

# Countrywide Financial: The Subprime Meltdown

Not too long ago, Countrywide Financial seemed to have everything going for it. Co-founded in part by Angelo Mozilo in 1969, it had become the largest provider of home loans in the United States within a few decades. By the 2000s, one in six U.S. loans originated with Countrywide. In 1993, loan transactions reached the \$1 trillion mark. Additionally, it was the number-one provider of home loans to minorities in the United States and had lowered the barriers of homeownership for lower-income individuals. Countrywide offered services such as loan closing, capital market, insurance, and banking. In the 1970s, Countrywide had diversified into the securities market as well.

In 1992, Countrywide created a program called “House America” that enabled more consumers to qualify for home loans, as well as to make smaller down payments. In 2003, they proposed the “We House America” program with a goal to provide \$1 trillion in home loans to low-income and minority borrowers by 2010. The strategies of both programs were similar and included:

- ◆ Expanded approval/timely payment rewards
- ◆ Multiunit loan programs
- ◆ FHA and VA loan programs
- ◆ New immigrants initiatives
- ◆ Location-efficient mortgages
- ◆ Down-payment and closing-cost assistance programs
- ◆ Rural housing loans
- ◆ Mortgage revenue bond programs
- ◆ Rehabilitation loan programs

At the time, Countrywide’s reputation in the industry was stellar. *Fortune* magazine called it the “23,000% stock” because between 1982 and 2003, Countrywide delivered investors a 23,000 percent return, exceeding the returns of Washington Mutual,

Wal-Mart, and Warren Buffett's Berkshire Hathaway. In 1999, the company serviced \$216.5 billion in loans. In 2000, the increase in revenues was attributed, in part, to home equity and subprime loans. The Annual Report for that year states: "Fiscal 2000 shows a higher margin for home equity and subprime loans" (which, due in part to their higher cost structure charge a higher price per dollar loaned). Subprime loans were a factor to Countrywide's immense success. However, the company's reliance on what was originally intended to aid low-income individuals ended up contributing to its downfall.

## UNDERSTANDING SUBPRIME LOANS

To understand Countrywide's failure, one must first understand the concept of subprime lending. Simply put, subprime lending means lending to borrowers, generally people who would not qualify for traditional loans, at a rate higher than the prime rate, although how far above depends on factors like credit score, down payment, debt-to-income ratio, and recent payment delinquencies. Subprime lending is risky because clients are less likely to be able to pay back their loans.

Although subprime loans can be made for a variety of purposes, mortgages have gained the most news coverage. Subprime mortgages fall into three categories. First is the interest-only mortgage, through which borrowers pay only the loan's interest for a set period of time. The second type allows borrowers to pay monthly, but this often means that borrowers opt to pay an amount smaller than that needed to reduce the amount owed on the loan. Third, borrowers can find themselves with mortgages featuring a fixed interest rate for a period, converting to variable rates after a while.

Typically, subprime loans are offered to high-risk clients who do not qualify for conventional loans. The average borrower has a credit score of below 620 and is generally low-income. However, a 2007 *Wall Street Journal* study revealed that from 2004–2006 the rate of middle- and upper-income subprime loan borrowers rose dramatically. During the early- to mid-2000s, when real estate prices were booming and confidence levels were high, even clients who could have qualified for regular loans chose to take out subprime loans to finance their real estate speculations. As real estate prices peaked, more well-to-do investors turned to subprime mortgages to finance their expensive homes.

In relation to the loan market as a whole, subprime loans comprise a relatively small part. In 2008, over 6 million U.S. homeowners had subprime loans with a combined value of over \$600 billion. In comparison, all other U.S. loans amounted to over \$10 trillion. Although they only make up a small chunk of the loan market, many consider subprime loans to be a key contributor to the 2008 financial crisis.

