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Congress of the United States

House of Representatives

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January 17, 2012

The Honorable Darrell E. Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to request information about how you plan to proceed with the Committee's investigation of Members of Congress who received mortgage loans from Countrywide Financial Corporation under its VIP loan program, also known as the "Friends of Angelo" program after the company's CEO, Angelo Mozilo.

Over the past three years, you have waged a high-profile campaign to obtain the mortgage files of Members of Congress who received VIP loans from Countrywide. You have referred to these loans as "bribes,"¹ "influence buying,"² and "public corruption."³ Although two previous Chairmen of the Oversight Committee followed the longstanding practice of referring matters involving Members of Congress directly to the Ethics Committee, you abandoned this practice last February when you issued a unilateral subpoena—your first as Chairman—demanding to see these Member files yourself.

The documents produced in response to your subpoena reveal four previously undisclosed instances in which Members of Congress received Countrywide VIP loans. All four instances involve Republican Members, including three current Republican House Members and one former Republican House Member.

¹ *America's Newsroom*, Fox News (Oct. 26, 2009) (online at www.youtube.com/watch?v=h7HDmFmQRcw).

² House Committee on Oversight and Government Reform, Minority, *Bank of America Ready to Turn Over 'Countrywide VIP' Documents if Majority Will Issue Subpoena* (June 24, 2009) (online at http://oversight.house.gov/index.php?option=com_content&task=view&id=17&Itemid=29).

³ *America's Nightly Scoreboard*, Fox Business (Mar. 4, 2009) (online at www.youtube.com/user/oversightandreform#p/search/1/w4NZGAdHv18).

When you issued your subpoena last February, you explained that you had two purposes in demanding these files. The first was to determine whether any official actions were taken by policymakers to benefit Countrywide. The second was to make public all of the information obtained by the Committee in order to deter future wrongdoing. In one of your first public interviews after issuing your subpoena, you stated that your goal was to “find a way to disclose it all and then get the American people outraged enough to make sure that it never happens again.”⁴

Last month, however, you reversed course. Rather than publicly identifying the four additional Members who received Countrywide loans or attempting to determine whether they took any official actions on behalf of Countrywide, you chose instead to refer their cases to the Ethics Committee. This is exactly the approach you criticized when used for Democratic Senators Kent Conrad and Christopher Dodd and precisely the approach you abandoned when you issued your subpoena last February.

On January 13, House Armed Services Committee Chairman Howard “Buck” McKeon and Rep. Elton Gallegly reported publicly that you referred them to the House Ethics Committee, although both denied taking inappropriate actions on behalf of Countrywide. To date, you have declined to publicly identify the two other Republicans who also received Countrywide VIP loans.

Despite your decision to refer these cases to the House Ethics Committee, you have now scheduled two transcribed interviews with Countrywide officials to take place this week. Both of these transcribed interviews will be with the Countrywide officials who oversaw and processed Chairman McKeon’s VIP loan.

Since you failed to consult with me before taking these actions, I have several questions about how you plan to proceed with this investigation, which are set forth below.

Campaign to Obtain Files on Members of Congress

You launched your campaign to obtain the files of Members who received loans under the Countrywide VIP loan program on June 17, 2008, when you wrote to former Committee Chairman Henry A. Waxman requesting that “the Committee investigate and hold hearings on allegations that mortgage lenders may have made special deals with Members of Congress.”⁵ Chairman Waxman denied your request, responding that the longstanding practice of the Committee had been to allow the House Ethics Committee to handle allegations regarding Members of Congress.⁶

⁴ *The Dylan Ratigan Show*, MSNBC (Feb. 17, 2011) (online at www.youtube.com/watch?v=ARU2DABuYfY&feature=relmfu).

⁵ Letter from Rep. Darrell Issa and Rep. Mark Souder to Chairman Henry A. Waxman, House Committee on Oversight and Government Reform (June 17, 2008).

⁶ Letter from Chairman Henry A. Waxman, House Committee on Oversight and Government Reform, to Rep. Darrell Issa and Rep. Mark Souder (July 28, 2008).

