describe the staffing structure of the VIP Loan Unit when it was established in 1991. Explain how the staffing structure changed over time.**

Answer: I do not recall the staffing structure of the VIP Loan Unit nor the date when it was first established. I recall interacting at various times with a number of people I understood worked in the Unit, including Stephen Brandt, Maritza Cruz, Robert Feinberg, and David Kovnesky.

⁴ CW-COGR-0000001-012.

e. Did staff in the VIP Loan Unit handle VIP loans exclusively?

Answer: As I understand the definition provided by the Committee, any loan handled by the VIP Loan Unit would be a VIP loan.

f. Describe where the VIP Loan Unit was physically located. Explain any changes that occurred between 1991 - 2009.

Answer: I remember the office was located in Rosemead, CA and, before that, Pasadena, CA. I have no independent recollection of the Unit being located elsewhere.

g. Who were the company's "VIP customers" in 1991?

Answer: I do not recall any particular borrowers in 1991.

h. How were VIP customers referred to the VIP Loan Unit?

Answer: See my answer to 1(a) above. In my own experience, when I met people who asked me questions about getting a loan or told me they were purchasing or refinancing a home, I would generally give them my business card and tell them to call my office. If they called, I believe my assistant typically would send their information to the VIP Loan Unit and may have, on some occasions, directed the call to the Unit. I do not know how others referred potential borrowers to the VIP Loan Unit.

i. Who could refer customers to the VIP Loan Unit?

Answer: See my above response to 1(a).

j. Before the VIP Loan Unit was established, how were loans to VIP customers originated, processed and funded?

Answer: I originated loans from the beginning of the Company in 1968. Over my forty years at Countrywide, I originated many thousands of loans; in fact, for a period of time I was the sole originator of single family mortgage loans. The practices for originating, processing and funding loans varied over time and depended on the type of loan involved; there was no single practice or procedure. But, generally, I believe I would have asked a loan officer to take responsibility for processing and underwriting the loan, though I do not recall the exact procedure.

k. Documents show that the VIP Loan Unit's borrowers were predominantly employed outside of Countrywide. How did the purpose of the VIP Loan Unit evolve over time?

Answer: The department was established to handle loans that were not located or originated in our branch communities and, I believe, to process our employees' loans. I do not recall any specific evolution in purpose. I have no information as to the break-down between loans in the VIP Unit made to employees vs. loans made to people not employed at the Company. For further response, see my answer to 1(c) above.

- l. At what point did the VIP Loan Unit begin processing loans for covered borrowers?**

Answer: I do not recall.

- m. Were there special rules or policies in place for handling loans to covered borrowers?**

Answer: I do not recall.

- n. What was the role of the Office of the President in originating, processing and funding loans to VIP customers?**

Answer: To the best of my recollection and belief, the Office of the President handled customer complaints from throughout the Company (not merely involving loans in the VIP Unit), some of which otherwise might have come into my office directly as my phone number was publicly available. As I recall, most of the issues the Office handled were related to loan servicing, not originations.

- o. Was there a standard discount applied to loans processed by the VIP Loan Unit? If yes, please provide details.**

Answer: Exceptions or discounts from either published rates or terms were generally available to borrowers throughout the Company based on consideration of various factors (including as further explained in response to 1(q) and 2(g) below). As far as I recall, there was no standard discount applied to loans in the VIP Unit or elsewhere in the Company, except that employee loans may have had various standard terms or rates available to employees.

- p. What were your customer service expectations for the VIP Loan Unit?**

Answer: I expected all Countrywide customers to be treated with professionalism and courtesy, and for loan applications to be handled as expeditiously as the loan characteristics permitted. As a general matter, but certainly not in all instances, I believe that many of the loans in the VIP Unit had characteristics that might enable them to be made more expeditiously without increasing credit risk (*e.g.*, a prior loan with the Company, good credit history, low LTV ratio and/or referred by a known and reliable source of past business), and that once made, many of these loans would require less servicing. But I expected these factors to be considered in processing any loan underwritten by the Company. I also believed that a customer referred by a friend, colleague, or employer was more likely to perform on their loan to avoid embarrassment or damage to their relationship with the person who referred them.

