

Congress of the United States
Washington, DC 20515

August 12, 2008

The Honorable Stephanie Tubbs Jones
Chairman, House Committee on Standards of Official Conduct
HT-2, The Capitol
Washington, DC 20515

The Honorable Doc Hastings
Ranking Member, House Committee on Standards of Official Conduct
1214 Longworth House Office Building
Washington, DC 20515

Dear Chairman Tubbs Jones and Ranking Member Hastings:

We write to call to your attention to a letter we received from Oversight and Government Reform Committee Chairman Henry Waxman. Responding to our request for an investigation of Countrywide's VIP loan program and lobbying efforts, Chairman Waxman responded, "because the issues you raise would require the Committee to investigate the conduct of members, the precedents of the Committee indicate that the Committee on Standards of Official Conduct would be the appropriate venue for the issues you have raised."

While we believe the precedents of the Clinton campaign finance and Jack Abramoff investigations cited by Chairman Waxman indicate that the Oversight and Government Reform Committee can and should move forward with an investigation of Countrywide's VIP program as it pertains to the conduct of Franklin Raines, James Johnson, and others at Fannie Mae, Freddie Mac, and the Administration who received VIP loans from Countrywide, we hope you will take Chairman Waxman's referral to your committee seriously.

We would like to bring to your attention the August 2008 article in *Conde Nast Portfolio* "Angelo's Many 'Friends,'" which alleges that Congressional staff were targeted for preferential treatment:

To gain access and "keep their edge," says retired managing director Sidney Lenz, who oversaw government relations for Countrywide, the company's lobbyists identified potential customers on Capitol Hill and in federal agencies and directed them to the V.I.P. program. The company's lobbyists were "incredibly receptive" to loan requests from officials, she says, and it paid off. "Countrywide had an incredibly good relationship with Congress. It was not unusual for us to get a call saying, 'A bill's being introduced. It's a little technical, and there are parts we don't understand. Can you help educate us on this?'"

The serious and broad allegation that Members of Congress, Congressional staff, and other officials were given preferential treatment – in the form of a gift from a corporation when mortgage lender Countrywide gave them loans on preferential terms – needs to be investigated.

As Chairman Waxman has referred our request for an Oversight and Government Reform Committee investigation on this matter to your committee, we request that you initiate the investigation we had requested in letters to Chairman Waxman. We are enclosing copies of this correspondence as well as copies of the *Conde Nast Portfolio* news story.

Sincerely,



Darrell Issa



Mark Souder

Enclosures (4): July 28, 2008 letter from Chairman Henry Waxman
August 2008 article in *Conde Nast Portfolio* “Angelo’s Many ‘Friends’”
July 21, 2008 letter to Chairman Waxman
June 17, 2008 letter to Chairman Waxman

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July 28, 2008

The Honorable Darrell Issa
211 Cannon House Office Building
Washington, DC 20515

The Honorable Mark Souder
2231 Rayburn House Office Building
Washington, DC 20515

Dear Rep. Issa and Rep. Souder:

I am writing regarding your request that the Committee investigate allegations that mortgage lenders provided preferential treatment for members of Congress and congressional staff. I appreciate your input regarding the Committee's agenda.

This type of issue has come up previously. During the Clinton campaign finance investigation, some members of the Committee requested that the Committee's investigation be extended to examine the fundraising activities of members of Congress. The decision made by Chairman Burton was to defer on these issues to the Committee on Standards of Official Conduct, which has primary jurisdiction over the conduct of members. Last Congress, during the Committee's investigation of Jack Abramoff, Chairman Davis made a decision for similar reasons to limit the Committee's inquiry to Mr. Abramoff's contacts with the White House and not to examine the actions of members of Congress. I followed this precedent this Congress.

Because the issues you raise would require the Committee to investigate the conduct of members, the precedents of the Committee indicate that the Committee on Standards of Official Conduct would be the appropriate venue for the issues you have raised.

Sincerely,



Henry A. Waxman
Chairman

cc: Tom Davis
Ranking Minority Member

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Angelo's Many "Friends"

by Dan Golden August 2008 Issue

The Countrywide V.I.P.-loan scandal went far beyond a few members of Congress. An exclusive look inside C.E.O. Angelo Mozilo's secret effort to curry favor with lawmakers, politicians, and others who could influence the company's fortunes.



VIEW SLIDESHOW

SUBPRIME VENDOR Countrywide founder and C.E.O. Angelo Mozilo defended his company's performance before members of Congress in March.

Photograph by: Kevin Lamarque

In January 2004, Richard Aldrich, a California state appeals court judge, decided to refinance his 8,200-square-foot house next to a Jack Nicklaus-designed golf course at the Sherwood Country Club in Westlake Village. He turned to a prominent Sherwood member: Countrywide Financial chief executive Angelo Mozilo.

