

**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 Fastrack 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) 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.

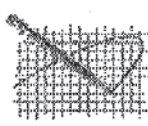
Often VIP loans arise out of unique business relationships with Senior Management of Countrywide Financial Corp and its subsidiaries. The majority of loans to VIP customers require some type of special handling⁴¹

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.

 Kay Gerfen 08/09/2002 01:49 PM	To: Stephen Brandt/Consumer/CF/CCI@Countrywide cc: Subject: Re Senator Conrad - [REDACTED] - referred by Mr. Jim Johnson - Angelo said "take off 1 point, no extra fees and approve the loan - if any problem, advise Angelo asap". Thanks
---	--

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.

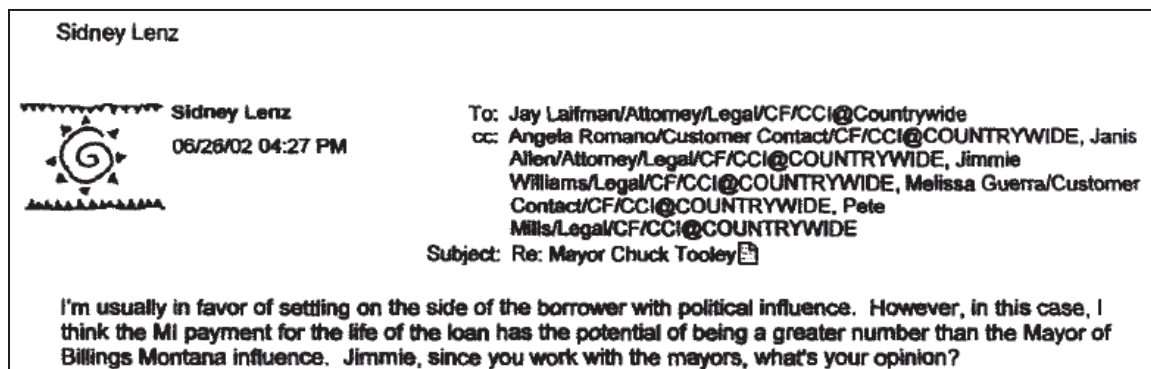
⁵⁷ E-mail from Jimmie Williams to Sidney Lenz (Jun. 27, 2002) (Countrywide_000016-17).

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?

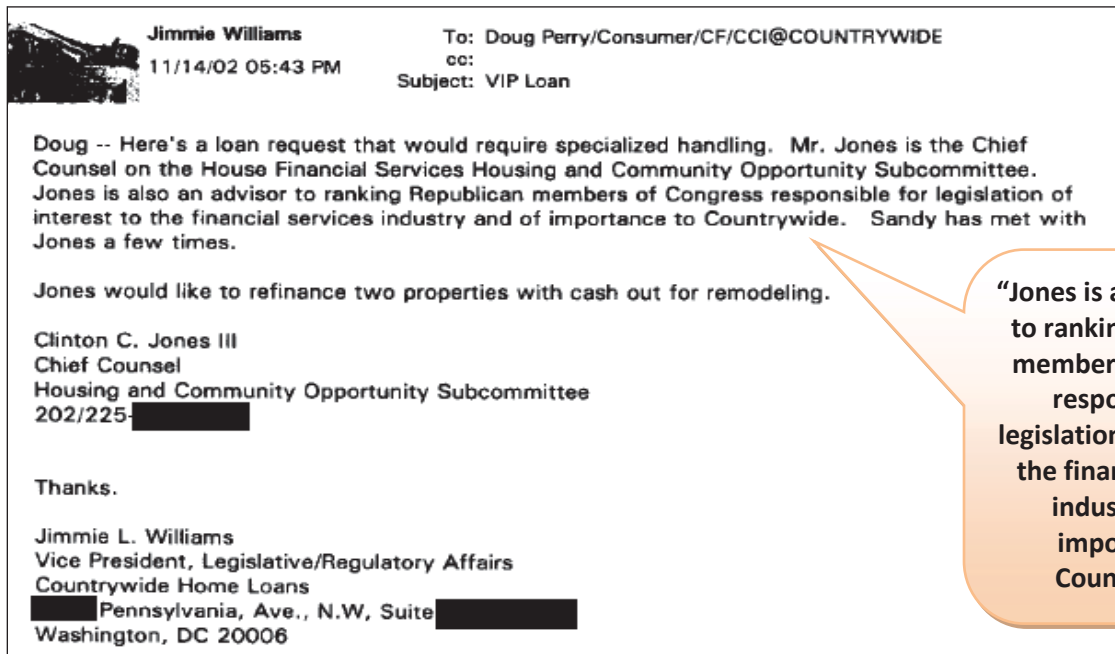
A I know that there were -- I don't know if I did that on every call. But I know initially we were pretty clear on more than one level that, you know, no special -- that this was -- Members of Congress and making them aware that no special deals and they

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



"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."