One of the tools of the subprime loan was the adjustable rate mortgage (ARM) that allowed borrowers to pay low introductory payments for three to five years that would then be adjusted annually as the prime interest rate increased or decreased. Another type of ARM was to pay interest for a set number of years with balloon payments, meaning that people would only make interest payments for the life of the loan, and then would be expected to pay the entire principal at once upon maturity of the loan. These tools worked as long as the housing market remained on an upward

trajectory, but when housing prices fell or interest rates increased people found themselves unable to pay. Many financial experts contributed to the problem by telling clients that in the future they would certainly have more income because of the increases in their property's value. They assured home buyers that even if payments increased, they would be able to afford them because the value of their home would have increased so much. Even consumers with good credit looking to refinance were attracted to the low interest rates without fully recognizing the possible consequences.

## THE SUBPRIME CRISIS

When introduced, the new financial tool of subprime loans was praised for lowering barriers to homeownership. The U.S. Department of Housing and Urban Development stated that subprimes were helping many minorities afford homes, and were therefore a good tool.

Although subprime lending has only become a major news topic recently, the subprime concept began in the 1970s in Orange County, California. At this time, rural farmland was being converted into the suburbs, and subprime loans were a way for people to afford to buy homes, even if their credit was poor. The typical subprime recipient would not have met normal lending standards. Yet in the 1970s, the subprime loans made sense as a means to fuel southern California's growth. Homes were appreciating rapidly, so if a family decided to buy a house and live there for three to five years, they could reasonably expect that home to sell for over 50 percent more than what they had originally paid. In addition, Congress passed the Equal Credit Opportunity Act in 1974 to help ensure that all consumers had an equal chance to receive a loan. Potential homeowners, in theory, would no longer be rejected based on sex, race, national origin, or any other factor considered discriminatory.

Contractors also wanted a part of the action. They began to build houses and "flip" them. Flipping is when the contractor builds homes, (without buyers) on credit, and takes the sale of some of the homes to the lending institution as collateral to obtain more credit to build more homes. Speculators also flipped existing homes by buying them on credit with no intention of keeping them, waiting until the value had increased, and selling them at a profit. Industries that supplied home builders were profiting as well, and costs of materials increased with the high demand. Real estate agents were motivated to push sales through because of commissions they could earn (on average 6 percent of the sales price). Many mortgage officers were also compensated by commissions. Even real estate appraisers began to inflate the value of homes to ensure loans would go through. This was to become one of the chief accusations against Countrywide during the financial crisis.

But then something happened that no one had considered. The U.S. economy began to slow. People started working more and earning less money. Jobs started moving abroad, health insurance became more expensive, gas prices increased, and the baby boomers began to sell their homes to fund their retirement. In spite of this, builders kept on building, and the financial industry continued to lend to increasingly risky buyers. Homeowners found that they had less disposable income to make housing payments.

The result was a surplus of housing that homeowners could no longer afford. Banks began to foreclose on houses when the homeowners could not pay. As the demand for housing decreased, banks lost significant amounts of money. Many other industries, like the automobile industry and insurance companies, were also negatively affected as struggling citizens tried to cope with the economic downturn. With plummeting stock prices, the United States began experiencing a financial crisis that had a rippling effect across the world. Economist Alan Greenspan said the crisis could be “the most wrenching since the end of the Second World War.”

Starting late in 2007 and continuing into 2008 marked the tipping-point for the burgeoning mortgage crisis. Foreclosure rates skyrocketed and borrowers and investors began to feel the full ramifications of taking the subprime risk. Mortgage defaults played a part in triggering a string of serious bank and financial institution failures as well. In 2007, investors began to abandon their mortgage-backed securities, causing huge institutions such as Morgan Stanley, Merrill Lynch, and Citigroup to lose large sums of money. Morgan Stanley, for example, lost over \$265 billion internationally. Bear Stearns required government intervention to stay afloat. Analysts have attributed the banks’ failings to poor intra-bank communication and a lack of effective risk management.

Although the Chief Financial Officer (CFO) is supposed to be in charge of risk management, it appears that many institutions viewed the role as merely advisory. It was highly risky for these firms to downplay the importance of the CFO. Not only did many of these banks fail at risk management, they were in violation of the Sarbanes–Oxley Act—which requires that a company verify its ability to internally control its financial reporting. A CFO not directly in charge of a company’s finances is signing off on something that he or she actually knows little about. The extent of the 2008–2009 financial crisis has made it clear to many that a massive overhaul of the financial industry’s regulatory system is needed.