Rather than defer to the Ethics Committee, you argued that the Oversight Committee must investigate Members of Congress who were part of a wider conspiracy of “influence buying” and “public corruption.”⁷ You stated:

We’re talking about a vast business enterprise that was buying, currying favor with politicians throughout the country and in fact probably distorted the laws that you and I had to live under.⁸

You also stated:

We cannot close the book without criminal investigations and likely indictments against Countrywide officials and people who knowingly took subsidized below-cost loans and in return produced, if you will, a deal for Countrywide.⁹

Even when the Ethics Committee conducted investigations, you dismissed them as limited and inadequate. After the Senate Ethics Committee found no credible evidence that Senators Kent Conrad or Christopher Dodd knowingly accepted discounted loans, you stated:

This story does not change my approach to the investigation of the Countrywide VIP program. I will continue to press forward with this investigation and strongly believe that a subpoena to Bank of America [which purchased Countrywide] is a necessary next step to fully expose how Countrywide attempted to use its VIP program to buy influence.¹⁰

Similarly, on September 30, 2009, you stated:

We’re beyond ethics here. We are at a point where the American people at least should know who they gave money to or benefit to, how they did it, and so on. ... What we do

⁷ House Committee on Oversight and Government Reform, Minority, *Bank of America Ready to Turn Over ‘Countrywide VIP’ Documents if Majority Will Issue Subpoena* (June 24, 2009) (online at http://oversight.house.gov/index.php?option=com_content&task=view&id=17&Itemid=29); *America’s Nightly Scoreboard*, Fox Business (Mar. 4, 2009) (online at www.youtube.com/user/oversightandreform#p/search/1/w4NZGAdHv18).

⁸ *Bulls & Bears*, Fox Business (Sept. 29, 2009) (online at www.youtube.com/user/RepDarrellIssa#p/search/10/ZH2ZFuQXIjk).

⁹ *Bulls & Bears*, Fox Business (July 20, 2010) (online at www.youtube.com/watch?v=0TOdUBKD3fl).

¹⁰ House Committee on Oversight and Government Reform, Minority, *Rep. Issa Statement on Wall Street Journal Countrywide VIP Story* (Aug. 7, 2009) (online at http://oversight.house.gov/index.php?option=com_content&task=view&id=189&Itemid=29).

know is there is a level of intended corruption by Countrywide that clearly had an effect on government's decisions for years, and we are ignoring it.¹¹

Over the past three years, you have stated repeatedly that the Oversight Committee should determine the full scope of the loan program and make this information public. According to a Washington Post story on March 19, 2009, you stated: "The full story of Countrywide's efforts to buy influence hasn't been told and shouldn't be swept under the rug because no chairman is prepared to issue a subpoena."¹² Similarly, on June 24, 2009, you stated in a press release: "The American people deserve to know the extent that special benefits co-opted public servants who were supposed to be watchdogs of the mortgage industry."¹³ And on September 29, 2009, you stated on Fox Business: "[I]f we don't get to these individuals and figure out what they did in their official capacity, we're not going to be able to reasonably undo some of what was done."¹⁴

Information About Additional Republican Members

In one of your first official acts as Chairman, you issued a unilateral subpoena on February 16, 2011, demanding a wide array of documents, emails, and other communications relating to mortgages offered through the "VIP and/or Friends of Angelo program."¹⁵ Unlike the subpoena issued by former Chairman Edolphus Towns, your subpoena demanded that mortgage files for Members of Congress—even those of current Members—be delivered directly to your offices instead of the House Ethics Committee.

You reiterated that your goals were to determine whether any official actions were taken by policymakers to benefit Countrywide and to make public information you obtained in order to deter future wrongdoing. You stated:

This subpoena will allow us to obtain the information needed to answer the outstanding public interest questions regarding the full size and scope of the VIP program. The

¹¹ House Committee on Oversight and Government Reform, *Hearing on Credit Rating Agencies and the Next Financial Crisis*, 111th Cong. (Sept. 30, 2009) (online at www.youtube.com/watch?v=nLqgFKs6DD0).

¹² *House GOP Report Details Countrywide's Efforts to Benefit VIPs*, Washington Post (Mar. 19, 2009) (online at www.washingtonpost.com/wp-dyn/content/article/2009/03/18/AR2009031803800.html).

¹³ House Committee on Oversight and Government Reform, Minority, *Bank of America Ready to Turn Over 'Countrywide VIP' Documents if Majority Will Issue Subpoena* (June 24, 2009) (online at http://oversight.house.gov/index.php?option=com_content&task=view&id=17&Itemid=29).

¹⁴ *Bulls & Bears*, Fox Business (Sept. 29, 2009) (online at www.youtube.com/user/RepDarrellIssa#p/search/10/ZH2ZFuQXIjk).