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.

 **Doug Perry**
03/17/2003 06:35 PM
To: Robert Feinberg/Consumer/CF/CCI@COUNTRYWIDE
cc:
Subject: Refinancing Account information - Mike & Becky Garver

Can you please handle this, thanks. .25 point off, branch processing.


----- Forwarded by Doug Perry/Consumer/CF/CCI on 03/17/2003 06:34 PM -----

 **Pete Mills**
03/17/2003 03:17 PM
To: Doug Perry/Consumer/CF/CCI@COUNTRYWIDE
cc:
Subject: Refinancing Account information - Mike & Becky Garver

Jimmie suggested you could handle this until Joseph returns. I would put this one in a "moderate VIP" status -- the Hill staffer is very important to us: the loan is for his sister and her husband, who he described as "novice first time refinancers."

Pete Mills
Senior Vice President
Legislative and Regulatory Affairs
Countrywide Home Loans
[REDACTED]

----- Forwarded by Pete Mills/Legal/CF/CCI on 03/17/03 05:07 PM -----

 **Pete Mills**
03/17/03 04:51 PM
To: Joseph Reed/CMD/CF/CCI@Countrywide
cc:
Subject: Refinancing Account information - Mike & Becky Garver

Joseph --

The couple below are interested in a refinance of an FHA loan they got from Countrywide last August. Their current interest rate is about 6 7/8% , from what Mike Garver told me. He said he contacted the local branch but was "discouraged" from trying to get a lower rate through CHL (the manager suggested it wouldn't be feasible to refi so soon).

Mike shared his story with his brother in law who is an aide to a senior Member of Congress on the House Financial Services Committee. The aide is a big supporter of Countrywide's and called me to see if we could help out. Hence the referral to you!

I spoke with Mike Garver briefly, and believe the 10 year loan he is referring to is a 10/1 ARM (fixed for 10 converting to an ARM). My recollection is that FHA now does these hybrid ARMs (although he is not wed to FHA if a conventional product is cheaper). He is interested in limiting his out of pocket costs.

Thanks for handling this one. Let me know if you need more info. His phone number at work is [REDACTED]

Pete Mills
Senior Vice President
Legislative and Regulatory Affairs
Countrywide Home Loans

"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 refincancers.’

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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
LÓAN # [REDACTED]	
BORROWERS NAME Robert Sanborn	* VIP FOA *

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 #: _____
Joe Lazara

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

ESTIMATED CLOSING DATE: Nov. 1st

SPECIAL HANDLING OF DISCLOSURE PACKAGE: Call Wayne

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 ██████████,
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?

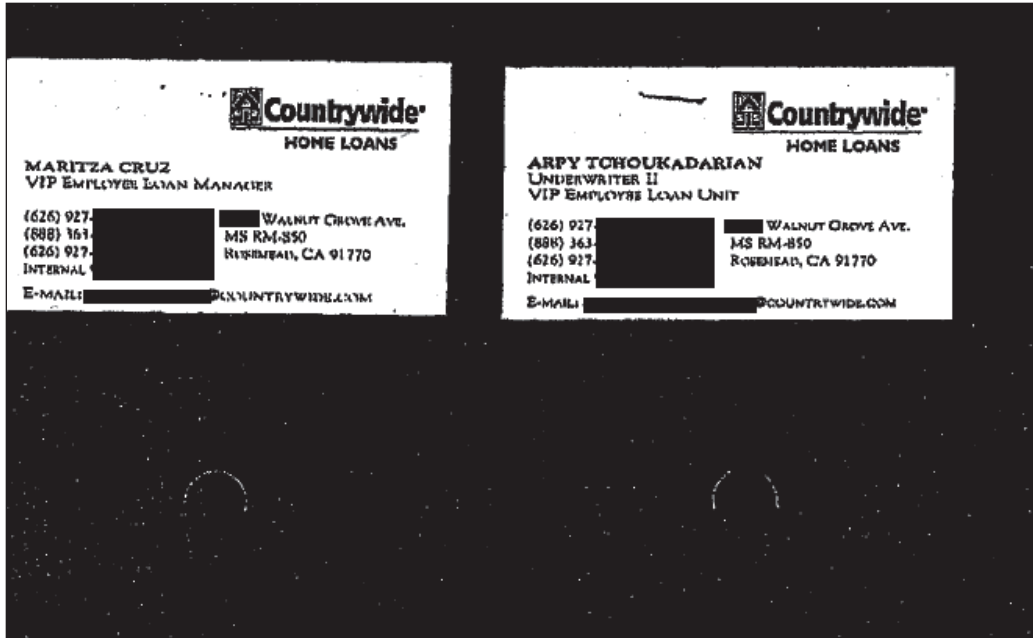
A: Not to me. The loan package was a folder, very nice folder that had pockets. And on the side we always inserted the business card on all loans. Whether they were VIP, employee, or regular, they always would get the business card so they knew where to call and who to call.