## COUNTRYWIDE’S INVOLVEMENT IN THE SUBPRIME CRISIS

During the early 2000s, Countrywide reaped the benefits of subprime loans. In 2001, mortgages contributed to 28 percent of Countrywide’s earnings with subprime loans up to \$280 million (the year before, subprime loans represented \$86.9 million). In 2002, Countrywide’s loan portfolio to minorities, low- to moderate-income borrowers, and low- to moderate-income tracts had dramatically increased from years past. Countrywide had also increased its commissioned sales force by nearly 60 percent, to 3484 in 2003, with the goal of increasing overall market share. Some critics have argued that salespeople were given incentives to undertake riskier transactions in order to continue to grow the company at a rapid rate. One allegation against Countrywide is that in order to increase its profit, it would even offer subprime loans to people who qualified for regular loans. Leading the day-to-day operations of the Consumer Markets Division was David Sambol, who would later be implicated in the scandal.

After years of fast growth and upbeat projections, Countrywide’s 2007 Annual Report had a somber tone. The financial crisis had begun and the company was feeling

its negative effects. A significant amount of the report focused on the details of accounting for its mortgage portfolio and default rates. In one year, Countrywide depreciated over \$20 billion and absorbed over \$1 billion in losses. By 2008, the company had accrued over \$8 billion in subprime loans with 7 percent delinquent. The industry average was 4.67 percent delinquency. That year foreclosures doubled, and the firm planned to lay off 10 to 20 percent of its employees, or 10,000 to 20,000 people.

The company attempted to ease loan terms on more than 81,000 homeowners with a program called the Countrywide Comprehensive Home Preservation Program. The program allowed consumers to refinance or modify loans with an adjustable rate mortgage for a lower interest rate or switch to a fixed rate mortgage. President and Chief Operating Officer David Sambol stated, “Countrywide believes that none of our subprime borrowers that have demonstrated the ability to make payments should lose their home to foreclosure solely as a result of a rate [increase]. This is yet another step in our continuing effort to identify and improve existing programs that assist our customers.” Countrywide also created special divisions to work to help borrowers and actively informed their customers about their options. The company offered phone counseling teams, personalized resource mailings, and counselors within communities who could meet face-to-face. Countrywide appeared to be genuine in its attempts to help homeowners, but it was too little too late. By then questions and accusations had begun to develop against company leaders.

In 2008, Alphonso Jackson, Secretary of Housing and Urban Development (HUD), reported that over 500,000 Countrywide consumers were in danger of facing foreclosure. The blame for this was focused primarily on subprime lending and adjustable rate mortgages. Countrywide Financial countered that there were other reasons for delinquencies and foreclosures. It maintained the main causes of delinquencies and foreclosures were unrelated to the company’s investment decisions—issues like medical problems, divorce, and unemployment—not adjustable rate mortgages. It further claimed less than 1 percent of its consumers had defaulted on account of adjustable rate mortgages. Still, consumers began to question whether Countrywide’s risky lending played a role in the larger financial crisis.

## ISSUES RELATED TO THE BANK OF AMERICA ACQUISITION

In 2008, Bank of America, one of the United States’ top financial institutions with \$683 billion in assets, offered to buy Countrywide Financial for \$4 billion. The price tag was a substantial discount on what the company was actually worth. Bank of America paid approximately \$8/share while shares were valued at \$20/share earlier in the year. Kenneth D. Lewis, Chairman, President, and Chief Executive Officer said at the time, “We are aware of the issues within the housing and mortgage industries. The transaction reflects those challenges. Mortgages will continue to be an important relationship product, and we now will have an opportunity to better serve our customers and to enhance future profitability.” At the time, Bank of America held \$1.5 trillion in assets, which better equipped them to deal with the crisis. “Their balance sheet can

take a shock much better than Countrywide,” said CreditSights senior analyst David Hendlar. “When you take the shocks at Countrywide, they have a big, busting consequence that’s negative.” Bart Narter, senior analyst at Celent, a Boston-based financial research and consulting firm, said, “There’s still plenty of risk involved. He’s brave to do it. But I think that it’s very likely down the road to be profitable, maybe not immediately, but long-term.”