- q. What were your loan pricing expectations for the VIP Loan Unit?**

Answer: As a general matter, my pricing expectations for all Countrywide loans were the same; they had to be made at a rate and on terms which were profitable for the Company and generally on terms salable to the secondary market. While there were published guidelines for pricing loan products, final terms on a particular loan often reflected the individual credit quality of the borrower and the type of loan, expectations as to the

performance of the loan, costs to make and service the loan, and frequently negotiations with the borrower. I believe that these kinds of factors would be considered for loans originated or processed throughout the Company, including but not limited to loans originated through the VIP Loan Unit.

- r. Was it the practice of staff in the VIP Loan Unit to communicate to VIP customers that their loans were being processed by the VIP Loan Unit?**

Answer: I don't know what the practice was.

- s. Was it the practice of staff in the VIP Loan Unit to communicate to VIP customers that they were receiving discounts or other forms of preferential treatment?**

Answer: I don't know what the practice was.

- 2. Documents and testimony obtained by the Committee show that you were personally involved in referring and pricing a number of VIP loans. For several VIP borrowers, you instructed staff in the VIP Loan Unit to apply discounts.⁵**

- a. When did you begin personally referring customers to the VIP Loan Unit?**

Answer: I do not remember, but it was probably from the beginning of the Unit. See my above response to 1(j).

- b. How and where did you meet covered borrowers that you referred to the VIP Loan Unit?**

Answer: Generally, please see my responses above to 1(a) and 1(h). Except as described in answers below, I do not recall any particular meetings with any covered borrower about a loan.

- c. How did covered borrowers make you aware that they were in the market to purchase or refinance a mortgage?**

Answer: If I was made aware, it was because either they told me or someone else told me.

- d. Did you provide a telephone number or other contact information to potential VIP customers? If yes, what information?**

Answer: I met potential VIP customers from every walk of life, virtually every day, and there is some chance I gave different contact information to some. As I described in my response to 1(h), to the best of my recollection, I typically gave them my business card or my office number.

⁵ See, e.g., CW-COGR2-0003963; CW-COGR2-0001195; Countrywide_000039; Countrywide_000829; Countrywide_000024.

- e. **Did potential VIP customers provide contact information to you? If yes, to whom in the VIP Loan Unit did you provide that information?**

Answer: Sometimes the customer did, although I believe it was more common that they would provide that information to my assistant. If I had contact information for a potential borrower, I or my assistant would have sent the information to an employee in the Unit so they could follow up. While I do not recall specifically who would have received the information, see my above response to 1(d).

- f. **In addition to contact information, what other information about potential VIP customers did you provide to the VIP Loan Unit?**

Answer: I do not remember information provided on specific loan referrals, but I assume that either I or my assistant probably would have provided any relevant information we had about the loan application.

- g. **Documents show that you instructed the VIP Loan Unit to take points off, waive “garbage fees,” and approve “no doc” loans.⁶ Explain the meaning of each of those benefits.**

Answer: These are common terms in the mortgage lending industry, frequently applied to millions of loans, depending on the credit quality of the borrower or the loan itself. In my mind, the terms had the following common meanings. “No doc” loans were loans made with limited borrower documentation, often but not exclusively to repeat customers or borrowers with high quality credit. “Garbage fees” are certain incidental fees related to the processing and closing of the loan (for example, document preparation fees) and are often waived or reduced as a result of negotiation with a borrower or to incentivize a borrower whose loan would be desirable to us and to our competitors to give us her or his business. To my understanding, “points” are up-front charges applied on some loans, depending on rates and market conditions, also to recover costs associated with the making and future servicing of the loan instead of charging a fractionally higher rate of interest. While not all loan products at all times were offered with points, a loan might be offered at a published rate with some specified amount of points (*e.g.*, and only as a hypothetical to illustrate, 6.5% with one point paid up front) and alternatively offered at a fractionally higher interest rate with fewer or no points or at a lower rate with additional points. Countrywide, like other lenders, could reduce or even waive points that otherwise might be charged on a loan (whether processed in the VIP Unit or not) depending on many considerations, including quality of credit, a judgment as to the likelihood that the loan would be repaid, the cost of obtaining and underwriting that loan (as a general matter, I believe the costs of loans originated in the VIP Loan Unit were lower on average than loans originated through our branch system or through a mortgage broker), or the degree to which lenders might compete for a particular loan given market conditions and the choices available to that individual borrower.

