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March 4, 2009

Mr. Kevin M. Downey
Williams & Connolly, LLP
725 12th Street, NW
Washington, DC 20005

Re: Franklin Raines' Countrywide Mortgages

Dear Mr. Downey:

Thank you for your letter of January 29, 2009 enclosing 339 pages of loan documents related to Franklin Raines' Countrywide mortgages. We also thank Mr. Raines for his testimony on December 9 at our hearing titled "The Role of Fannie Mae and Freddie Mac in the Financial Crisis."

The Committee on Oversight and Government Reform is investigating numerous aspects of the ongoing mortgage crisis. As you know, Fannie Mae and Freddie Mac hold or guaranty over half the mortgages in the U.S. These Government Sponsored Enterprises (GSEs) play a critical role in establishing mortgage lending standards throughout the industry.

One particularly troubling component of the crisis is the "Friends of Angelo" VIP loan program operated by Countrywide Financial Corporation. Under this program, Countrywide provided preferential treatment to politically influential borrowers. Sweetheart deals to politicians, regulators, and executives of GSEs such as Fannie Mae and Freddie Mac may have had the unfortunate effect of curtailing responsible oversight.

Several news accounts have identified Mr. Raines as a recipient of preferential treatment from Countrywide.¹ At our hearing, he denied receiving such treatment, and he denied receiving benefits under the “Friend of Angelo” program.² He testified:

Mr. Burton: Have you ever had a home loan from Countrywide?

Mr. Raines: Yes.

Mr. Burton: Was this given to you through the term, “Friend of Angelo?”

Mr. Raines: No.

Mr. Burton: So you didn’t get any preferential treatment?

Mr. Raines: No, I did not, in terms of the terms of my mortgage.

Mr. Burton: So you paid the same rate and same conditions as anybody else would under the same conditions?

Mr. Raines: If they have the same credit profile, the same loan to value as I had, yes, sir.

Mr. Burton: So if we checked on that loan that you got from Countrywide, we wouldn’t find anything different from anybody that borrowed from Countrywide in the whole country? You would not get preferential treatment?

Mr. Raines: I am unaware of any preferential treatment.³

Documents you produced to the Committee on January 29, 2009 suggest that discounts were in fact applied to the terms of Mr. Raines’ mortgage agreement with Countrywide. These documents also suggest Mr. Raines knew he was being afforded special VIP benefits. Other documents produced to the Committee support the conclusion that Mr. Raines received preferential treatment as a Countrywide VIP.

¹ See generally, Glenn R. Simpson and James R. Hagerty, *Countrywide Friends Got Good Loans*, WALL STREET JOURNAL, June 7, 2008; Daniel Golden, *Angelo’s Many ‘Friends,’* CONDE NAST PORTFOLIO, Aug. 2008; and Glenn R. Simpson, *Countrywide Made Home Loans to Gorelick, Mudd, Leading Democrat, Ousted Fannie Chief Deny Any Favoritism*, WALL STREET JOURNAL, Sept. 25, 2008.

² *The Role of Fannie Mae and Freddie Mac in the Financial Crisis: Hearing Before H. Comm. on Oversight and Gov’t Reform*, Preliminary Hearing Transcript, 110th Cong. at 68 (Dec. 9, 2008).

³ *Id.*

Specifically, records indicate direct communication between Mr. Raines' office, Mr. Angelo Mozilo, and officers in Countrywide's VIP Loan Program. To help illustrate this, we are attaching a document that shows Mr. Raines's assistant Wendy Hogan telephoned Countrywide on Mr. Raines' behalf. According to the phone message, "Wendy stated that per Angelo, Frank needs to refi."⁴

In response to Wendy Hogan's phone call, Doug Perry of Countrywide's VIP loan unit, arranged a one point discount and waiver of "junk" fees on Mr. Raines' June 2003 refinance.⁵ Documents produced by Mr. Raines to the Committee show that the discounts ordered by Perry were in fact applied to the June 2003 loan. The rate for that loan was 4.125 percent,⁶ exactly one point less than the initial rate of 5.125 percent applied to Mr. Raines' April 2003 loan.⁷ According to *The Wall Street Journal*, the market average rate for comparable loans at the time of Mr. Raines' June 2003 refinance was 5.1 percent.⁸ If this information is accurate, it begs the question of why Mr. Raines would seek to refinance a mortgage negotiated just two months earlier that was consistent with market rates unless he knew he would receive a discount through Countrywide's VIP program.

