MEMORANDUM FOR THE RECORD – MFR

EVENT: Bob Gulian and Joe Gentili, Florida Attorney General’s Office

TYPE OF EVENT: Group Telephone Interview

DATE OF EVENT: November 23, 2009

TEAM LEADER: Tom Krebs

LOCATION: FCIC office at 1717 Pennsylvania Ave., N.W., Washington, D.C.

**PARTICIPANTS/ NON-FCIC**:

* Bob Gulian
* Joe Gentili

**PARTICIPANTS/FCIC**:

* Brad Bondi
* Tom Borgers
* Mina Simhai

 MFR PREPARED BY: Tom Krebs

DATE OF MFR: December 1, 2010

DATE REVIEWED: December 1, 2010

**SUMMARY OF INTERVIEW & SHORT BIO OF INTERVIEWEE :**

**Note: This is a summary of the interview, not a complete transcript. Direct quotations appear inside quote marks.**

Tom Borgers, Brad Bondi, Mina Simhai and I phoned the Florida Attorney General’s office

regarding their suits against Countrywide which are currently pending in Ft. Lauderdale

(Florida’s 17th Judicial District). One suit is against Countrywide in connection with

modifications of loans. This case is pending in Division 3, where a consent judgment

was recently issued, and Judge Rodriguez will handle the case. The second suit is against

Angelo Mozilo, Countrywide's CEO, for violations of Florida's deceptive trade practices

statutes. This case is in Division 19 before Judge Jeffrey Streitfeld, and a motion to dismiss

for lack of jurisdiction was denied on November 20. In connection with the litigation, the

Florida Attorney General's office has enlisted the support of the SEC's Los Angeles office,

which has a 2009 suit pending against Mozilo in California. John

McCoy is the SEC's lead trial attorney, and Lynn Dean and Paris Wynn work with Mr.

McCoy. The SEC has been most cooperative.

In Florida, Countrywide generated mortgages which were packaged and then sold to

someone else. They were selling loan packages to Bear Steams' subsidiary, HSBC. Bear

Steams did require Countrywide to repurchase some of the loans purchased by HSBC.

Countrywide held onto the servicing arrangements for loans it originated, as there was

a good deal of money to be made in these mortgage servicing agreements.

The Florida Attorney General's office also believes that Countrywide may have purchased

credit default swaps (CDS), or other "credit enhancement" insurance from Genworth

Financial (a company that issues CDS, like AIG) on the loans Countrywide retained in its own

loan portfolio (approximately 15% of loans originated). These "retained" loans were usually

better quality loans.

Countrywide had branch offices throughout Florida and an underwriting office in Jacksonville.

Its offices in Florida were storefront type offices. Additionally, Countrywide purchased a

Florida bank around 2000, perhaps to allow Countrywide to move from OCC jurisdiction to

 OTS, which is known for lax regulation of its thrift institutions.

The Jacksonville, Florida underwriting office answered in turn to a Plano, Texas supervisory

 office and one located in Carlsbad, California. Countrywide's mortgages were chiefly

generated from California, and next from Florida. There was an exception procedure in place

for problem loans: they would first go to Jacksonville for review and resolution and if the

problem loan could not be approved in Florida, the problem loan was sent the supervisory

 offices in Plano, Texas and then to Carlsbad, California for approval.

Countrywide's business model was to match the underwriting guidelines of the most liberal

bank. As a result, Countrywide guidelines were an amalgam of lax guidelines, and Countrywide

often granted exceptions to these guidelines through the exception process outlined above.

While it is not known whether Countrywide employed "criminals" to originate its loans, "there

were lots of bad people at Countrywide at the marketing level."

A number of the former/current Countrywide personnel are cooperating with the Florida

Attorney General's office. The SEC has provided the Attorney General's office with many

documents some of which are quite interesting. For example, from a review of an email from

a Ms. Mary Jane Seebach, it's evident that Countrywide's employees wrote up loans which

identified to the customer that the interest rate to be charged was the "teaser" rate rather than

the reset rate, an understatement of as much as 600 bps. Additionally, the Florida Attorney

General's staff states that Countrywide paid its originators more money for bad loans than they

paid them for good loans. Countrywide sought loans with higher rates of interest and made it

more lucrative for its sales personnel to obtain these higher rate loans.

As a result of its merger agreement, Bank of America will be required to indemnify the

Countrywide executives. It is also believes that Countrywide has required its employees to

execute Confidentiality Agreements.

Brian Boyle with O'Melveny & Myers in DC and Paul Hancock with K&L Gates in Miami

represent Countrywide. David Siegel and Kenneth Heitz of Irell & Manella in Los Angeles

represent Angelo Mozilo (with Lauren Cohen of Miami as local counsel).

Next Steps

1.Obtain copies of documents in connection with the 2009 suit from the SEC's Los Angeles

office.

2. J. Gentili will send Brad Bondi a copy of the Countrywide briefing book, which is now

public.

3. Follow-up with Veronica Spicer with the Illinois Attorney General's office, as they are also

doing an active investigation. (Followed up with V. Spicer 11/23. She is going to speak with her supervisor and get back to B. Bondi.)

4. Follow-up with California Attorney General's office, as they are also doing an active

investigation. J. Gentili mentioned Ben Deal, but this should be coordinated with Tom Greene.