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House of Representatives

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July 20, 2010

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
1700 G Street, NW
Washington, D.C. 20552-0003

Dear Mr. Pollard:

Since 2008, the House Committee on Oversight and Government Reform has been investigating a VIP loan unit operated by Countrywide Financial Corporation ("Countrywide"). Evidence reviewed by the Committee shows that Countrywide used its VIP loan unit to give preferential treatment to individuals positioned to advance the company's business interests. New documents obtained by the Committee show that Countrywide targeted employees of Fannie Mae to develop and protect a strategic relationship with the former government-sponsored enterprise ("GSE").

On October 23, 2009, the Committee issued a subpoena to Countrywide's successor, Bank of America (the "Bank").¹ To date, the Bank has produced more than 44,000 pages of documents pursuant to the subpoena. The documents show 153 VIP loans to borrowers who identified "Fannie Mae" or "FNMA" as place of employment on loan documents.² The documents show an additional 20 VIP loans to borrowers who identified "Freddie Mac" or "FHLMC" as place of employment.³

The number of loans to borrowers who worked at Fannie Mae spiked at two points during the lifetime of Countrywide's VIP program. The first spike came in 1998, as Countrywide was negotiating a volume discount with Fannie Mae; the second spike came in 2001-03, on the leading edge of a "mortgage boom that occurred from late 2002 through 2004" and an expansion of the VIP loan unit.⁴

¹ H. Comm. on Oversight and Gov't Reform Subpoena to Bank of America Corp., Oct. 23, 2009.

² Bank of America Production No. 2, Nov. 13, 2009.

³ *Id.*

⁴ *Id.*; Letters from S. Select Comm. on Ethics to Sen. Christopher Dodd and Sen. Kent Conrad, Aug. 7, 2009.

In 1999, Countrywide reached an exclusive agreement to sell Fannie Mae billions of dollars in mortgages at a discounted rate.⁵ The deal was designed by Fannie Mae to lock competitor Freddie Mac out of the market for Countrywide's loans.⁶ The agreement amounted to a volume discount, linking Fannie Mae and Countrywide "at the hip."⁷

While negotiating the volume discount with Fannie Mae, Countrywide CEO Angelo Mozilo leveraged his company's position as the nation's largest residential housing lender to extract a lower "guarantee fee" from Fannie Mae CEO Jim Johnson, who himself received several Countrywide VIP loans.⁸ In addition to giving preferential treatment to Mr. Johnson, who received more than \$10 million worth of loans,⁹ Countrywide gave a series of VIP loans to other senior leadership:

- Former CEO Franklin Raines, who succeeded Mr. Johnson on January 1, 1999;¹⁰
- Former Fannie Mae Vice Chairman Jamie Gorelick; and,¹¹
- Former Fannie Mae COO Daniel Mudd.¹²

Fannie Mae's preferred status among the GSEs is reflected in the number of VIP loans its employees received from Countrywide. By accepting discounted loan terms and other preferential treatment from Countrywide, Fannie Mae employees may have violated the company's Code of Conduct. The *Fannie Mae Code of Conduct for Employees* ("Code of Conduct") notifies employees of restrictions that cover giving or accepting gifts or other items of value.¹³ The Code of Conduct puts Fannie Mae employees on notice that accepting "inappropriate gifts" is a violation of the Code of Conduct and may also be a criminal act.¹⁴ The Code of Conduct also explicitly forbids Fannie Mae employees from using their position for personal gain.¹⁵ The *Freddie Mac Employee Code of Conduct* contains similar language.¹⁶

⁵ Glenn Simpson, *Countrywide Made Home Loans to Gorelick, Mudd*, WALL ST. J., Sep. 25, 2008 [hereinafter Simpson].

⁶ Paul Muolo and Matthew Padilla, "Chain of Blame," John Wiley & Sons, July 2008.

⁷ *Id.*

⁸ *Id.*

⁹ Simpson.

¹⁰ See, H. Oversight and Gov't Reform Comm. Minority Staff Report, "Friends of Angelo: Countrywide's Systematic and Successful Effort to Buy Influence and Block Reform," Mar. 19, 2009.

¹¹ *Id.*

¹² *Id.*

¹³ Fannie Mae Code of Conduct for Employees at 9, available at <http://www.fanniemae.com/aboutfm/pdf/codeofconduct.pdf;jsessionid=AIFI03NFMQRQ5VJ2FECISFGQ> (last visited Mar. 10, 2009) [hereinafter Fannie Mae Employee Code].