However, there could be more reasons why Countrywide allowed Bank of America to acquire it. It may be better able to handle the ethical investigations concerning Countrywide currently underway by the government. Among other issues, Countrywide is coming under increased scrutiny for giving out so-called *liar loans*. Liar loans are mortgages that required no proof of the borrowers’ income or assets. These loans allowed consumers to purchase homes with few or no assets. With the additional burden of the financial crisis, many homeowners with liar loans cannot pay their mortgages, nor are they able to refinance their homes because housing prices have plummeted. Some are being forced to foreclose, generating substantial losses for mortgage companies and the economy. One economic site estimated that the true cost of liar loans could total over \$100 billion in losses.

Countrywide Financial was one of the top providers of liar loans. These loans allowed the industry to profit, at least for a little while, because people with liar loans were riskier clients, and therefore had to pay higher fees and interest rates to the mortgage company. Many accuse Countrywide of negligence, of giving out highly risky loans to people who could not afford them for the sake of quick profits. Others accuse the company of even more unethical dealings. Some homeowners who are now struggling under liar loans are accusing Countrywide of *predatory lending*, saying the company misled them. Although some homeowners may have been truly misled into liar loans, more than 90 percent of liar loan applicants overstated their income, with three out of five overstating it by at least 50 percent. This rampant dishonesty, critics charge, could not have occurred without the mortgage company’s awareness. It has sparked new investigations into whether Countrywide *aided* borrowers in falsifying information. Hence, some attest that Countrywide’s buyout by Bank of America may have been more than just an economic choice. Instead, it could have been a way to prepare for the onslaught of criticism that would arise against Countrywide.

In March 2008, Bank of America decided to retain David Sambol, Executive Managing Director of Business Segment Operations at Countrywide, as well as to pay him a hefty compensation package. Indeed, his credentials show he is qualified. He received a Bachelor’s degree in Business Administration and Accounting from California State University, Northridge in 1982. Prior to joining Countrywide in 1985, Sambol served as a Certified Public Accountant with the accounting firm of Ernst & Whinney. After getting hired at Countrywide, his unit led all revenue generating functions of the company. He was instrumental in Countrywide’s mortgage division expanding to become the most comprehensive in the industry. In 2007, David Sambol’s compensation package was \$4,025,000. In March 2008, Bank of America agreed to set up a \$20 million retention account, payable in equal installments on the first and second anniversaries of the merger, for Sambol, plus \$8 million in restricted stock. Sambol’s retention package also included the use of a company car or car allowance,

country club dues, and financial consulting services through the end of 2009. He was also to continue to have access to a company airplane for business and personal travel.

Much of the public was outraged that Sambol would receive such high compensation after taking part in Countrywide's bad business dealings. At the end of May, Senator Charles E. Schumer, D-N.Y., Chairman of Congress' Joint Economic Committee, asked Bank of America to reconsider the decision to put Sambol in charge of home lending. "There seem to be two economic realities operating in our country today," Representative Henry A. Waxman, Democrat of California, the committee chairman, said. "Most Americans live in a world where economic security is precarious and there are real economic consequences for failure. But our nation's top executives seem to live by a different set of rules. The question before the committee was: when companies fail to perform, should they still give millions of dollars to their senior executives?" After the hearings Bank of America announced that Sambol was being replaced by Barbara Desoer, Bank of America's chief technology and operations officer. Sambol would continue to receive some, though not all, of his perks.

## THE ROLE OF COUNTRYWIDE'S CEO ANGELO MOZILO

Angelo Mozilo is being investigated by the Securities and Exchange Commission due to the sale of company stock options that earned him over \$400 million between 2002 and 2008. In a 2007 interview Maria Bartirromo of *BusinessWeek* asked Mozilo about allegations that he profited from over \$100 million on stock sales in the previous year. Mozilo asserted, "I have not sold any stock—to my recollection—in 10 years. Everything I've sold was options. The selling is because [when the options] expire, I no longer have the benefit of what I have built and what this team has built for the last 40 years. Up until this debacle, I created \$25 billion in value for shareholders. There have been very few—only about 11 stocks—that have performed better over the last 25 years than Countrywide. I could have sold all of those shares at 40 bucks a share and didn't because I want to be aligned with the shareholders."

