

LOBBY WATCH

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Enterprise Fund's 'Crowning Jewel'

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Defendant Mozilo Built Second Home in Texas

"Angelo Mozilo, thank you for your commitment to creating jobs and greater opportunity for the people of Texas."
—Gov. Perry awarding \$20 million to Countrywide's chief in 2004.

Running years behind the curve, U.S. securities regulators charged former Countrywide Financial chief Angelo Mozilo yesterday with a slew of civil securities-fraud and insider-trading violations. Mozilo, who built the nation's largest mortgage company, fed its expansion during the real-estate bubble by jettisoning prudent lending standards. At the solicitation of Texas' top leaders, Mozilo made Texas a major staging ground for Countrywide's unsustainable expansion. Texas' political leaders awarded Countrywide \$20 million in taxpayer funds in 2004 to induce the company to use Texas workers to help sell its "liar loans" that require no documentation nor money down.

As the world continues to grapple with the aftershocks of this real-estate bubble it is instructive to note that the bubble was a public-private partnership. Regulators and politicians egged on the likes of Mozilo and Countrywide. The mortgage giant gave current members of Congress \$731,586 over the past decade, according to the Center for Responsive Politics. Countrywide also gave VIP customers such as Democratic Senators Chris Dodd and Kent Conrad sweetheart mortgage deals and installed Texas *político* Henry Cisneros on its board of directors.

Countrywide's PAC also gave Texas' state politicians and committees \$50,250 since 2002. Leading the pack are Plano Senator Florence Shapiro and Governor Rick Perry, who took a \$7,000 trip on Countrywide's dime a year before awarding the company \$20 million. Mozilo and Governor Perry jointly announced the Texas Enterprise Fund grant at a bubble-era press conference in Richardson in December 2004.

"Today we are not only building upon the Enterprise Fund's tremendous record of creating jobs, we are unveiling its crowning jewel," the governor said in his prepared remarks.



Gov. Perry and Richardson Mayor Gary Slagel back Angelo Mozilo with \$20 million in taxpayer funds in December 2004.

**Countrywide PAC's State Contributions
(2002 To Present)**

| Recipient | Amount |
|--------------------------------------|-----------------|
| Gov. Rick Perry | \$7,000 |
| Sen. Florence Shapiro, R-Plano | \$7,000 |
| Mex. Am. Legislative Caucus | \$5,000 |
| John J. Carona, R-Dallas | \$4,000 |
| Burt Solomons, R-Carrollton | \$3,500 |
| James B. McCall, R-Plano | \$3,000 |
| TX Mortgage Bankers PAC | \$2,500 |
| Tom Craddick, R-Midland | \$2,000 |
| Leticia Van De Putte, D-San Antonio | \$2,000 |
| Royce West, D-Dallas | \$2,000 |
| Judith Zaffirini, D-Laredo | \$2,000 |
| Glenn A. Hegar, R-Katy | \$1,500 |
| Comptroller Susan Combs | \$1,000 |
| Yvonne Davis, D-Dallas | \$1,000 |
| Dan Flynn, R-Van | \$1,000 |
| Fred Hill, R-Richardson | \$1,000 |
| James L. Keffer, R-Eastland | \$1,000 |
| Jerry A. Madden, R-Richardson | \$1,000 |
| Senfronia Thompson, D-Houston | \$1,000 |
| Rafael M. Anchia, D-Dallas | \$750 |
| Eliot G. Shapleigh, D-El Paso | \$500 |
| Michael U. Villarreal, D-San Antonio | \$500 |
| TOTAL: | \$50,250 |

“I am proud to announce that the state of Texas is investing \$20 million from the Texas Enterprise Fund to help Countrywide Financial bring 7,500 additional jobs to Texas over the next 6 years,” Governor Perry said. “You can consider the Countrywide expansion to be ‘Exhibit A’ as to why we need to continue to invest state dollars in the Texas Enterprise Fund.”

Envisioning a future that would never come, the governor went on to say, “In January, Countrywide will begin phase one of an expansion that will bring 2,500 new employees to their 500,000 square foot Richardson office over the next two years. By 2011, Countrywide will bring another 5,000 new jobs to Texas. This expansion will more than double Countrywide’s presence in Texas, and ensure that this outstanding employer remains a driving force in the state’s economy.”

Countrywide shed one-fifth of its workforce after the bubble popped, laying off 12,000 employees in September 2007. Despite his investment of \$20 million in taxpayer dollars in Countrywide, Governor Perry now refuses to release documents in his possession that reveal how many of these job losses occurred in Texas.