In addition to taking a point off Mr. Raines' June 2003 refinance, Countrywide's VIP unit also appears to have waived charges payable in connection with the loan. According to the estimated HUD-1 settlement statement for that loan, Mr. Raines was not to be charged at settlement for a variety of items (items such as lender's inspection fees, application fees, assumption fees, warehouse fees, processing fees, and other fees typically referred to as "junk" fees).⁹ Information gathered by the Committee during interviews and from various news accounts confirms that waiver of "junk" fees was one of the most common perks of being a "Friend of Angelo."¹⁰

⁴ Email from Claudia Velazquez, Countrywide to Doug Perry, Countrywide, June 9, 2003 (Feinberg-000010).

⁵ Email from Doug Perry, Countrywide to Robert Feinberg, Countrywide, June 9, 2003 (Feinberg-000010).

⁶ "Estimation of HUD-1 Settlement Statement" for Borrower Franklin D. Raines (Loan No. 31460379), prepared by Lucy C. Hidalgo, Countrywide Loan Specialist, VIP Employee Loan Unit, June 25, 2003 (FDR-OGR_0298).

⁷ "Fixed/Adjustable Rate Note" for Borrower Franklin D. Raines (Loan No. 25258841), prepared by Silva Momjian, Apr. 29, 2003 (FDR-OGR_0259).

⁸ Glenn R. Simpson and James R. Hagerty, *Countrywide Friends Got Good Loans*, THE WALL STREET JOURNAL, June 7, 2008. The article explains that 5.1 percent represents the "low end of average market range for similar mortgages based on surveys of lenders in the six weeks preceding loan closing."

⁹ "Estimation of HUD-1 Settlement Statement" for Borrower Franklin D. Raines (Loan No. 31460379), prepared by Lucy C. Hidalgo, Countrywide Loan Specialist, VIP Employee Loan Unit, June 25, 2003 (FDR-OGR_0298).

¹⁰ See generally, Rick Green, 'Friends of Angelo' Were VIPs, And Knew It, HARTFORD COURANT, Oct. 28, 2008; Daniel Golden, *Angelo's Many 'Friends,'* CONDE NAST PORTFOLIO, Aug. 2008;

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The discounted June loan documents were prepared by Lucy Hidalgo, a member of Countrywide's VIP loan unit. She attached her business card to the loan documents provided to Mr. Raines, as did a Loan Manager and Underwriter in the VIP unit.¹¹

The involvement of Countrywide's VIP unit in the refinancing of Mr. Raines' mortgage and the rate reduction and waiver of "junk" fees that are reflected in the documents produced to the Committee indicate Mr. Raines was aware he was receiving special treatment, including a reduced interest rate and waived fees. Information obtained by the Committee, therefore, calls into question the truthfulness of Mr. Raines' testimony.

Prior to further investigative action by the Committee, we thought it prudent to write to you and invite your client to reflect on his testimony. Should it be necessary to have Mr. Raines clarify or amend his testimony, we encourage him to do that as quickly as possible.

We look forward to hearing from you in order to reconcile the apparent discrepancy between Mr. Raines' testimony and what the documents you produced and other documents in the Committee's possession indicate. In the interest of resolving this matter expeditiously, we would appreciate a response no later than March 18, 2009.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Darrell Issa", written over a horizontal line.

Rep. Darrell Issa
Ranking Member

¹¹ Business Cards of Countrywide VIP Unit Officers Lucy Hidalgo, Arpy Tchoukadian, and Maritza Cruz, attached to Countrywide Home Loans Mortgage Documents (FDR-OGR_0291-92).