⁶ See, *e.g.*, CW-COGR2-0003963.

h. What other benefits or discounts were available to VIP customers?

Answer: To the best of my understanding and recollection, as set out in my responses to questions 1(c) and 1(p), the VIP Unit primarily gave focused customer support and cost-effective processing and service, including consideration of the factors applicable to terms as described in my answers to questions 1(q) and 2(g) above. As indicated in those answers, these same kinds of terms were generally available to the public, depending on consideration of the same factors (*e.g.*, credit quality, negotiation, competition, and prior and existing relationships with the Company). I believe that the VIP Unit was generally successful in delivering a good customer service experience but I also believe that a VIP Loan Unit customer should have been able to get similar pricing and terms either through negotiation at a Countrywide branch or with a competitor, and I heard that branches sometimes offered lower rates than the VIP Loan Unit to the same borrower. I also recall that there were times when someone who had been referred to me or who I knew asked for a better deal and I encouraged them to shop around, and if they got a better deal I advised them to take it.

i. Were exceptions to Countrywide's internal policies (e.g., policies regarding loan-to-value ratios, credit standards, multi-family properties, vacation properties, etc.) made for VIP borrowers? If yes, were those exceptions available to non-VIP customers?

Answer: Exceptions to the published guidelines for loan products were frequently made for VIP borrowers and non-VIP borrowers throughout the Company.

j. What factors did you consider when determining which discounts to give a VIP customer?

Answer: My understanding is that we considered the same factors in setting terms as for other loans and customers. See my above responses to 1(p)-(q), 2(g)-(h).

k. How did your role in referring, reviewing and/or approving transactions processed through the VIP unit evolve over time?

Answer: I do not remember any evolution of my role relative to the VIP Unit.

l. Documents show that the terms "Friend of Angelo" and "FOA" were used internally in the VIP Loan Unit. What did you understand those terms to mean?

Answer: My understanding is that the term was applied internally by others to identify that the borrower was someone I knew or who had been referred by me, or who claimed to have been referred by me.

- m. Were loans to “Friends of Angelo” handled differently than other transactions processed through the VIP Loan Unit?**

Answer: Not that I recall, except that I was once told that the VIP Unit identified loans in this manner so that I could be advised of any issues with such a loan instead of hearing about it from the borrower first.

- 3. Documents show that you were personally involved in pricing loans and ordering exceptions to Countrywide policies for several Members of Congress and senior executives of Fannie Mae. In some cases, you referred to the borrower’s position in connection with giving instructions to the VIP Loan Unit.⁷**

- a. What factors did you take into consideration when authorizing, approving, or otherwise recommending a discount or benefit for a Member of Congress or Fannie Mae executive?**

Answer: See my above responses to 1(p)-(q) and 2(g)-(j), and to 3(i) below.

- b. Did you ever communicate to any Member of Congress about discounts or exceptions?**

Answer: I do not recall doing so.

- c. Did you ever discuss the VIP Loan Unit with a Member of Congress or other covered borrower?**

Answer: I do not recall doing so, although it is possible I may have mentioned the name of the Unit to some borrowers.

- d. Did you ever communicate to a Member of Congress that his or her loan would be, or had been, processed by the VIP Loan Unit?**

Answer: See my above response to 3(c).

- e. Did you ever offer a discount or exception to a Member of Congress for the purpose of influencing his or her official actions?**

Answer: No.

