

Countrywide Cronyism

By: Tad DeHaven

House Oversight and Government Reform Committee chairman Darrell Issa (R-CA) released a [report](#) today on failed mortgage company Countrywide's use of a VIP loan program to curry favor with Beltway decision-makers. Members of Congress, congressional staffers, and cabinet officials received preferential treatment – including rate discounts and fee waivers – from Countrywide.

Countrywide was a major beneficiary of the federal government's overzealous subsidization of housing, which contributed to the housing bubble and bust that fueled the recent economic downturn. As I explained in a Cato essay on [HUD scandals](#), Countrywide had a close relationship with Fannie Mae, the government-sponsored mortgage giant that eventually collapsed and, along with Freddie Mac, has cost taxpayers over \$180 billion and counting:

In 1999, Countrywide, which had become the nation's largest residential housing lender, reached an exclusive agreement to sell Fannie Mae billions of dollars in mortgages in exchange for lower "guarantee" fees that Fannie charged originators when it bought their loans. The success, and then failure, of both entities became intertwined as Fannie purchased large amounts of subprime loans and securities, which allowed subprime lenders like Countrywide to grow their businesses. When the subprime market collapsed in 2007, Countrywide collapsed as well. It was bought at a fire sale price by the Bank of America, while a broken Fannie Mae was taken over by the federal government.

Fannie Mae executives received numerous VIP loans from Countrywide. According to Issa's report, Countrywide "buttressed" Fannie's massive lobbying efforts to stop Congress from passing legislation that would rein in the GSEs:

Countrywide gave VIP loans to congressional staff who played a role in policy discussions that affected Countrywide. Staff with connections to the committees of jurisdiction for mortgage industry issues in the House and Senate received VIP loans from Countrywide. Between 2000 and 2005, Fannie Mae and Freddie Mac

committed their vast lobbying resources to defeating GSE reform legislation considered by the Senate Committee on Banking, Housing, and Urban Affairs and House Committee on Financial Services. Countrywide buttressed the efforts of Fannie's lobbyists by connecting with key staffers through the VIP program. Documents obtained by the Committee show a staffer in the office of Senator Robert Bennett received several VIP loans. Along with Christopher Dodd, Bennett was a member of the Senate Banking Committee, the committee of jurisdiction for the Senate's consideration of legislation affecting the GSEs and the mortgage industry. As early as 1998, House Financial Services Committee staff were receiving VIP loans from Countrywide.

Regardless of whether any of this was technically illegal, it's another example of the privileged life enjoyed by the Beltway class. Both Republicans and Democrats benefited from the Countrywide favor factory, which is also another example of how when one clears away the fog of partisan politics, they will see that we taxpaying peons are merely pawns in a never-ending struggle for control over our lives.