The public did not seem to believe Mozilo's defense, especially after he received a \$100 million severance package when Countrywide was sold to Bank of America. In 2007–2008, Mr. Mozilo was named as a defendant in many lawsuits. The plaintiffs include:

- ♦ International Brotherhood of Electrical Workers Local 98 Pension Fund
- ♦ Norfolk County Retirement System
- ♦ Arkansas Teacher Retirement System, Fire & Police Pension Association of Colorado
- ♦ Public Employees' Retirement System of Mississippi
- ♦ Argent Classic Convertible Arbitrage Fund
- ♦ New Jersey Carpenters' Pension Fund
- ♦ New York City Employees' Retirement System

One lawsuit alleged misconduct and disregard of fiduciary duties, including a lack of good faith and lack of oversight of Countrywide's lending practices. The lawsuit also accused Countrywide of improper financial reporting and lack of internal controls, alleging that Mozilo was paid \$10 million more than was disclosed. Additionally, the company claimed that Countrywide's officers and directors unlawfully sold over \$848 million of stock between 2004 and 2008 at inflated prices while in possession of insider information.

Mr. Mozilo's pay also drew heavy scrutiny from members of Congress. Federal securities regulators and congressional investigators found that the use of a flawed peer group and easy bonus targets helped inflate his pay. In the hearings about executive pay, Congressman Elijah E. Cummings of Maryland said, "We've got golden parachutes drifting off to the golf course and have people I see every day who are losing their homes and wondering where their kids will do their homework." He then asked Mr. Mozilo about an e-mail message he sent demanding that the taxes due on his wife's travel on the corporate jet be covered by the company. "It sounds out of whack today because it is out of whack, but in 2006 the company was going great," said Mozilo. "In today's world I would never write that memo." He also apologized for another e-mail message in which he complained about his compensation. "It was an emotional time," he said. But in the same hearings, Mr. Mozilo also reminded the audience that Countrywide's stock price had appreciated over 23,000 percent from 1982 to 2007. His performance-based bonuses were approved by shareholders and he exercised the options as he prepared for retirement. "In short, as our company did well, I did well," he said.

## **BANK OF AMERICA PLANS A RECOVERY**

In July 2008, Bank of America bought Countrywide without Sambol and Mozilo. Since 2001, Bank of America has been focused on profit, not growth. However, it might be a while before Bank of America profits from the acquisition of Countrywide. According to the Securities and Exchange Commission, Bank of America has taken on \$16.6 billion in Countrywide's debts. Exiting the subprime lending markets is part of Bank of America's long-term plan. The company planned to liquidate its \$26.3 billion subprime real estate portfolio in 2008–2009 and said it would manage its existing \$9.7 billion portfolio over its remaining term. Bank of America clearly understood that by buying Countrywide it inherited a volatile earning stream that had become unattractive from a risk-reward standpoint. Kenneth Lewis, CEO of Bank of America, said at the time, "We are committed to achieving consistent, above-average shareholder returns and these actions are aimed at achieving that mission." Bank of America plans to replace Countrywide's brand with its own.

In addition to managing Countrywide's debt, Bank of America must also handle the stream of lawsuits being filed against the company. Many of these lawsuits claim that the company duped homeowners with predatory loan practices. Countrywide recently agreed to provide \$8 billion in loan and foreclosure relief to over 397,000 homeowners. It also agreed to adjust the terms of ARMs according to income. Bank of



America's Barbara Desoer, who replaced David Sambol, said the company is committed to helping homeowners and is cutting interest rates to as low as 2.5 percent.