Aldrich's application was assigned to a loan officer named Robert Feinberg; the judge was seeking a \$1 million loan and a \$900,000 line of credit. By email, Feinberg alerted Mozilo that the credit line was "above what guidelines allow." Mozilo responded, "Go ahead and approve the loan, and close it as soon as possible. Don't worry about this deal, it's golden." Countrywide further waived half a point, or \$5,000 on the million-dollar loan. (Homebuyers can reduce their interest rates by paying points, which are equal to 1 percent of the value of a loan.)

That wasn't Aldrich's only contact with Countrywide. At the time he refinanced, a class action lawsuit against Countrywide was pending before the appellate court, brought by borrowers contending that the company offered an inadequate payment to settle allegations that it charged excessive fees for credit reports. That August, Aldrich was part of a three-judge panel that unanimously rejected the borrowers' appeal. (View a slideshow featuring "V.I.P." loan recipients.)

According to a person familiar with the case, Aldrich did not disclose his relationship with Countrywide to the plaintiffs or offer to recuse himself. California's judicial code of ethics states that judges cannot accept gifts or favors from donors "whose interests have come or are reasonably likely" to come before them, nor can they take out a loan at better terms than are available to other borrowers. Reached by phone, Aldrich denied receiving a below-market loan and hung up.

Countrywide's generosity to Aldrich reflected a broader strategy. Through a program that provided loans on favorable terms to V.I.P. borrowers, the nation's largest mortgage lender carried favor with politicians, government officials, and business partners who were in a position to influence policy, profits, or public opinion. While some may not have been fully aware of the special terms, many took the bait. Some, including Aldrich, appear to have skirted or violated conflict-of-interest rules or ethics policies.

Feinberg, who served as gatekeeper for the V.I.P. program from 2000 to 2004, wrote hundreds of millions of dollars' worth of loans—as much as \$400 million in 2003 alone—for customers whom his superiors had singled out for special treatment. After he filled out the applications, they were processed by a V.I.P.-loan underwriting unit, which had its own branch number in Countrywide's recordkeeping system.

The vigor with which Countrywide chased V.I.P.'s was matched only by the aggressiveness with which it marketed loans to risky borrowers. In the past year, Countrywide morphed into the Chernobyl of the mortgage meltdown, with the F.B.I. investigating its lending practices, its stock plummeting, and Bank of America buying the company at a fire-sale price. Much as the highfliers of the internet bubble crashed overnight, the company that symbolized the housing market's boom has quickly come to define its collapse.

In June, *Condé Nast Portfolio* disclosed the names of five V.I.P.-loan recipients: Senators Christopher Dodd and Kent Conrad, former cabinet members Alphonso Jackson and Donna Shalala, and former United Nations Ambassador Richard Holbrooke. The *Wall Street Journal* reported that James Johnson and Franklin Raines, both former C.E.O.'s of government-sponsored mortgage buyer  Fannie Mae, received favorable rates.

But many other V.I.P. borrowers haven't been named until now, including former Countrywide director Henry Cisneros, who served as secretary of Housing and Urban Development in the Clinton administration; former White House staffer Paul Begala, now a commentator on CNN; and Postmaster General John Potter. Countrywide also offered special discounts to Congressional staffers involved in housing issues.

Current or prospective business partners who received special treatment include former C.E.O.'s William Esrey of Sprint, which teamed up with Countrywide to provide property information to homebuyers on their cell phones, and Bruce Karatz of KB Home, a leading homebuilder that refers customers to Countrywide for mortgages. The biggest subset of V.I.P.'s included Mozilo's network of friends, business associates, and

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people he wanted to ingratiate himself and his company with; they were known in company emails and memos by the initials F.O.A.—Friends of Angelo.

A Countrywide spokesperson declined to comment for this article and turned down *Condé Nast Portfolio's* request for an interview with Mozilo. Feinberg, the V.I.P.-loan officer, eventually grew disillusioned with the loan program. He left Countrywide in 2007 and agreed to be interviewed.

Fallout from the controversy has been swift and promises to spread. The Senate Ethics Committee is reportedly probing Countrywide's loans to Dodd and Conrad, and two Republican members of Congress urged the House Oversight and Government Reform Committee to investigate as well. As Dodd shepherded a sweeping housing-reform package through Congress, his credibility was damaged, with newspaper editorials questioning whether his personal ties to Countrywide colored provisions giving relief to lenders. Senators John Cornyn and Barbara Boxer introduced an amendment requiring their colleagues to disclose detailed information about their mortgages. As housing values drop and foreclosures multiply, the Countrywide V.I.P. program has emerged as the latest business scandal to fuel a sense that insiders benefited disproportionately from the housing frenzy—and everyday consumers are paying the price.

According to Feinberg and company documents, V.I.P.'s nearly always received better deals than those available to most borrowers. Countrywide often waived up to two points and eliminated fees amounting to hundreds of dollars for underwriting, processing, and document preparation. Internal company emails often referred to these fees as "junk" or "garbage." If interest rates fell while a V.I.P. loan was pending, Countrywide provided a free float-down to the lower rate, eschewing its usual charge of half a point. Some V.I.P.'s who bought or refinanced investment properties were given the lower interest rate reserved for primary residences. Because Mozilo informally preapproved his F.O.A.'s, many of them barely bothered to document their assets and enjoyed exceptions to normal procedures or shortcuts around them.