As a condition of its grant, Countrywide files annual reports with the Governor’s Office about its Texas payroll. If the company fails to meet the terms of its Enterprise Fund grant, Texas can recover some of its money from Countrywide, which Bank of America acquired last year. In response to a March 2009 TPJ request for Countrywide’s compliance reports, the Governor’s Office now claims that this information is a trade secret that is exempt from the Texas Public Information Act. Oddly, the Governor’s Office previously provided Countrywide’s compliance reports to TPJ in 2007 without invoking exemption claims. The Attorney General told TPJ in a recent letter that it will take more time to rule on this public-information dispute.

Federal and state politicians helped inflate the real estate bubble by turning a blind eye to Countrywide and other lenders that aggressively engaged in irresponsible and unsustainable lending practices. These practices are best exemplified by “liar’s loans.” Governor Perry’s refusal to disclose the compliance reports that Countrywide files as a condition of its \$20 million grant leaves hanging an unanswered question. Did the Texas Enterprise Fund award a “liar’s grant” to the mortgage giant that popularized the “liar’s loan?” It’s time for Governor Perry and Countrywide to come clean.

**Countrywide Contributions
To Texans In Congress
(1989 To June 2008)**

| Recipient | Amount |
|--------------------------------------|-----------------|
| Rep. Pete Sessions (R) | \$18,750 |
| Rep. Jeb Hensarling (R) | \$9,000 |
| Rep. Charlie A. Gonzalez (D) | \$8,000 |
| Rep. Sam Johnson (R) | \$6,000 |
| Sen. John Cornyn (R) | \$5,000 |
| Rep. Ruben Hinojosa (D) | \$3,000 |
| Sen. Kay Bailey Hutchison (R) | \$2,500 |
| Rep. Sheila Jackson Lee (D) | \$2,000 |
| Rep. Eddie Bernice Johnson (D) | \$2,000 |
| Rep. Silvestre Reyes (D) | \$2,000 |
| Rep. Henry Cuellar (D) | \$1,000 |
| Rep. Kenny Marchant (R) | \$1,000 |
| Rep. Randy Neugebauer (R) | \$1,000 |
| Rep. Ron Paul (R) | \$500 |
| TOTAL: | \$61,750 |

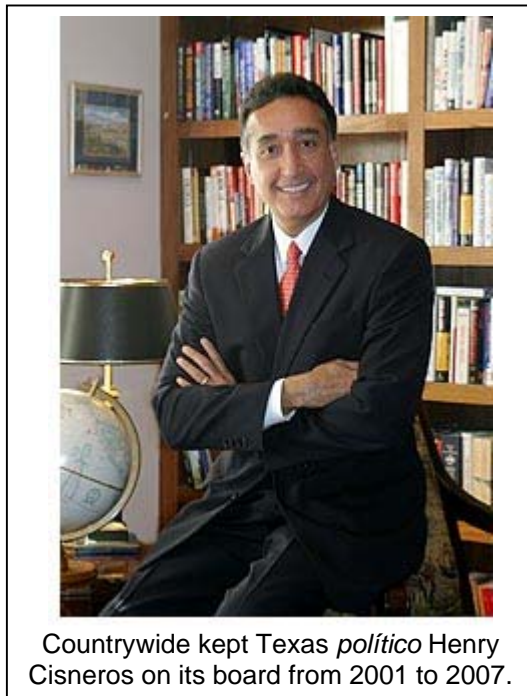
Source: Center For Responsive Politics

Countrywide's Texas Lobby Spending

| Year | Min. Value of Contracts | Max. Value of Contracts | Number of Contracts |
|---------------|-------------------------|-------------------------|---------------------|
| 2004 | \$10,000 | \$25,000 | 1 |
| 2005 | \$10,000 | \$65,000 | 5 |
| 2006 | \$95,000 | \$220,000 | 7 |
| 2007 | \$35,000 | \$125,000 | 7 |
| 2008 | \$10,000 | \$65,000 | 5 |
| 2009 | \$0 | \$0 | 0 |
| TOTAL: | \$160,000 | \$500,000 | 25 |

Countrywide's Top Texas Lobbyists

| Lobbyist | Min. Value of Contracts | Max. Value of Contracts | Number of Contracts |
|------------------|-------------------------|-------------------------|---------------------|
| Kelly S. Rodgers | \$70,000 | \$150,000 | 4 |
| Kraege Polan | \$25,000 | \$80,000 | 4 |
| Robert J. Power | \$30,000 | \$75,000 | 3 |
| Robert D. Culley | \$10,000 | \$55,000 | 4 |
| G. Brint Ryan | \$25,000 | \$50,000 | 1 |



Countrywide kept Texas *político* Henry Cisneros on its board from 2001 to 2007.