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.: 251-41412-24570495

Borrower: K. J. IN. K. J. IN. K. J. IN.

Property: 4470 WILLOW GROVE INT. 151

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

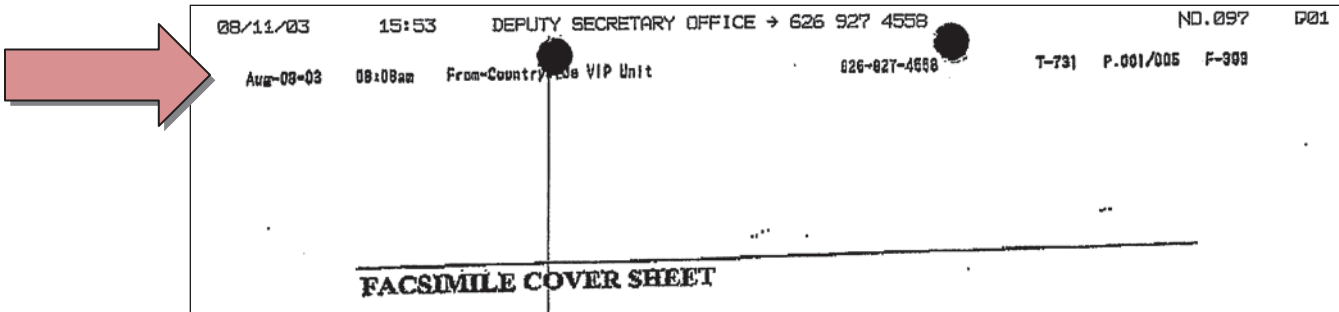
Application Disclosure Handbook
I/We acknowledge receipt of the Application Disclosure Handbook and further acknowledge the following:

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:

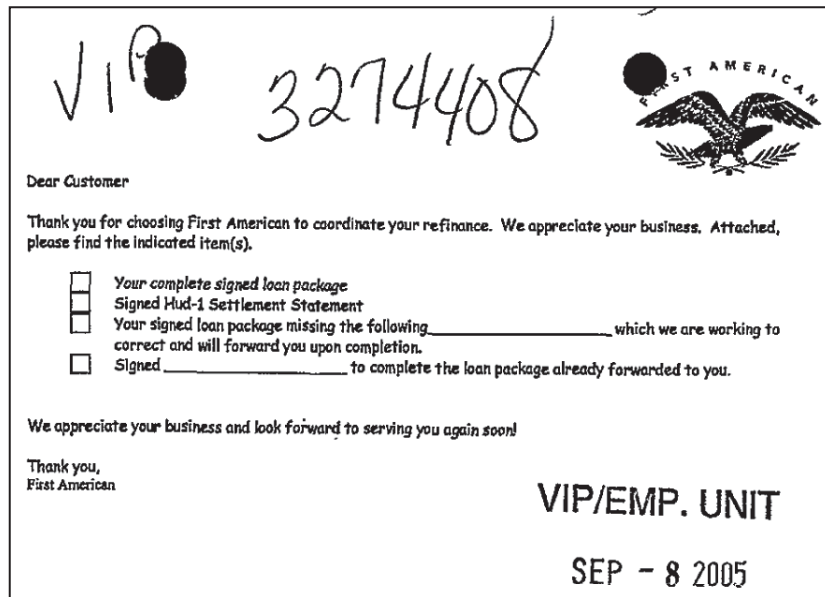
¹³² Rose Tr. at 154-156.