Countrywide is facing additional investigations for other alleged misconduct. In March 2008, the FBI started an investigation to find out whether Countrywide misrepresented its financial information. Additionally, the FBI is investigating Countrywide's VIP program which, according to an insider, provided special mortgage deals to certain high-up officials, known as "Friends of Angelo's." These deals included discount rates and fees not offered to ordinary Countrywide customers. Those implicated in these dealings include Democratic Senators Chris Dodd and Kent Conrad, two former cabinet members, and two CEOs from Fannie Mae. These officials denied that they knew they were getting special discounts. Prosecutors are looking into whether these discounts constituted as improper gifts and whether they qualified as illegal on Countrywide's part.

Despite these proceedings, Bank of America's Barbara Desoer remains optimistic about the future. Like so many others, Bank of America suffered horrendous losses as 2008 came to a close, with a drop in net income of 95 percent in the fourth quarter. Yet Desoer has cited some improvements. She said, "But last quarter, the first quarter that Countrywide and Bank of America operated as one company, we made 250,000 first mortgages, worth \$51 billion of principal, plus \$6 billion of home-equity loans." The company is predicting that home prices will stabilize by late 2009.

## CONCLUSION

Countrywide was not the only cause of the financial crisis. Numerous Wall Street companies are being investigated for unethical practices related to this scandal. (This list includes the Bank of America, which has been investigated for potential breaches of fiduciary duty concerning employee retirement funds.) However, Countrywide's unethical behavior was a key contributor to the problems of the economy in 2008–2009. Many consider it to be one of the central villains in this crisis. They allege that Countrywide knowingly engaged in risky loans, offering subprime loans even to those who qualified for regular loans, in order to profit from the higher rates. In the process, it may have helped to falsify lender information, allowing those with no assets to obtain loans. The consequence was a surplus of housing, plummeting housing prices, and a slew of foreclosures, all of which placed the economy in a precarious state. The result is that the United States has lost global credibility as an economic superpower of the free world.

The Countrywide scandal has brought up other issues, including that of executive compensation. Should executives receive hefty compensation packages and severance pay when their companies flounder? Should they be called into account for not exercising due care? Many people think so, as evidenced by the enormous public outrage facing those like David Sambol and Angelo Mozilo. It is clear that Countrywide has failed the majority of its stakeholders. Ethical misconduct and high-risk business practices helped to create the disaster at Countrywide. It remains to be seen whether its acquisition by the Bank of America will be enough to salvage its reputation and to save the business that was once Countrywide Financial.

## QUESTIONS

1. Are subprime loans an unethical financial instrument, or are they ethical but misused in a way that created ethical issues?
2. Discuss the ethical issues that caused the downfall of Countrywide Financial.
3. What was the role of founder and CEO Angelo Mozilo in Countrywide's demise?
4. How should Bank of America deal with potential ethical and legal misconduct discovered at Countrywide?