After the scandal erupted in June, several V.I.P.'s said they hadn't realized that they received discounts. While Feinberg says he didn't tell borrowers exactly how many points were waived on their loans, he says he told them that their fees were waived and usually assured them that they were getting special treatment or the Friends of Angelo discount. He also contends that he or other Countrywide employees almost always let borrowers know when they received a free float-down to a lower interest rate.

In 2002, Mozilo tried to snag a senator he anticipated might become the biggest V.I.P. of all: a U.S. president. On December 11, Peter Segal, a Washington real estate lawyer who worked closely with Countrywide, alerted Mozilo by email that he represented the seller of a \$3.8 million Georgetown home that North Carolina Senator John Edwards was buying. Segal told Mozilo that he had encouraged Edwards to contact Stephen Brandt, who oversaw Countrywide's V.I.P. loans. There was just one problem: The senator needed to close by December 23. "The timetable is ambitious, but he is a future presidential candidate and I think we [ought] to stretch for him," Segal wrote.

Mozilo pounced. "Edwards will probably be either the vice pres or pres candidate for the Democrats for 2004," he informed Brandt via email. "Do whatever it takes to get it closed by the 23rd and call me for the pricing."

Privacy Policy.

At Brandt's behest, Feinberg immediately called Edwards' assistant to convey Countrywide's eagerness to help, but she fended him off. Oblivious to the behind-the-scenes maneuvers, the senator borrowed from a North Carolina bank.

Among mortgage companies, Countrywide's visibility in Washington has increased dramatically in recent years. In 2005, it spent \$1.5 million lobbying the federal government, more than five times its 2000 level and about the same as mortgage and banking giant Wells Fargo. At the time, Countrywide was backing legislation for national lending standards and opposing a plan to shrink its federally sponsored business partners Fannie Mae and  Freddie Mac.

To gain access and "keep their edge," says retired managing director Sidney Lenz, who oversaw government relations for Countrywide, the company's lobbyists identified potential customers on Capitol Hill and in federal agencies and directed them to the V.I.P. program. The company's lobbyists were "incredibly receptive" to loan requests from officials, she says, and it paid off. "Countrywide had an incredibly good relationship with Congress. It was not unusual for us to get a call saying, 'A bill's being introduced. It's a little technical, and there are parts we don't understand. Can you help educate us on this?'"

Federal rules prohibit members of Congress and their staff from accepting preferential loans, and many officials and employees elsewhere in government face similar restrictions. Senate rules bar members and staff from knowingly accepting gifts of \$100 or more in a given year or any gifts from companies that, like Countrywide, employ registered lobbyists; gifts include loans on terms that are not available to the general public. Countrywide's ethics code bars directors, officers, and employees from "improperly influencing the decisions of government employees or contractors by offering or promising to give money, gifts, loans, rewards, favors, or anything else of value."

Nevertheless, Jimmie Williams, a Countrywide lobbyist in Washington, was remarkably candid in emails about the purpose of V.I.P. loans. In November 2002, for instance, Williams urged Feinberg's boss, Doug Perry, to give "specialized handling" to an application from a staff lawyer for the House subcommittee that monitors the Department of Housing and Urban Development. HUD regulates real estate settlements and closing costs and runs the Federal Housing Administration, the agency that guarantees mortgages. Williams pointed out that Clinton Jones III, senior counsel of the House Financial Services Subcommittee on Housing and Community Opportunity, was "also an adviser to ranking Republican members of Congress responsible for legislation of interest to the financial services industry and of importance to Countrywide."

Perry then emailed Feinberg: "Can you please handle this? .5 off. No garbage fees."

Once Feinberg completed the paperwork, Jones borrowed \$101,800 in February 2003. Countrywide waived five-eighths of a point, or about \$625. Jones, now vice president for industry relations at Fannie Mae, acknowledges being told that the V.I.P. unit was handling his loan. Still, he says, he's shocked to learn of his discount. "I thought I was just getting great service," he says. "I didn't know there was a shaving of points." Williams, who is currently state director for federal residential-mortgage bundler Freddie Mac, declined to comment.

In March 2004, Williams sought a V.I.P. loan for the top aide of a Democratic congressman from North

Carolina who was raising concerns about deceptive lending to low-income homebuyers. Williams asked Perry, "Could you please assist Joyce Brayboy, chief of staff to Congressman Mel Watt, with a loan?" Brayboy was considering choosing another lender, he wrote, but "would like to see if Countrywide has a better product.... Joyce reports directly to Congressman Mel Watt, who introduced predatory-lending - legislation to address unscrupulous lending practices, and they do view Countrywide as a trusted adviser."

