

For Immediate Release: Friday, October 23, 2009

Contact: House Oversight and Government Reform Press Office, (202) 225-5051

## **Chairman Towns Statement on Committee Investigation Into Mortgage Crisis**

Washington, DC – Chairman Edolphus “Ed Towns (D-NY) today made the following statement on the House Oversight and Government Reform Committee’s investigation into the role of mortgage lenders in the financial services crisis and the economic recession.

“The actions of mortgage lenders contributing to the foreclosure and financial crisis are of serious concern to many Americans and to the Members of this Committee, said Chairman Towns. “That is why I have opened an investigation into whether mortgage companies employed deceptive and predatory lending practices, or improper tactics to thwart regulation, and the impact of those activities on the current crisis.

Numerous reports over the past year indicate widespread predatory lending practices by some of the nation’s largest banks, including subprime mortgage lending, deceptive marketing, predatory and deceptive mortgage products, predatory primary and secondary mortgages, predatory and deceptive refinancings, and predatory foreclosures. Moreover, it appears that certain classes of borrowers were targeted for these predatory and deceptive mortgage products and practices, based on age, race, and income. Examples of possible predatory mortgage products include subprime mortgages, certain adjustable rate mortgages, and so-called “option-pay or “option-ARM mortgages.

In addition, there are indications that members of the financial services industry conspired to deceive regulators and the public to obtain regulatory favors, lax enforcement, and regulatory protection for schemes intended to deceive and defraud home purchasers, homeowners, regulators, and investors. As part of the investigation, the Committee is demanding information from the nation’s largest mortgage lenders, including Wells Fargo, Bank of America (including Countrywide), JP Morgan Chase (including Chase Manhattan Bank), Citigroup, Residential Capital (GMAC), and U.S. Bank Home Mortgage, as well as issuing a subpoena for records on Countrywide Financial’s VIP program.

“It is my goal to work through this matter in a bipartisan fashion and conduct a complete review of the role of mortgage companies in the current financial crisis. As part of this, we need to clarify unanswered questions about Countrywide Financial’s VIP program, so I am issuing a subpoena to gather information about how that program worked and whether it provided special benefits to government officials. I am prepared to issue additional subpoenas if other companies fail to respond to our document requests, Towns said.

Towns added, “In line with the commitment to an ethical and accountable Congress, the subpoena to Countrywide covers records that could show special treatment for Members of Congress. For reasons of jurisdiction, the subpoena directs that any such documents be sent to the House Committee on Standards of Official Conduct.

“Finally, I would like to address the widespread false reports that I locked Republicans out of their offices earlier this week. These reports are incorrect. Republicans have at no time been denied access to the hearing room or their offices. The Ranking Member and I discussed how we can cooperate to prevent violations of House rules governing the use of hearing rooms, we reached agreement, and I consider this matter resolved.

Text of the Chairman’s letter to Wells Fargo, Bank of America (including Countrywide), JP Morgan Chase (including Chase Manhattan Bank), Citigroup, Residential Capital (GMAC), and U.S. Bank Home Mortgage is included below.

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Friday, October 23, 2009

Dear,

The Committee on Oversight and Government Reform is investigating the role of mortgage lenders and brokers in the financial services crisis and the economic recession.

Numerous reports over the past year indicate widespread predatory lending practices by some of the nation’s largest banks, including subprime mortgage lending, deceptive marketing, predatory and deceptive mortgage products, predatory primary and secondary mortgages, predatory and deceptive refinancings, and predatory foreclosures. Moreover, it appears that certain classes of borrowers were targeted for these predatory and deceptive mortgage products and practices, based on age, race, and income. Examples of possible predatory mortgage products include subprime mortgages, certain adjustable rate mortgages, and so-called “option-pay or “option-ARM mortgages.

In addition, there are indications that members of the financial services industry conspired to deceive regulators and the public to obtain regulatory favors, lax enforcement, and regulatory protection for schemes intended to deceive and defraud home purchasers, homeowners, regulators, and investors.

The Committee is issuing a subpoena today to Countrywide Financial in this matter because they did not provide information in response to a letter request. The Committee is prepared to issue additional subpoenas in this investigation, but will first give companies an opportunity to voluntarily comply. To aid in our investigation of these very serious issues, please provide information and records in response to the following questions, for each of the years 2000-2008:

1. Did your company operate any programs that provided enhanced benefits to certain borrowers based on their status as elite customers, persons with business or regulatory relationships with the company, friends and family of company employees and executives, or other VIP status? If so, please describe the operation of these programs, their eligibility criteria, and the benefits provided. How many people were provided with enhanced benefits under such programs? How were they notified of any enhanced benefits? For purposes of this inquiry, "enhanced benefits means loan terms more favorable to the borrower than the loan terms then available to an ordinary member of the public, and includes any discounts or reduced costs associated with special treatment.
2. How many residential mortgages did your company originate for each of the years 2000-2008? Of this universe, how many were: 30-years fixed rate mortgages; other fixed rate mortgages; adjustable rate mortgages; option-pay or option-ARM mortgages; subprime mortgages.
3. Please list by month for each year from 2000-2008 the number of residential mortgage loans on which your company foreclosed and identify the type of mortgage involved.
4. Please provide copies of all marketing strategies developed by or for your company for residential mortgages, home equity loans, or similar products for the period of 2000-2008, including all documents pertaining to the selection of target audiences.
5. Did your company coordinate with other companies to develop joint positions or campaigns against mortgage regulation? If so, identify these companies and any joint ventures, cooperative agreements, or associations that were created or used to fight regulation of mortgages.
6. Did your company develop draft regulations or legislation regarding mortgage lending that were proposed to federal or state lawmakers or regulators? If so, please provide copies of all such proposals.

The House Committee on Oversight and Government Reform is the principal oversight committee in the U.S. House of Representatives, with jurisdiction over "any matter under Rules X and XI of the House Rules. Please deliver the requested records to the Committee on Oversight and Government Reform, room 2157 Rayburn House Office Building, no later than 12:00 noon on Friday, November 13, 2009. To facilitate delivery and review, we prefer that the records be delivered in electronic format. In responding to this request, please be advised that the terms "records and "relating to are defined in the attachment to this letter.

Sincerely,

Edolphus Towns  
Chairman