SOURCES: Scott Reckard, "Countrywide Head Ousted By Bank Of America," *Los Angeles Times*, May 29, 2008, <http://www2.tbo.com/content/2008/may/29/bz-countrywide-head-ousted-by-bank-of-america/?news-money> (accessed June 2008); "A Bad Week for Countrywide's David Sambol," May 30, 2008, Fox, united-states-district-court-central-district-of-califo &laquo; WordPress.com Tag Feed; "Judge Rules Mozilo and Countrywide Execs Must Face Multi-Million Dollar Federal Lawsuit," May 22, 2008, Fox; Senate Hearings accessed at [http://www.nytimes.com/2008/03/07/business/07cnd-pay.html?\\_r=1&coref=slogin](http://www.nytimes.com/2008/03/07/business/07cnd-pay.html?_r=1&coref=slogin); Patrick McGeehan, and Riva D. Atals, "How Bank of America Stumbled," September 28, 2008, <http://query.nytimes.com/gst/fullpage.html?res=9405E4DF133DF93BA1575AC0A9659C8B63>; Bartiromo Maria, "Countrywide Feels the Heat," *BusinessWeek*, August 29, 2007, [http://www.businessweek.com/bwdaily/dnflash/content/aug2007/db20070829\\_117563.htm?chan=search](http://www.businessweek.com/bwdaily/dnflash/content/aug2007/db20070829_117563.htm?chan=search) (accessed March 16, 2008); "Countrywide Financial," Countrywide Financial Corporation, <http://about.countrywide.com> (accessed March 16, 2008); "Countrywide Moves to Ease Mortgage Misery," *BusinessWeek*, October 23, 2007, [http://www.businessweek.com/investor/content/oct2007/pi20071023\\_454573.htm](http://www.businessweek.com/investor/content/oct2007/pi20071023_454573.htm) (accessed March 16, 2008); "Equal Credit Opportunity Act," Federal Trade Commission, <http://www.ftc.gov/bcp/online/pubs/credit/ecoa.shtm> (accessed March 16, 2008); Roben Farzad, "In Search of a Subprime Villain," *BusinessWeek*, January 24, 2008, [http://www.businessweek.com/magazine/content/08\\_05/b4069077193810.htm?chan=search](http://www.businessweek.com/magazine/content/08_05/b4069077193810.htm?chan=search) (accessed March 16, 2008); Carl Gutierrez, "Countrywide's New Bad News," *Forbes*, March 10, 2008, [http://www.forbes.com/markets/2008/03/10/countrywide-fbi-mortgage-markets-equity-cx\\_cg\\_0310markets26.html](http://www.forbes.com/markets/2008/03/10/countrywide-fbi-mortgage-markets-equity-cx_cg_0310markets26.html) (accessed March 16, 2008); Liz Moyer, "A Subprime Solution," *Forbes*, December 6, 2007, [http://www.forbes.com/wallstreet/2007/12/05/subprime-paulson-bush-biz-wall-cx\\_lm\\_1206subprime.html](http://www.forbes.com/wallstreet/2007/12/05/subprime-paulson-bush-biz-wall-cx_lm_1206subprime.html) (accessed March 25, 2008); "Mortgage Industry Statistics," LenderRATEMATCH, [freeratesearch.com/en/newsroom/mortgage\\_statistics/](http://freeratesearch.com/en/newsroom/mortgage_statistics/) (accessed April 1, 2008); "Subprime Lending," United States Department of Housing and Urban Development, <http://www.hud.gov/offices/ftheo/lending/subprime.cfm> (accessed March 16, 2008); Rick Wartzman, "The Countrywide Conundrum," *BusinessWeek*, November 9, 2007, [http://www.businessweek.com/managing/content/nov2007/ca2007119\\_693870.htm?chan=search](http://www.businessweek.com/managing/content/nov2007/ca2007119_693870.htm?chan=search) (accessed March 16, 2008); Lisa Myers, and Amna Nawaz, October 30, 2008, "Feds Probe Countrywide's 'VIP' Program," NBC News, <http://deepbackground.msnbc.msn.com/archive/2008/10/30/1613877.aspx> (accessed November 14, 2008); "Bank of America Assumes \$16.6B in Countrywide Debt," *Dayton Business Journal*, November 10, 2008, <http://www.bizjournals.com/dayton/stories/2008/11/10/daily7.html> (accessed November 14, 2008); "Countrywide Agrees to Help Kansas Homeowners," November 13, 2008, <http://www.kansascw.com/Global/story.asp?S=9344671> (accessed November 14, 2008); Geoff Colvin, "Signs of Life from the Mortgage Frontline," *Forbes*, November 13, 2008, [http://money.cnn.com/2008/11/12/magazines/fortune/colvin\\_desoer.fortune/?postversion=2008111311](http://money.cnn.com/2008/11/12/magazines/fortune/colvin_desoer.fortune/?postversion=2008111311) (accessed November 14, 2008); Angela Caputo, "Countrywide Accord Paves Way For More Loan Remodifications," *Progress Illinois*, November 12, 2008, <http://progressillinois.com/2008/11/12/loan-modification-plan>; Meg Marco, "Subprime Meltdown: Inside the Countrywide Subprime Lending Frenzy," *The Consumerist*, August 27, 2009, <http://consumerist.com/consumer/subprime-meltdown/inside-the-countrywide-subprime-lending-frenzy-293902.php> (accessed November 13, 2008); Carl Gutierrez,

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NOT FOR SALE