Now senior vice president for the Glover Park Group, a communications consultancy, Brayboy says she "never applied for" and has "never had a mortgage loan with Countrywide, and certainly never had a discussion with anyone about getting special treatment."

The lobbyist's contacts extended beyond Congress. In December 2003, Williams notified Perry that the daughter of Alphonso Jackson was seeking a second mortgage. Jackson, a friend and Texas neighbor of President Bush, was then acting secretary of HUD. The daughter's loan didn't materialize. But that same month, Jackson, who had already refinanced his Alexandria, Virginia, townhouse through the V.I.P. program, applied for a \$308,000 mortgage to buy a vacation home on a golf course in Hilton Head Island, South Carolina. His loan came through on January 21, 2004, a week before President Bush named him HUD secretary. Feinberg says both of Jackson's loans came with discounts.

Jackson resigned in March 2008 amid allegations of cronyism that were unrelated to his Countrywide loans. Defending the transactions, he says that he was a Countrywide customer long before he worked for HUD. Asked if he received breaks on the loans, he says, "Not to my knowledge. If I did, it certainly wasn't discussed with me."

Countrywide also lavished V.I.P. loans on former Clinton-administration bigwigs. Former Health and Human Services Secretary Donna Shalala received two loans with rates floated down in 2002. "Angelo asked me to ensure that we 'knock her socks off' with our great service," Brandt emailed Feinberg.

At Mozilo's urging, former Clinton White House staffer Paul Begala borrowed \$484,500 to refinance his McLean, Virginia, home in 2002, but he says he didn't seek special treatment. Begala was giving a speech to a mortgage bankers group when he met the Countrywide chief. "He disagreed with my political views," Begala says. "I'm surprised to find I'm a Friend of Angelo."

Richard Holbrooke, who was an adviser to Hillary Clinton's presidential campaign, also garnered V.I.P. loans, as did his family. Countrywide waived at least 1.25 points, or \$15,000, on Holbrooke's \$1.2 million loan in 2003 to refinance a vacation home in Telluride, Colorado. "Per Angelo this loan is to be at zero points," Perry wrote.

Holbrooke's wife, author Kati Marton, borrowed a total of \$1.4 million to refinance two properties. "These loans are incredibly important to Angelo and as such they are incredibly important to us," Perry emailed Feinberg. Holbrooke's son, David, received a half-point discount, or \$2,800, on a \$559,500 loan when he and his wife refinanced their co-op in a Brooklyn, New York, high-rise, and five-eighths of a point, or \$2,600, off when they bought the floor above it.

Countrywide also kept an eye on its own backyard. A managing director emailed Feinberg and Perry on

August 12, 2003, letting them know that the company was planning a "highly visible and controversial" expansion of its headquarters in Calabasas, California, and had been "meeting with many city officials to try to develop the proper political strategy" that will provide the company with "the most success. One of those individuals is Robert Yalda, the city's director of transportation and intergovernmental affairs. He is in the process of buying a house and needs some help." That day, Yalda applied for a \$500,000 mortgage. Now the public works director of Calabasas, Yalda acknowledges seeking a V.I.P. loan but maintains that he acted appropriately because he wasn't responsible for approving the expansion; his role was to assess its impact on traffic. Countrywide never followed through on the expansion project.

Countrywide carefully weighed the potential political value of a client against the financial cost of a V.I.P. discount. Williams, the lobbyist, encountered internal resistance when he urged a favor for Billings, Montana, mayor Charles Tooley—hardly a household name. Tooley wanted to cancel the private mortgage insurance on his loan in 2002.

Lenz, then Williams' boss, responded in an email that she was "usually in favor of settling on the side of the borrower with political influence" but doubted that Tooley had much. "In this case, I think the MI payment for the life of the loan has the potential of being a greater number than the Mayor of Billings, Montana's influence."

Williams countered that Tooley "will be mayor of one of Montana's largest cities until 2005" and is "also very likely to hit the speaking circuit."

Tooley says he doesn't remember how the issue was resolved, but, he says, it "worked out to our satisfaction."

Perhaps countrywide's most troubling V.I.P. loans went to Democratic Senators Dodd and Conrad. As chairman of the Senate Banking Committee, Dodd is at the forefront of efforts to remedy the housing crisis. In May, he introduced a foreclosure-rescue bill that would extend up to \$300 billion in government-backed loans to struggling borrowers if lenders forgave a portion of their debt. Conrad chairs the taxation subcommittee of the Senate Finance Committee, which often considers proposals affecting Countrywide, such as tax credits for first-time or low-income homebuyers.

Feinberg was dismayed to watch a cable-television interview in August 2007 in which Dodd called for predatory lenders to face criminal charges. Feinberg, who handled four loans for the Connecticut Democrat in 2002 and 2003, finds Dodd's position "hypocritical."

