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Dodd and Countrywide

The Senator should take the witness stand.

Former Lehman Brothers CEO Dick Fuld was under oath Monday when he was grilled on Capitol Hill about his role in the current financial meltdown. But if Members really want to understand the credit mania, they should also call Chris Dodd.

The Connecticut Senator has been out front denouncing the "companies that form the foundation of our financial markets," for "their insatiable appetite for risk." He has also decried "reckless, careless and sometimes unscrupulous actors in the mortgage lending industry" and he has proclaimed that "American taxpayers deserve to know how we arrived at this moment." To that end, we propose he take the stand -- under oath.

Former Countrywide Financial loan officer Robert Feinberg says Mr. Dodd knowingly saved thousands of dollars on his refinancing of two properties in 2003 as part of a special program the California mortgage company had for the influential. He also says he has internal company documents that prove Mr. Dodd knew he was getting preferential treatment as a friend of Angelo Mozilo, Countrywide's then-CEO.

That a "Friends of Angelo" program existed is not in dispute. It was crucial to the boom that Countrywide enjoyed before its fortunes turned. While most of the company was aggressively lending to risky borrowers and off-loading those mortgages in bulk to Fannie Mae and Freddie Mac, Mr. Feinberg's department was charged with making sure those who could influence Fannie and Freddie's appetite for risk were sufficiently buttered up. As a Banking Committee bigshot, Mr. Dodd was perfectly placed to be buttered.

In response to the charge that he knew he was getting favors, Mr. Dodd at first issued a strong denial: "This suggestion is outrageous and contrary to my entire career in public service. When my wife and I refinanced our loans in 2003, we did not seek or expect any favorable treatment. Just like millions of other Americans, we shopped around and received competitive rates." Less than a week later he acknowledged he was part of Countrywide's VIP program but claimed he thought it was "more of a courtesy."

Mr. Feinberg, who oversaw "Friends of Angelo" from 2000 to 2004, begs to differ. He told us that as the loan officer in charge he was supposed to make sure that the "VIP" clients knew at every step of the process that they were getting a special deal because they were "Friends of Angelo."

"People are referred into that department as 'very important people.' You're told that your loan is priced from Angelo. As the 'Friends of Angelo department,' [the department] has to give them a sense of importance and explain the reduction of fees and the rate as a result of being a 'Friend of Angelo,'" he says. According to a report by Dan Golden in *Condée Nast Portfolio* in August, other VIPs included Senator Kent Conrad. Mr. Golden reported that "Countrywide also offered special discounts to congressional staffers involved in housing issues."

As to Mr. Dodd, Mr. Feinberg says he spoke to the Senator once or twice and mostly to his wife and that like other FOAs Mr. Dodd got "a float down," which means that even after he had a preferred rate, when the prevailing rate dropped just before the closing, his rate was reduced again. Regular borrowers would pay extra for a last-minute adjustment, but not FOAs. "They

were aware of it because they were notified and when they went to the closing they would see it," Mr. Feinberg says, adding that he "always let people in the program know that they were getting a very good deal because they were 'Friends of Angelo.'" All of this matters because Mr. Dodd was one of those encouraging Fan and Fred to plunge into "affordable housing" loans made by companies like Countrywide.

One indicator of his influence is the \$165,400 in campaign contributions -- more than to any other politician -- that Fan and Fred have given him since 1989, according to the Center for Responsive Politics. These contributions are legal. But favors like those Mr. Dodd is alleged to have received may not be. Mr. Feinberg says he went public with his story because when he heard Senator Dodd on TV talking about predatory lending, he felt it was "hypocritical" and he says, "I just thought, 'This is wrong.'"

Mr. Dodd hasn't yet released his copies of the mortgage documents, though he promised to do so more than two months ago. His office told us this week they'd get back to us on that. Meanwhile, presumably the Justice Department can have Mr. Feinberg's Countrywide documents, if it's interested.