¹³³ Rose Tr. at 52.



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:



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 [REDACTED]

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

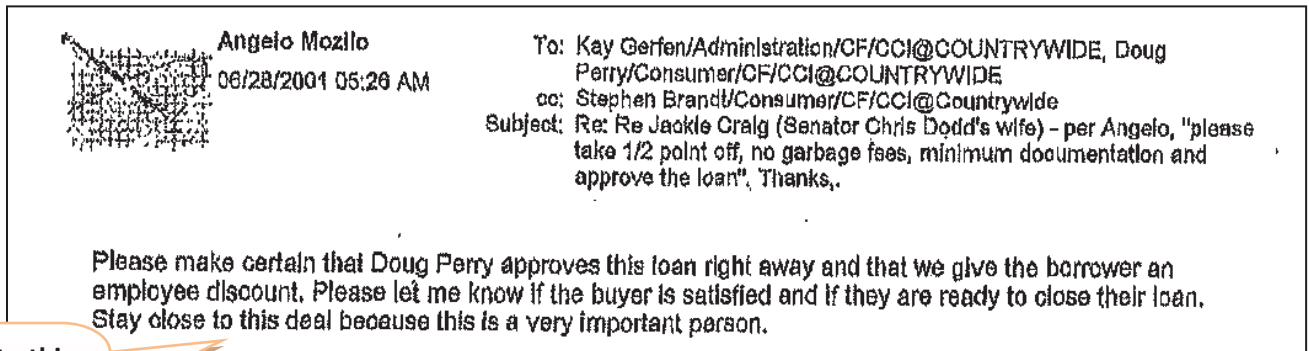
¹³⁷ Countrywide Comment Sheet (CW-COGR2-0002818).

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. ORUZ

COUNTRYWIDE HOME LOANS, INC.

DATE: 09/05/2001
BORROWER: CHRISTOPHER J. DODD
CASE #:
LOAN #:
PROPERTY ADDRESS: EAST HADDAM, CT 06423

BRANCH #850
1515 WALNUT GROVE AVE., RM-850
ROSEMEAD, CA 91770-
(888)363-4667
Br Fax No.: (626)927-4658

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 _____

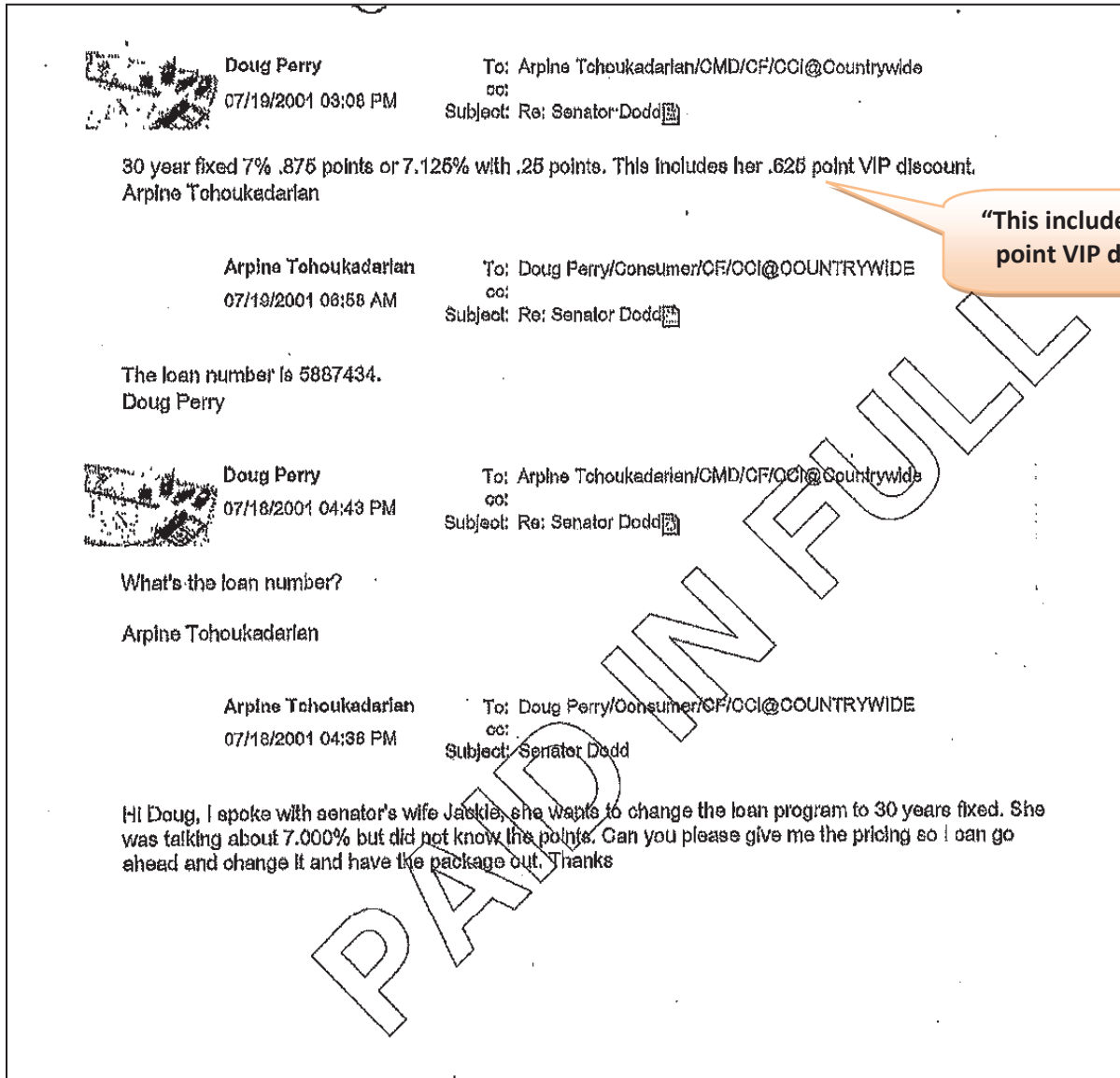
Comments: SWITCHED TO 30 YEAR FIXED LESS .50 DISCOUNT PT CREDIT-F.O.A.