On June 12, *Condé Nast Portfolio* revealed those loans at an inopportune time for Dodd. The report, published on Portfolio.com, dampened speculation that Dodd might become Barack Obama's running mate. Not only had Obama attacked Countrywide for "infecting the economy," but James Johnson, who was advising the candidate on selecting a vice president, had resigned from the campaign after the Wall Street Journal reported on his own V.I.P. loans. Dodd's involvement in the Countrywide scandal complicated his efforts to shepherd the housing-reform package through Congress.

On June 13, Dodd issued a statement that he did not know about the favorable treatment and "did not seek

or expect any." Four days later, he reversed himself, acknowledging that he knew Countrywide had placed him in a V.I.P. program. He said that he and his wife "assumed" it was "more of a courtesy" and that he had "negotiated a mortgage at a competitive rate, a prevailing rate."

However, Dodd received discounts on at least two of the transactions, Countrywide documents show. In 2003, he borrowed \$506,000 to refinance his Washington townhouse and \$275,042 to refinance a home in East Haddam, Connecticut. When he applied, Countrywide waived three-eighths of a point, or about \$2,000, on the first loan, and one-fourth of a point, or about \$700, on the second. With that pricing built in, the interest rate on the loans, originally 4.875 percent, was reduced to 4.25 percent on the Washington home and 4.5 percent on the Connecticut property.

Feinberg says that he spoke to the senator once or twice and frequently emailed or talked to Jackie Clegg, Dodd's wife. Clegg says that she can't recall whom she communicated with at Countrywide and that two other banks offered comparable rates.

Like Dodd, Conrad was slow to acknowledge his witting participation in the V.I.P. program. Initially, the North Dakota Democrat said in a statement that he had "no way of knowing" how Countrywide categorized his loan and that he "never asked for, expected, or was aware of any special treatment." But during an interview, he acknowledges, "I knew I was at a V.I.P.-employees unit. I thought that meant I was getting good service. Maybe I was naive."

In March 2004, Conrad wanted to refinance his vacation home. The senator, who says he felt cheated by a mortgage broker during a prior refinancing, consulted James Johnson, an old friend who, he says, "knew more about mortgages than anybody I know." When he called Johnson, the former Fannie Mae C.E.O. said, "Kent, I'm sitting with a guy you should talk to," and handed the phone to Mozilo, who was glad to help.

Feinberg emailed Mozilo on March 17: "I have spoken with Kent Conrad and he wants to refinance to a 15-year mortgage. The rate we are looking at is a 4.875% and it has a one-point charge." Mozilo replied, "Take off one point," and Feinberg complied. Since Conrad borrowed \$1.07 million, one point equaled \$10,700.

A month later, Conrad was back in touch, seeking to refinance an eight-unit apartment building that he and his brothers owned in Bismarck, North Dakota. Since Countrywide normally made loans only for buildings of four or fewer units, Feinberg consulted Mozilo. "I did advise [Conrad] that I would check with you first," Feinberg wrote.

"Please speak directly to Dave Spector," Mozilo replied, referring to the senior managing director for secondary marketing. "See if he can make an exception due to the fact that the borrower is a Senator." Spector then authorized the loan, according to emails.

Spector, who left Countrywide in 2006, says he can't recall the loan. If he did approve it, he says, it was because he believed that it could be sold to investors, not because of Conrad's prominence.

After being apprised of the emails, Conrad concedes he knew that the North Dakota loan violated company policy. The exception "seemed like a total nothing," he says. "I could have gotten that loan any day of the

week at home." Conrad tried to make amends by giving \$10,700 to charity and paying off the debt on the eight-unit property.

As countrywide grew, it used V.I.P. loans to cultivate a variety of current and prospective business partners. In June 2003, Bruce Karatz's accountant let Feinberg know that the C.E.O. of KB Home, one of the country's largest homebuilders, wanted to refinance his own residence for \$3.3 million. Feinberg notified Mozilo, who was gung ho. Karatz, Mozilo wrote, "is a close friend and potentially a business partner. Do the financing as he requested. Make the process as easy as possible. Take ½ point off and no extra fees."

Karatz borrowed from another lender instead. But he co-signed when two of his sons bought homes with V.I.P. loans from Countrywide in 2003 and 2004. The lender waived three-fourths of a point, or \$3,750, on a \$500,000 mortgage for a penthouse condo in Los Angeles, and seven-eighths of a point, or about \$5,000, on a \$590,000 mortgage for a residence in Beverly Hills. In 2005, KB Home formed a joint venture with Countrywide to set up KB Home customers with residential loans from Countrywide.

Countrywide's V.I.P. loans to business partners raise conflict-of-interest issues akin to those posed by its seduction of public officials. Many publicly traded companies bar executives from taking gifts that could compromise their ability to act in the shareholders' best interests. Countrywide's ethics code forbids directors, officers, and employees from giving "courtesies or gifts intended to influence business decisions." KB Home's code of conduct prohibits employees from accepting a noncash gift of more than \$200 from any company that "does or seeks to do business" with KB Home unless the gift is approved by an ethics officer and isn't likely to lead to "special consideration" for the donor. A KB Home spokesperson declined to comment on the loans to Karatz's sons. So did Karatz, who resigned in 2006 after an internal investigation showed that he had reaped \$13 million by backdating stock options.