- f. For what purpose did you apply discounts and make exceptions on loans for Members of Congress?**

Answer: In consideration of the same factors I would consider as to other borrowers. See my above responses to 1(c), 1(p)-(q), and 2(g)-(j). Also, see my answer to 3(i) below.

⁷ See, e.g., Countrywide_000760; Countrywide_000024.

g. For what purpose were you personally involved in pricing loans for Members of Congress?

Answer: I may have given my input when asked or at the time I referred such a borrower to the Unit if I had a view as to terms that would be competitive and profitable for the Company.

h. Were you personally involved in pricing and making exceptions for borrowers whose loans were not processed by the VIP Loan Unit (e.g., loans processed in local branches)?

Answer: Yes. Over the years, I originated thousands of loans for the Company and gave my input as to pricing and terms for many of those loans; indeed, during the Company's early years, I probably priced the vast majority of the loans we made. See my above response to 1(j).

i. Did covered borrowers' positions or employment ever factor into your decisions to refer them to the VIP Loan Unit or to provide any discount or benefit to those individuals, their relatives, or their staffs?

Answer: As a general matter, I referred customers from all walks of life to the VIP Loan Unit, as described in my response to question 1(a) above. To my best recollection, the vast majority of borrowers (if not all) who contacted me or were referred to me were referred or turned over to the VIP Unit as I described above in my response to 1(h). I do believe that quality and stability of employment is relevant to loan terms, most importantly because it can speak to the borrower's ability and willingness to repay the loan. I believed that loans to customers of a certain public stature such as actors, athletes, prominent business people, community and political leaders, and other public figures can bear on this important aspect of credit quality. To a lesser extent and always provided that we determined that the loan was likely to be repaid and profitable, I personally was proud to have people of prominence select Countrywide to be their lender of choice. Those people could and often did become sources for referral business and enhanced the Company brand, showing that high-profile customers who had a choice of lenders chose Countrywide for their loans.

4. **A September 29, 1998, e-mail from Kay Gerfen to Stephen Brandt stated: “Per Angelo – ‘take off 1 point, no garbage fees, approve the loan and make it a no doc.’”⁸ The Subject of the e-mail was “Congressman Buck McKeon.”⁹**
- a. **How was it brought to your attention that Chairman McKeon needed a loan?**
 - b. **Why did you instruct Kay Gerfen to apply those discounts to Chairman McKeon’s loan?**
 - c. **How did you settle on waiving one point (as opposed to a smaller or larger discount)?**
 - d. **Did you ever personally discuss Chairman McKeon’s loan with him, a member of his family, or anyone on his staff?**
 - e. **Did you or any Countrywide employee make Chairman McKeon aware of the discounts applied to his loan?**

Answers to 4a-e: While I have reviewed the documents attached to the Committee’s questions, I have no recollection of Chairman McKeon’s loan or any discussions about it or with him at all. I cannot speak for discussions others may have had. As to the factors that governed the terms of the loan, I don’t recall anything about this specific loan, but see my above responses to 1(p)-(q), 2(g)-(j), and 3(i).

5. **A March 11, 2003, e-mail from Stephen Brandt to you with Subject “Senator Conrad” stated: “Jim Johnson’s referral is back for another refinance. What discount, if any, should we extend. If he walked in off the street, the most that we would probably do to keep him as a customer would be .500 (our GPM’s increased again today). Thanks.”¹⁰**

In response to Brandt, you stated: “Take 1.25 points off and no extra fees.” You further instructed Brandt: “Also close the loan on a fast and easy basis and give the closing the highest priority.”¹¹

- a. **How was it brought to your attention that Senator Conrad needed a loan?**

Answer: I do not recall as to this specific loan. I do remember being introduced to Senator Conrad on a phone call with Jim Johnson during which Mr. Johnson handed the Senator the phone to say hello to me. During that call, either Mr. Johnson or the Senator probably informed me that the Senator was interested in a loan, but I do not remember what

⁸ CW-COGR2-0003963.