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).



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?

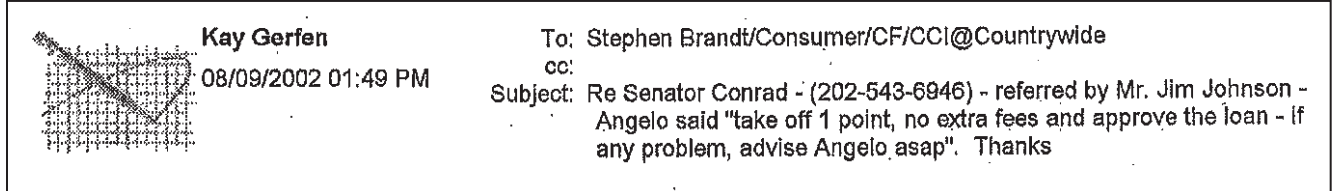
A: Uh huh.¹⁴⁴

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

Please proceed as directed by Angelo.

Angelo Mozilo To: Stephen Brandt/Consumer/CF/CCI@Countrywide
 03/11/2003 06:36 PM 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 To: Stephen Brandt/Consumer/CF/CCI@Countrywide
 03/11/2003 06:35 PM 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 To: Angelo Mozilo/Managing Directors/CF/CCI@COUNTRYWIDE
 03/11/2003 02:10 PM 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	<input type="checkbox"/>	Meet competitor price	<input type="checkbox"/>
Cover fee reduction	<input type="checkbox"/>	Renegotiation	<input checked="" type="checkbox"/>
		Resolve customer conflict	<input type="checkbox"/>
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).

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	To: Americo Salazar/Consumer/CF/CCI@Countrywide
07/22/2003 10:07 AM	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



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 #25000
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.

From: Stephen Brandt on 09/29/98 02:16 PM
To: Joseph Reed/Consumer/CF/CCI@COUNTRYWIDE
cc:
Subject: Congressman Buck McKeon (Referral from Mike Farrell/MBA)

----- Forwarded by Stephen Brandt/Consumer/CF/CCI on 09/29/98 02:20 PM -----

 **Kay Gerfen**
09/29/98 02:17 PM

To: Stephen Brandt/Consumer/CF/CCI@COUNTRYWIDE
cc:
Subject: Congressman Buck McKeon (Referral from Mike Farrell/MBA)

Per Angelo - "take off 1 point, no garbage fees, approve the loan and make it a no doc".

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).