Countrywide has been a Sprint customer since 1987, and its partner since 2000 in ventures like providing mobile access to property data. In 2002, Mozilo brought Sprint chairman and C.E.O., William Esrey, into the F.O.A. club. Esrey, whom Perry described in one email as an "ultra V.I.P.," borrowed \$1.8 million to finance his mountainside vacation home in Vail, Colorado—an alpine-style, 8,300-square-foot villa with five bedrooms, six baths, and an outdoor Jacuzzi. Countrywide waived seven-eighths of a point, or about \$15,000, on that transaction, and another 1.25 points, or about \$9,000, on a \$748,100 refinancing that year of Esrey's house in Mission Hills, Kansas.

In its code of conduct, Sprint—which merged with Nextel in 2005—instructs employees and board members to structure relationships with current or potential business partners "so that they could not reasonably appear to affect your independent and sound judgment on behalf of Sprint Nextel." A Sprint spokesperson referred questions to Esrey, who retired in 2003. He did not return messages.

Depending on the year, government-sponsored Fannie Mae bought from between 10 and 30 percent of its loans from Countrywide, giving the company a volume discount, Paul Muolo writes in his new book *Chain of Blame*. For their part, current and former Fannie Mae executives received preferential terms on V.I.P. loans. Former Fannie Mae C.E.O. James Johnson was given home loans at relatively low interest rates. As *Condé Nast Portfolio* has reported, Countrywide waived points for Johnson. Documents show that after leaving Fannie Mae, Johnson received more than \$7 million in V.I.P. loans. In 2003, Countrywide took 1.375 points,

about \$13,000, off a nearly \$1 million loan to refinance his Washington home. When he borrowed almost \$1.3 million that year to refinance a four-bedroom, five-bathroom home next to a golf course in Palm Desert, California, Countrywide waived 1.875 points, or about \$24,000. In 2004, Johnson borrowed \$3 million to upgrade to a larger estate—a 5,875-square-foot house with a guesthouse and pool—on the same golf course. When Feinberg noted that the size of the loan exceeded Countrywide's limit for a second-home mortgage, Mozilo told him to "do the deal."

Like Holbrooke, his former partner in a Washington consulting firm, Johnson is a vice chairman at private banking firm Perseus. Brian Brooks, a lawyer for Johnson, says his client never asked for a discount and that it is "common knowledge" that individuals of high net worth receive lower rates than other borrowers.

In 2003, using V.I.P. loans for nearly \$1 million apiece, Franklin Raines, Fannie Mae's chairman and C.E.O. from 1999 to 2004, twice refinanced his seven-bedroom home, which has a pool and movie theater. What hasn't been reported is that on the day Raines applied for one loan, his assistant left a message with a Countrywide receptionist: "Per Angelo, Frank needs to refi." Perry notified Feinberg, "One point off, no junk." Fannie Mae's code of conduct prohibits directors from using their position to receive "improper personal benefits." Raines did not return messages.

The Sarbanes-Oxley Act prohibits companies from making below-market loans to directors and executives. After the law's passage in 2002, at least three Countrywide directors—Henry Cisneros, Robert Donato, and Harley Snyder—refinanced properties through the V.I.P. program. Snyder's son, Andrew, bought a home with a V.I.P. loan in 2003. Possible discounts on these loans could not be ascertained because the documents were unavailable. Harley Snyder declined to comment, and Donato did not return a message. Cisneros, who left Countrywide's board last year, says he "went to great lengths" to avoid receiving a break. He says the loan officer who now handles V.I.P. applicants assured him that he received market terms. "I have done business with Countrywide because I wanted to show confidence in the company," he says.

For Mozilo, Friends of Angelo were a source of pride. A former loan officer who founded Countrywide in 1969, he proffered mortgages to relatives, friends, and even chance acquaintances long after the company became a huge business. The wide assortment of F.O.A.'s mirrored Mozilo's background, habits, and interests. For example, both Mozilo and Postmaster General John Potter are alumni of Fordham University, in New York. When Mozilo met Potter at a conference and learned that he needed a mortgage, he referred Potter to the V.I.P. program, which took a point off and waived fees for his \$322,700 loan. Potter says he didn't know he received a break.

By the late 1990s, with F.O.A.'s scattered among branches nationwide, the company decided to centralize the process at its call center in Rosemead, California. Several loan officers there funneled the paperwork to an underwriting unit originally set up to process discounted loans for employees. The concept, one insider says, was to ensure that key customers received proper attention and avoided "unnecessary disruptions" in branch operations.

During his first two years in the call center, Feinberg never heard of the V.I.P. program. The 43-year-old Feinberg had dropped out of college and managed a gym (he refers to himself self-deprecatingly as a "dumb bodybuilder") before joining Countrywide's loss-mitigation office in 1996, where he negotiated with borrowers

who were behind on their payments. He transferred to the call center in 1998.