¹⁵ Subpoena from House Committee on Oversight and Government Reform to Bank of America Corporation (Feb. 16, 2011).

American people have a right to know the totality of who participated in the Countrywide's VIP program and what they did in return for access to it. Our role is to get all of the facts so that the American people can judge for themselves who should be held responsible and accountable.¹⁶

Prior to the issuance of your subpoena, three Democratic Members of Congress had been identified publicly as potentially having received VIP loans from Countrywide: Senator Kent Conrad, Senator Christopher Dodd, and Congressman Edolphus Towns. Senators Conrad and Dodd were both cleared by the Senate Ethics Committee, which concluded on August 7, 2009, that there was "no credible evidence" that either Senator "knowingly accepted a gift, including a loan not available to the public."¹⁷ Congressman Towns issued several public statements denying that he knowingly received any preferential treatment from Countrywide.¹⁸

In response to your subpoena, the Committee obtained information about four previously unknown instances in which Members of Congress received VIP loans, including three current Republican House Members and one former Republican House Member. After discovering that all of these Members are Republicans, you sent a letter on December 16, 2011, referring their cases to the House Ethics Committee.¹⁹

On Friday, House Armed Services Committee Chairman Howard "Buck" McKeon and Rep. Elton Gallegly acknowledged publicly that they are two of the Republican Members you referred to the House Ethics Committee in December. In particular, a spokesperson for Chairman McKeon said he was "pretty shocked and angry" when you informed him about the VIP loan documents obtained by the Committee.²⁰

Interviews with Countrywide Officials Who Processed Chairman McKeon's VIP Loan

Although you referred cases involving Members to the House Ethics Committee in December, you have now scheduled two transcribed interviews with Countrywide officials to take place this week. In particular, Committee investigators are scheduled to conduct transcribed

¹⁶ House Committee on Oversight and Government Reform, *Chairman Issa Issues Subpoena for All Countrywide VIP Docs* (Feb. 16, 2011) (online at http://oversight.house.gov/index.php?option=com_content&task=view&id=1141&Itemid=29).

¹⁷ Letter from Members of the Senate Select Committee on Ethics to Senator Christopher J. Dodd (Aug. 7, 2009); Letter from Members of the Senate Select Committee on Ethics to Senator Kent Conrad (Aug. 7, 2009).

¹⁸ See, e.g., *Towns Responds to Allegations*, Brooklyn Daily Eagle (Nov. 2, 2009) (stating "it is clear that I received rates and terms on my loans that were comparable to those widely offered to other borrowers in the marketplace").

¹⁹ Letter from Chairman Darrell Issa, House Committee on Oversight and Government Reform, to Chairman Jo Bonner and Ranking Member Linda T. Sanchez, House Committee on Ethics (Dec. 16, 2011).

²⁰ *Lawmakers Tied to VIP Loan Program*, Wall Street Journal (Jan. 14, 2012).

interviews with two officials who oversaw and processed Chairman McKeon's VIP loan: Stephen Brandt, a Countrywide Executive Vice President who oversaw the VIP program, and Maritza Cruz, a Countrywide Loan Manager for VIP loans.

The documents obtained pursuant to your subpoena indicate that Ms. Cruz is listed as the contact person for several of Chairman McKeon's VIP loan documents. In addition, she prepared his Uniform Underwriting and Transmittal Summary. Her signature, as well as Chairman McKeon's signature, appear on his Notification of Underwriting Approval and Closing Conditions.

These documents also indicate that Chairman McKeon appears to have obtained a significant discount on his VIP loan as a direct result of personal intervention by Countrywide CEO Angelo Mozilo. Specifically, an internal email from Mr. Brandt to Countrywide employees handling this loan states explicitly:

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

Last week, a spokesperson for Chairman McKeon stated that he had "no inkling" that he received a VIP loan and that, "as far as he knew, never received any special favors on the home loan."²¹ The documents obtained pursuant to your subpoena do not indicate whether Chairman McKeon was informed about his discount. However, the documents describe at least three conversations Chairman McKeon had with Countrywide employees, including with an account executive instructed to provide the preferential rate. That employee's notes of these conversations state:

FOA [Friends of Angelo] referral, Please order appraisal ASAP. You may call the borrower at his Washington office [number redacted] and get the Sons phone number for the appraiser contact. The borrower would like to hear from the appraiser this week.

