House Investigation of Sweetheart Lending Deals by Mortgage Giant Countrywide Resumes

March 1, 2011 - Last week, chairman of the House Committee on Oversight and Government Reform Daryl Issa (R-CA), began issuing subpoena's regarding Countrywide Financial's program to offer low cost loans to public officials. The company, which has since been acquired by Bank of America, was widely criticized for offering sweetheart deals to elected officials and influential staff members. And Issa in particular has been highly critical of the program and, at the very least, the appearance of political corruption that is has created.

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To be sure, Countrywide is not the only financial institution that has doled out political favors to people that it considers influential. But their program is one of the most visible; largely because of the financial and lending troubles the company found itself in with the real estate lending collapse, which started in 2007. Shortly after credit markets began to tighten, it was revealed that the company had offered extremely low interest rates to some Senators and their staff members.

Once Countrywide was acquired by Bank of America, the problem didn't miraculously disappear. Countrywide's former CEO, Anthony Mozillo, found himself accused of insider trading and although he has not been found guilty of anything, he settled the case. He agreed to pay fines totaling $67.5 million; of which Bank of America is actually covering $20 million. If anything, Bank of America's role has brought more attention to the mismanagement that occurred at the company prior to the merger.

Last year, when the Democrats still controlled the House of Representatives, inquiries by Issa revealed that 12 loans made by Countrywide's VIP organization went to staffers who worked for then Senator Robert Bennet (R-UT). Bennet was defeated in his own party's primary by a Tea Party backed candidate who later won the general election. Issa also learned that 18 other VIP loans were made to people who listed their employment information as the US Senate or as a US Senator. Issa's inquiries had been made using congressional subpoenas but at the time Issa wasn't the committee's chairman so he didn't control their agenda. That all changed with the November elections.

If Issa's actions are any indication, he intends to pursue the matter fairly vigorously. The subpoena issued last week to Countrywide was the very first subpoena issued since Issa took over the chairmanship. That is likely to make some Senators and their respective staff members very uncomfortable.

According to Issa's office, Bank of America is cooperating with the investigation. The bank has released a statement that it shut down Countrywide's VIP lending unit as soon as its acquisition of the company was complete.

byJim Malmberg
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