Telemarketing proved to be his true calling. Feinberg generated so many loans that he won a company-paid vacation to Maui. In the fall of 2000, Perry assigned Feinberg his first F.O.A., a California manufacturer. "Be careful," Perry told Feinberg. "He knows Angelo, and Angelo called me directly to make sure we take care of him. I have to report back, so don't fuck anything up, and keep me posted."

The customer was satisfied, and Feinberg was soon handling V.I.P.'s full-time, putting him in a privileged position in the call center. Under managers Brandt and Perry, most loan officers worked as many as 65 hours a week, marketing mortgage refinancing and home-equity credit lines to callers from across the country. They left their cubicles only 10 minutes a day, to fetch a company-provided lunch of pizza or tacos, which they ate at their desks. There was no letup; as soon as a loan officer hung up the phone, the next call would be sent from the queue. An electronic overhead screen displayed average customer hold times. Supervisors monitored their phone conversations, docking pay for the slightest deviations from scripted patter. The oppressive conditions drove call-center loan officers, including Feinberg, to sue Countrywide for overtime pay and meal breaks; the company settled the case in 2005 for \$30 million.

In the V.I.P. program, Feinberg rarely took random calls and didn't have to follow the script. He found that most V.I.P.'s earned high incomes and had credit scores. But since it was understood that Mozilo would approve their loans, they were often lax about providing paperwork. When Feinberg asked how to fill in the blanks, Perry told him to do his best: "This is how F.O.A.'s work, so just get used to it."

With falling interest rates spurring a go-go housing market, the call center was operating at maximum capacity. The V.I.P. ranks swelled. High-profile clients included iconic anchorman Walter Cronkite, actors Stanley Tucci and the late Roy Scheider, and the late film director Robert Altman. Feinberg relished his contacts with the rich and famous. "When you were working V.I.P. loans, you felt like a V.I.P. yourself," he says.

"Our V.I.P. unit is struggling under the weight of significant pipeline," one of its supervisors emailed Brandt in October 2002. "We cannot afford to underserve this critical V.I.P. customer base. Incoming daily flow has significantly grown from historic levels, not only because of current market conditions, but because of increased 'friends of' referrals from persons below the managing director ranks."

The supervisor's memo categorized V.I.P. loans by priority, the highest being F.O.A. and F.O.S.—friend of Stanford Kurland, who was chief operating officer until 2006. Kurland referred a handful of friends to Feinberg for V.I.P. treatment, including a Paramount television executive who refinanced five properties on Cape Cod. Next in priority came personal loans for Mozilo, Kurland, and their families, followed by loans for lesser executives. As the backlog piled up, Feinberg and his colleagues shunted loans for minor luminaries to Countrywide's branch in Glendale, California.

One Manhattan business manager for prominent people in entertainment, government, and industry sent about a dozen clients to Feinberg. The V.I.P. program offered "marginally better" terms than other lenders, he says. "We couldn't afford to not have the best for our clients."

In April 2004, Feinberg's superiors switched him back to regular call-center duties; he says he was never told why. Disappointed, he transferred to the Glendale branch. He tried to keep doing V.I.P. loans, but the branches operated under a financial system that was different from the call center's: The discounts came out of either the branch's profit or a loan officer's commission.

As criticism of Countrywide's lending tactics mounted, Feinberg became disenchanted with the V.I.P. program and his role in it. He came to regard favors for the well-connected as a sign that Countrywide had strayed from its mission of helping ordinary Americans own their homes. No longer seeing a future for himself at the company, Feinberg quit in November 2007.

Feinberg and his wife live in a two-story San Fernando Valley home, which he bought in 2003 with a Countrywide mortgage; he says he received the standard one-point discount for employees. There, he has saved stacks of documents about the V.I.P. operation: loan analyses comparing "policy" with "actl chrgd," "pipeline" reports that tracked loans from application to funding, and printouts of emailed instructions from Mozilo and other Countrywide executives.

After a heart attack in February, Feinberg has lost 35 pounds and is looking for work. He says recruiters are often taken aback when, scanning his résumé for job experience, they come upon "V.I.P. Account Executive. Advised on V.I.P. referrals from the C.E.O., C.F.O., president, and senior management."

Former colleagues told Feinberg recently that Countrywide was still making V.I.P. loans, but far fewer than in his heyday. He expects Bank of America to shutter the program. A Bank of America spokesperson says that senior executives there "do not get involved in the origination of mortgages."

At least one F.O.A. remains loyal to the program. In 2003, when Philip Ballinger was dean of admissions at Gonzaga University in Spokane, Washington, he planned to move to the more expensive Seattle area. Another Gonzaga administrator told Ballinger that Mozilo, a trustee, made loans at special rates to university staff. Gonzaga's chancellor then spoke to Mozilo, and the next day, Perry instructed Feinberg to take ".75 off, no junk, V.I.P., fast processing." Ballinger, who bought his home with a \$312,000 Countrywide mortgage, says the terms were better than he could get from any other major lender.