⁹ *Id.*

¹⁰ CW-COGR2-0001195.

¹¹ *Id.*

was actually said. I recall that I was on vacation at the time and suggested to either Mr. Johnson or the Senator that Senator Conrad or his assistant should call the office.

b. Why did you instruct Stephen Brandt to apply those discounts to Senator Conrad's loan?

c. How did you settle on waiving one and one quarter points (as opposed to a smaller or larger discount)?

Answers to 5(b)-(c): I have reviewed the document attached to the Committee's questions. I do not recall making this recommendation or my reasons or thought process at the time, but I do recall that Senator Conrad was a good, repeat customer, and see my above responses to 1(p)-(q), 2(g)-(j), and 3(i).

d. Did you ever personally discuss Senator Conrad's loan with him, a member of his family, or anyone on his staff?

Answer: Other than as described in my above response to 5(a) I do not remember any discussion.

e. Did you or any Countrywide employee make Senator Conrad aware of the discounts applied to his loan?

Answer: I do not recall doing so, and I am not aware if others at Countrywide did.

f. For what purpose did you instruct Brandt to "close the loan on a fast and easy basis and give the closing the highest priority"?

Answer: I have reviewed the document provided by the Committee, but I do not recall my thoughts at that time. Based on the document provided by the Committee, I apparently believed the loan could be processed expeditiously without increasing risk.

g. Did the borrower's status as a U.S. Senator influence your decision to authorize these discounts?

Answer: See my above response to 3(i).

h. Did Jim Johnson refer Senator Conrad to Countrywide?

Answer: Yes.

i. How was it brought to Jim Johnson's attention that Senator Conrad needed a loan?

Answer: I don't know.

j. How often did Jim Johnson refer people to the VIP Loan Unit?

Answer: Mr. Johnson referred a number of people to the Company for loans, but I do not know or have access to data showing me how many borrowers. I expect that most of the

borrowers referred by Mr. Johnson were handled by the VIP Loan Unit. While I haven't seen the data, I believe that the loans referred by Mr. Johnson generally performed well and were profitable for the Company.

- k. Did Jim Johnson make his referrals aware that the VIP Loan Unit could provide discounts and exceptions?**

Answer: I don't know.

- 6. On April 23, 2004, in an e-mail to you regarding a re-finance of an eight unit apartment building owned by Senator Conrad, Robert Feinberg stated: "I did advise him I would check with you first since our maximum is 4 units."¹²**

In response to Feinberg, you stated: "Please speak directly to David Spector and see if he can make an exception due to the fact that the borrower is a Senator."¹³

- a. As of April 2004, what was Countrywide's policy regarding financing properties with more than four units?**

Answer: I do not recall the limits on loans of this type, but the document provided by the Committee indicates that a loan of this nature would have required an exception and, as the loan would be on a multi-unit property, I sent it to David Spector at the Structured Loan Desk for his input on whether the loan should be made. That is consistent with my memory of the process generally for loans secured by multi-family properties. The document provided by the Committee shows that this is what happened.

- b. Did Countrywide refinance Senator Conrad's eight-unit apartment building?**

Answer: I don't recall.

- c. Why was the fact that the borrower was a Senator relevant to your request for an exception?**

Answer: See my above response to 3(i).

¹² Countrywide_001215.

¹³ *Id.*

7. In an e-mail to you on December 11, 2002, with subject “Senator Edwards,” Peter Segal stated: “He and his wife are buying a house in Georgetown for \$3.8 million. They need to close by Dec. 23rd. I represent the seller. I have told the Senator to call Steven Brandt. The timetable is ambitious but he is a future Presidential candidate and I think we [ought] to stretch for him.”¹⁴

In an e-mail on December 15, 2002, to Stephen Brandt and Doug Perry, you stated: “Edwards will probably be either the Vice Pres or Pres candidate for the democrats for 2004. Do whatever it takes to get it closed by the 23rd and call me for the pricing.”¹⁵

- a. What was Segal’s relationship to Countrywide?