The borrower is a bit difficult to deal with. He seems on the edgy side.

Called Mr. McKeon at work [redacted name] his secretary said she would ask "B" for son's phone #. Mr. McKeon called said we could call 1) his home [number redacted] his wifes work [number redacted] campaign office

Borrower wants to close ASAP. Explained to him demands are not here yet.

In addition, a follow-up letter sent to Chairman McKeon provided forms for him to sign and stated: "Thank you for allowing COUNTRYWIDE's VIP TEAM to assist you with your financing needs on the above referenced property."

Finally, the documents obtained pursuant to your subpoena indicate that Chairman McKeon was referred to the VIP program by "Mike Farrell/MBA." This notation appears to be a

²¹ *Lawmakers Tied to VIP Loan Program*, Wall Street Journal (Jan. 14, 2012).

reference to Michael J. Ferrell, who was then the chief lobbyist of the Mortgage Bankers Association of America (MBA). According to his biography, Mr. Ferrell led MBA's successful campaign to lobby Congress to block the imposition of higher fees on mortgage lenders.²²

Request for Information

When you issued your unilateral subpoena last February, press accounts noted your aggressive approach and your high-profile demands for Member files. For example, one press report stated that your "maiden subpoena is no-holds-barred Issa" and that the "restraint showed in the prior Congress ... is nowhere to be found in this subpoena." It also stated: "Issa could be launching grenades. If the probe turns up anything and the findings become public, it could provide a degree of discomfort for lawmakers."²³

At the time, you seemed to recognize the possibility that Republicans could be among the Members of Congress who received VIP loans. On multiple occasions over the past three years, you indicated that you planned to pursue this investigation even if Republican Members were implicated. For example, on September 29, 2009, you stated:

There's plenty of high profile Republicans who took these, some might call them bribes, certainly they were inappropriate to take under our laws. Congressman, key staffers, including on the committees of jurisdiction on the Republican side are involved.²⁴

After initially driving the Committee down the road of investigating Members of Congress, you appeared to reverse course in December when you referred these cases to the Ethics Committee. Now, however, you have scheduled transcribed interviews with Countrywide officials who oversaw and processed Chairman McKeon's VIP loan. These sudden shifts raise key questions about how you plan to proceed with this investigation:

- (1) You have stated: "The American people have a right to know the totality of who participated in the Countrywide's VIP program and what they did in return for access to it." Have you instructed your staff to question Mr. Brandt and Ms. Cruz about their roles in overseeing and processing Chairman McKeon's VIP loan?

²² *Biography of Michael J. Ferrell*, Venable Baetjer Howard & Civiletti LLP (online at www.ftc.gov/bcp/workshops/etaildetails/bios/ferrell.pdf); *Biography of Michael J. Ferrell*, Williams Mullen (online at www.williamsmullen.com/mferrell/).

²³ *Issa Targets Countrywide Program*, Politico (Feb. 16, 2011) (online at <http://dyn.politico.com/printstory.cfm?uuid=047541C6-D780-4466-8137-0069357DE9FF>). See also *Countrywide Subpoena Could Make a Few Powerful People Nervous*, CBS News (Feb. 16, 2011) (online at www.cbsnews.com/8301-503544_162-20032331-503544.html).

²⁴ *Bulls & Bears*, Fox Business (Sept. 29, 2009) (online at www.youtube.com/user/RepDarrellIssa#p/search/10/ZH2ZFuQXIjk). See also *Glenn Beck*, Fox News (June 26, 2009) (online at www.youtube.com/watch?v=oentlKbP8go&feature=relmfu) (stating "there is likely to be just as many or more Republicans").

- (2) You have stated: "The full story of Countrywide's efforts to buy influence hasn't been told and shouldn't be swept under the rug because no chairman is prepared to issue a subpoena." Do you intend to publicly release the identities of the remaining two Republican lawmakers, one current and one former, who your investigation has revealed were also beneficiaries of Countrywide VIP loans? And do you intend to conduct a transcribed interview with the former chief lobbyist of the Mortgage Bankers Association of America?
- (3) You have stated: "The American people deserve to know the extent that special benefits co-opted public servants who were supposed to be watchdogs of the mortgage industry." Do you intend to hold public hearings on these issues? If so, do you intend to call as a witness former Countrywide CEO Angelo Mozilo?

Thank you in advance for your prompt answers to these critical questions.

Sincerely,



Elijah E. Cummings
Ranking Member