His 10-year mortgage adjusts to a new rate in 2013. Asked whether he would ever refinance with another V.I.P. loan, Ballinger, now admissions director at the University of Washington, says, "I'd hope it's a perpetual thing."

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REPUBLICAN POLICY COMMITTEE

July 21, 2008

The Honorable Henry Waxman
Chairman, Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Last month, we wrote you requesting an investigation and hearings on allegations that mortgage lenders may have given special deals to Members of Congress. To date, we have received no substantive response to our request.

We would like to point your attention to the August 2008 article in *Conde Nast Portfolio* "Angelo's Many 'Friends'" that contains new allegations that House of Representatives staff, a California state appeals court judge, and other current and former Federal officials received special treatment from Countrywide due to their positions. Of particular interest, former Countrywide Financial loan officer Robert Feinberg states that he personally spoke with U.S. Senator Chris Dodd and U.S. Senator Kent Conrad about their special mortgage deals. The article also notes the existence of e-mail traffic between Mr. Feinberg and former Countrywide CEO Angelo on the subject of VIP loans and notes that Mr. Feinberg is in possession of "stacks of documents about the V.I.P. operation."

On the subject of Countrywide's Federal Lobbying Efforts, the article states:

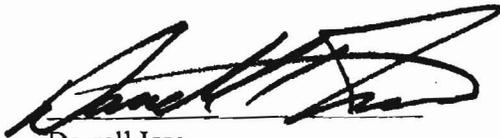
"To gain access and "keep their edge," says retired managing director Sidney Lenz, who oversaw government relations for Countrywide, the company's lobbyists identified potential customers on Capitol Hill and in federal agencies and directed them to the V.I.P. program. The company's lobbyists were "incredibly receptive" to loan requests from officials, she says, and it paid off. "Countrywide had an incredibly good relationship with Congress. It was not unusual for us to get a call saying, 'A bill's being

introduced. It's a little technical, and there are parts we don't understand. Can you help educate us on this? "

Given the fact that Congress is actively considering bailing out Fannie Mae, Freddie Mac, Countrywide, and other lenders it is essential that Congress investigate to determine the extent that public officials and staff have been compromised by improper gifts.

As Members of the House Committee on Oversight and Government Reform, we are troubled by your lack of response to our previous request and would like to know why the Committee is hiding from its duty to investigate this matter. Both documents and witnesses are clearly ready and available for an investigation and we would note that the Committee has investigated other improprieties committed by lobbyists. For all the hearings your committee has held on subjects other than waste, fraud, and abuse in the Federal government, it is an appalling lapse that the Committee is not investigating this matter. The Committee's failure to act when presented with rapidly growing evidence of wrongdoing makes a mockery of Speaker Pelosi's election promise to improve House Ethics. If you have reasons for not investigating this matter, other than the involvement of prominent Democrats, we would appreciate it if you would share them with us in your response.

Sincerely,



Darrell Issa
Member of Congress



Mark Souder
Member of Congress

Congress of the United States

Washington, DC 20515

June 17, 2008

The Honorable Henry A. Waxman
Chairman
Oversight and Government Reform Committee
2157 Rayburn House Office Building
Washington, D. C. 20515

Dear Chairman Waxman:

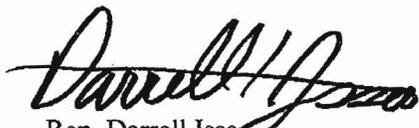
It has now been widely reported that Senate Banking Committee Chairman Chris Dodd and others were given special treatment (in the form of a gift from a corporation) when a mortgage lender gave them loans on preferential terms. We request that the Committee investigate and hold hearings on allegations that mortgage lenders may have made special deals with Members of Congress.

Through the so-called "Friends of Angelo" program, Countrywide CEO Angelo Mozilo reportedly gave loans on preferential terms to prominent people, including Senators Chris Dodd and Kent Conrad and Fannie Mae CEOs Jim Johnson and Franklin Raines. Senator Dodd reportedly saw a savings of \$75,000 on two loans that he refinanced. According to the Wall Street Journal, Senator Conrad says he called Mr. Mozilo at the suggestion of Mr. Johnson.

A primary purpose of the Oversight and Government Reform Committee is to investigate abuse. Surely, improper benefits and loans, intended for high ranking officials, warrant the Committee's attention. This specific issue could shine more light on the far-reaching mortgage crisis.

In terms of causes of the mortgage meltdown, the mortgage companies' practice of trading favors with influential Senators, if true, seems more egregious than the large compensation packages the mortgage companies paid their CEOs. As such, the VIP programs that may have given preferential treatment to government officials deserve to be investigated with the same zeal as was the link of executive pay to the mortgage crisis. Additionally, we ask that you use your influence as Chairman to stop any legislation bailing out mortgage lenders until all tainted individuals have recused themselves, and the legislation has been examined and declared free of any undue influence.

Sincerely,


Rep. Darrell Issa


Rep. Mark Souder