Answer: Mr. Segal had done legal work for the Company.

- b. Besides Senator Edwards, did Segal make other referrals to the VIP Loan Unit?

Answer: Yes.

- c. Did Segal discuss discounts or the VIP Loan Unit with individuals he referred to Countrywide?

Answer: I don’t know.

- d. Why did you mention the possibility that Senator Edwards would be a candidate for President or Vice President in your e-mail to Brandt and Perry?

Answer: See my above response to 3(i).

- e. What did you mean when you instructed Brandt and Perry to “Do whatever it takes”?

Answer: I do not recall my thinking at the time, but the document to which the Committee refers reflects that I was asking them to do whatever they could to get the application processed within the deadline for the transaction as indicated by our referral source.

- f. Why did you believe it was important for Countrywide to close a loan for Senator Edwards?

Answer: I believed that it would be a profitable loan for the Company and was likely to be repaid. In addition, I thought that it could enhance the Company’s reputation as described in my above response to 3(i). I understand the loan was never made.

¹⁴ Countrywide_000024.

¹⁵ *Id.*

8. Documents and testimony obtained by the Committee show that the VIP Loan Unit processed a number of loans for Franklin Raines, Jim Johnson and his friends and family, as well as Fannie Mae employees. Documents also show you had significant personal involvement in processing Johnson's loans.

a. Where and when did you meet Raines?

Answer: I met Mr. Raines when he was Vice Chairman of Fannie Mae. He called me and asked me to participate on a technology committee which he chaired.

b. How did you first become aware that Raines needed a loan?

c. How and when did you refer Raines to the VIP Loan Unit or instruct staff to provide him with special treatment?

d. Did you or any Countrywide employee discuss loan discounts with Raines?

e. Did you or any Countrywide employee ever make Raines aware that any of his loans were being processed by the VIP Loan Unit?

Answers to 8(b) – (e): I believe Mr. Raines was a longstanding borrower with a number of loans and refinances at Countrywide and performed well on his loans. I may have discussed one or more of those loans over the years but I do not recall any specific discussions. As to loan terms, see my above responses to 1(p)-(q), and 2(g)-(j). I cannot speak to what others may have said to Mr. Raines.

f. Where and when did you meet Johnson?

Answer: I met Mr. Johnson roughly thirty years ago at a golf tournament associated with a mortgage banking event. He worked for an investment banking firm at the time.

g. How did you first become aware that Johnson needed a loan?

Answer: I do not recall specifically, but I assume he told me.

h. How and when did you refer Johnson to the VIP Loan Unit or instruct staff to provide him with special treatment?

Answer: I do not recall specifics. He was a long time customer of Countrywide and performed well on a number of loans from the Company, and he also referred a number of other loans which I believe were as a whole profitable for the Company. Additionally, see my above responses to 1(p)-(q), and 2(g)-(j).

i. Did you or any Countrywide employee discuss loan discounts with Johnson?

Answer: I do not recall any specific discussion, but I believe that I occasionally communicated with him about terms.

- j. Did you or any Countrywide employee ever make Johnson aware that any of his loans were being processed by the VIP Loan Unit?**

Answer: I cannot speak for what others may have said, and do not recall whether I did so myself, but Mr. Johnson was a frequent customer and may have known.

- k. What was the relationship between Countrywide and Fannie Mae?**

Answer: There was a strategic partnership between the companies.

- l. Did you negotiate a strategic partnership between Countrywide and Fannie Mae with Johnson? If yes, what was the nature of that agreement?**

Answer: The strategic partnership was negotiated by senior management and counsel at the two companies. I do not believe that I was an active participant in the negotiation although I was aware of it at the time first negotiated and participated in some discussions about it. Countrywide sold loans to both Fannie and Freddie. To the best of my recollection, at some point Freddie entered into an arrangement with Wells Fargo by which Wells Fargo would sell Freddie an increased percentage of its loans. As I understand and remember, Fannie decided it was in its best interest to pursue a relationship with Countrywide. Fannie wanted to procure a larger share of Countrywide's business and in exchange offered Countrywide a reduction in fees. The relationship and specific terms evolved and changed significantly over time, and those negotiations were handled by others at the Company.