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Freddie Mac Employee Code of Conduct, Policy 3-202, available at http://www.freddie.com/governance/pdf/employee_code_conduct.pdf (last visited July 15, 2010).

According to the Freddie Mac Employee Code of Conduct, "Employees may not solicit or accept discount

Fannie Mae's Code of Conduct prohibits discounted loans to employees. According to a Fannie Mae spokesman, the Code of Conduct "requires the disclosure of potential conflicts of interest and prohibits acceptance of substantial gifts, including loans with preferential terms, from an organization seeking to do business without prior review and approval by the company."¹⁷

Documents produced show that Fannie Mae and Freddie Mac were identified on a substantial number of Countrywide VIP loans. I call this information to your attention so that the Federal Housing Finance Agency (FHFA) can fulfill its obligation as conservator of the two former GSEs. In the absence of an Inspector General at FHFA, it is my understanding that the Office of the General Counsel is performing certain investigative functions.¹⁸ Below is a list of employees who received VIP loans. This list may assist your office in determining whether anyone who may have violated their respective Codes of Conduct or relevant portions of the United States Code is still employed at Fannie Mae or Freddie Mac:

First Name	Last Name	Employer	Title
		Fannie Mae	Account Associate
		Fannie Mae	Director
		Fannie Mae	Customer Acct Manager
		Fannie Mae	Business Analyst
		Freddie Mac	VP Default Mgmt
		Fannie Mae	Asst to CEO
		Fannie Mae	Sr Assistant
		Fannie Mae	Govt Relations/Lobbyist
		Fannie Mae	Underwriter
		Fannie Mae	Senior Underwriter
		Fannie Mae	Legal Counsel
		Fannie Mae	Director
		Fannie Mae	Sr Business Manager
		Fannie Mae	Director
		Fannie Mae	Legal Counsel
Jamie	Gorelick	Fannie Mae	Vice Chair
		Fannie Mae	Director Tec/Secondary Mkt
		Fannie Mae	Manager/Home Loans
		Fannie Mae	Consultant
James	Johnson	Fannie Mae	Chairman and CEO
		Fannie Mae	Manager
		Fannie Mae	Credit Risk manager
		Freddie Mac	VP Sales

prices, more favorable loan terms, loan guarantees, investment opportunities, or any other similar treatment or benefits from any source that are offered to them because of their status as Freddie Mac employees."

¹⁷ Glenn R. Simpson and James R. Hagerty, *Countrywide Friends Got Good Loans*, WALL ST. J., June 7, 2008.

¹⁸ Letter from FHFA General Counsel Alfred Pollard to Ranking Member Darrell Issa, Nov. 30, 2009.

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		Fannie Mae	Technician/Home Loans
		Fannie Mae	Sr Underwriter Consult/Lending
Daniel	Mudd	Fannie Mae	Vice Chair and COO
		Fannie Mae	Sr Proj Mgr/Mtg Securities
		Freddie Mac	Director
		Freddie Mac	Sr Port Direc
Franklin	Raines	Fannie Mae	Chairman and CEO
		Fannie Mae	Customer Acct Manager
		Fannie Mae	Credit Risk manager
		Fannie Mae	Ass. General Counsel
		Fannie Mae	Vice President
		Fannie Mae	Director
		Fannie Mae	Servicing Portfolio Manager
		Fannie Mae	Customer Acct Manager
		Fannie Mae	Sr Business An/Mortgage
		Fannie Mae	Marketing Dir
		Fannie Mae	VP Risk Management
		Freddie Mac	VP Trade Relations/Dir Industry Relations
		Fannie Mae	Acct Associate

As documents show that the volume of Countrywide's VIP loans to employees of Fannie Mae coincided with the negotiation of a strategic partnership between the two companies, a more thorough investigation is required. Please respond in writing by August 4, 2010 and let me know whether your office will open an investigation into this matter. I am also interested in whether you believe this matter should be referred to the U.S. Department of Justice.

The investigation of Countrywide's VIP loan program is being conducted in accordance with the Committee's broad jurisdiction as set forth in House Rule X. Thank you for your attention to this important matter. Please contact Jonathan Skladany or Steve Castor of the Committee staff at (202) 225-5074 with any questions.

Sincerely,

Darrell Issa
 Ranking Member

cc: The Honorable Edolphus Towns, Chairman