- m. Did the VIP Loan Unit process all loans for Fannie Mae employees?**

Answer: I don't know.

- n. Did Countrywide lobby Congress on legislation that would have affected Fannie Mae and Freddie Mac?**

Answer: I don't recall specifically, but Countrywide had a Washington, D.C. office that participated in issues related to the mortgage industry and housing policy.

- 9. Documents and testimony show that Countrywide lobbyist Jimmie Williams referred a number of customers to the VIP Loan Unit. Documents show Williams explicitly discussed the potential importance of certain borrowers when referring them to the VIP Loan Unit.¹⁶**

- a. Were you aware that Williams referred customers to the VIP Loan Unit?**

Answer: I do not recall being aware of that.

¹⁶ See, e.g., Countrywide_001574-1575; Country wide_000830; Countrywide_001655.

- b. **Did you ever discuss referrals from Williams or any other Countrywide lobbyist with them? If yes, please describe the nature of those conversations.**

Answer: Not that I recall.

- c. **Did you, or anyone acting on your instructions, ever advise Williams or other staff in Countrywide's Washington office to refer covered borrowers to the VIP Loan Unit?**

Answer: No, I do not recall doing so.

10. **Did you ever discuss a loan with Sen. Kent Conrad, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: See my above response to 5(a).

11. **Did you ever discuss a loan with Rep. Pete Sessions, his family, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

12. **Did you ever discuss a loan with Rep. Edolphus Towns, family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

13. **Did you ever discuss a loan with Rep. Elton Gallegly, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

14. **Did you ever discuss a loan with Rep. Gregory Meeks, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

15. **Did you ever discuss a loan with Rep. Melvin Watt, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

16. **Did you ever discuss a loan with former Sen. Chris Dodd, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

17. **Did you ever discuss a loan with former Sen. Robert Bennett, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

18. **Did you ever discuss a loan with former Sen. John Edwards, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions. The document provided by the Committee indicates that discussions were with Peter Segal or others at Countrywide.

19. **Did you ever discuss a loan with former Rep. Tom Campbell, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

20. **Did you ever discuss a loan with former Rep. Bob Ney, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I do not recall any such discussions.

21. **Did you ever discuss a loan with former U.S. Postmaster General John Potter, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I believe I met Mr. Potter at a conference in Redmond, Washington and learned that he wanted a loan. I believe he introduced himself as a friend of Jim Johnson. I do not recall specifics of the discussion, but as I recall, I suggested that he call Countrywide. I also made someone at Countrywide aware that Mr. Potter might call, but I do not recall who.

22. **Did you ever discuss a loan with former U.S. Secretary of Housing and Urban Development Alphonso Jackson, his family members, or his staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I recall that he informed me that he was getting a loan through Countrywide or already had a loan with the Company, but I do not recall specifics of any discussions.

23. **Did you ever discuss a loan with former U.S. Secretary of Health and Human Services Donna Shalala, her family members, or her staff? If yes, please describe the discussion, including whether or not you mentioned the VIP Loan Unit, discounts or other special treatment.**

Answer: I recall meeting Ms. Shalala at a public event, and she informed me that she was a Countrywide borrower. She may have been a repeat customer. To the best of my recollection, we also made a loan to her property manager or gardener, if the Committee means to include that person within the definition of her “staff.” To the extent I communicated about either loan I would have directed both loans and any communications about the loans to the VIP Loan Unit. I do not recall any more specifics.

24. **The existence of Countrywide’s VIP Loan Unit and the identities of several VIP borrowers were first made public in June 2008. How did Countrywide respond?**

Answer: I do not recall. From February 2008 on I was not active at the Company day to day, and I formally left my positions at the end of June 2008.

25. **At what point did Countrywide shut down the VIP Loan Unit?**

Answer: I don’t know.

26. **Documents and testimony show that at least two VIP borrowers specifically requested not to receive discounts because accepting discounted loans might have violated applicable federal laws or congressional ethics rules. Was the VIP Loan Unit ever advised not to give discounts or preferential treatment to Members of Congress and congressional staff?**

Answer: I do not recall that.

Committee on Oversight and Government Reform (Democratic Staff)

Please answer the following questions:

- 1. Describe the development of and the purpose for the VIP program.**

Answer: See my above responses to 1(a)-(c) and 1(k).

- 2. How was the VIP program supposed to work? How did it work in practice?**

Answer: See my above responses to 1(c), 1(e), and 1(p)-(q).

- 3. What was your role in the VIP program? Did your role change over time?**

Answer: See my above responses to 1(b)-(c), 1(h), 1(j), 2(a)-(f), 2(k), and 3(g)-(h).

- 4. Was the purpose of the VIP program to establish relationships with borrowers who had the potential to influence policy, law, and public image? If this is true, who knew that this was its purpose?**

Answer: It was not the purpose of the VIP program to establish relationships with borrowers who had the potential to influence policy, law, and public image. I did believe that high-profile borrowers could enhance the Company's public image, as described in my above response to 3(i).

- 5. Did the VIP program specifically target building VIP/borrower relationships with employees of Fannie/Freddie? With Members of Congress? With Congressional staff? With other government employees? If so - why?**

Answer: The VIP Loan Unit was the recipient of referrals and employee applications. To the best of my recollection and understanding, it was not an affirmative marketing program that targeted specific demographics.

- 6. What did it mean to be a customer of the VIP program? How was that different than being a "normal" customer not processed by the VIP program? Did VIP customers get special discounts or underwriting exceptions that were not generally available to the public?**

Answer: See my above responses to 1(a), 1(c), 1(o)-(q), and 2(g)-(j).

- 7. How did you and your staff determine who would be a VIP customer?**

Answer: See my above response to 1(a).

- 8. How did you and your staff make determinations about what discounts or underwriting exceptions to provide to VIPs? Were the discounts based, in part, on the value of their potential future benefit to the company?**

Answer: See my above responses to 1(p)-(q), 2(g)-(j), and 3(i).

9. Did you ever provide a discount or underwriting exception to a government employee with a mutual understanding that the government employee would do something in return? Are you aware of any Countrywide employee doing this? If this occurred, please describe.

Answer: No.

10. When you referred potential borrowers to the VIP program, did you tell them that they were receiving preferential treatment as part of the VIP program? How did you describe the program?

Answer: See my above responses to 1(h), and 1(r)-(s).

11. Please describe everything that you recall about the loan agreements or VIP referrals of any current or former Congressmen, Congressional staff, Fannie/Freddie employee, and/or other government employee. Please describe any conversations that you had with the individuals about the VIP program and with any Countrywide staff about these individuals. Specially address whether: (a) any discounts or underwriting exceptions were provided, (b) the amount of those discounts or the type of underwriting exception, and (c) whether you told those potential borrowers (1) that they were getting preferential treatment; (2) that they were getting preferential treatment not generally available to the public; and/or (3) that the preferential treatment was because of their employment or ability to provide future assistance to Countrywide.

Answer: I have done my best to explain what I can recall to the best of my ability, even as to events which took place more than twenty years ago. As I have tried to indicate in my above responses, considerations about terms, pricing, and exceptions on loans depended on a number of characteristics which applied to both VIP and non-VIP loans, indeed, for any loans throughout the Company.

12. The Senate Ethics Committee investigated the loans to Senators Christopher Dodd and Kent Conrad and found no credible evidence that the Senators knowingly accepted discounted loans. Do you have any information to contradict that conclusion?

Answer: I have no information that I believe contradicts that conclusion.

Respectfully submitted,



Angelo Mozilo
Dated: May 25, 2012