



Senator Eliot Shapleigh

District 29

Texas Press Release

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MORE THAN A YEAR AFTER SENATOR SHAPLEIGH CALLS FOR INVESTIGATION OF COUNTRYWIDE, OBAMA ADMINISTRATION CHARGES THE MORTGAGE COMPANY'S CEO WITH FRAUD

"In April 2008, our office asked that the Texas Attorney General conduct this investigation. We are pleased that Countrywide's actions here, especially in subprime lending get independent scrutiny."

EL PASO - Today, the Obama administration's Securities and Exchange Commission (SEC) announced it's filing fraud charges against a former Countrywide Financial Corporation CEO for his part in the subprime mortgage crisis. Senator Eliot Shapleigh (D-El Paso) had called for an investigation into the company's dealings in Texas more than a year ago.

The SEC today [announced it had filed fraud charges against former Countrywide CEO Angelo Mozilo](#). The commission alleges that Mozilo engaged in insider trading and in misleading investors. Countrywide, one of the nation's largest mortgage companies, and Mozilo stand accused of loosened its mortgage standards despite projected financial trouble in the global market.

Their history of providing loans to people who probably could not afford them have marked Countrywide as a key contributor the country's subprime mortgage crisis and current economic downturn. Several states have also accused the company of predatory lending practices. The troubled company was bought by Bank of America in January, 2008.

Before that, in December 2004, Countrywide moved its headquarters to Dallas, after [receiving a \\$20 million grant from Governor Rick Perry's Texas Enterprise Fund](#), a business incentive fund that was created by legislation in 2003.

After the move, Countrywide encouraged its sales department to lead potential borrowers to high-cost loans in an effort to raise the commissions of its salespeople and the salaries of its executives.

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In April 2008, Senator [Shapleigh delivered a letter to Texas Attorney General Greg Abbott](#), asking if his office had opened any investigations into the company, its lending practices or its use of taxpayer funded money. Senator Shapleigh never received a response.

"In April 2008, our office asked that the Texas Attorney General conduct this investigation. We are pleased that Countrywide's actions here, especially in subprime lending get independent scrutiny," Senator Shapleigh said.

In Texas, predatory subprime loans were responsible for many of the more than [96,000 homeowners](#) who lost their homes to foreclosure in 2008 and [one out of every 35 Texas homeowners](#) will likely face foreclosure by the end of 2010, according to the Pew Charitable Trusts. In Texas, 34 percent of all loans made in 2005-2006 were subprime.

In October 2007, [Senator Shapleigh wrote to Governor Perry alerting him to a crisis in the subprime mortgage market in Texas](#). In that letter, he asked the Governor to call a special session in early 2008 so that the Legislature could take action to protect Texas from anticipated revenue deficits from the projected recession. Senator Shapleigh did not receive a response to this letter either.

This session, Senator Shapleigh filed [several piece of legislation](#) to combat predatory lending and curb the subprime crisis in Texas. Among these bills was [S.B. 1284](#), an omnibus mortgage reform bill that would have provided the following protections for Texas homeowners:

- prohibits pre-payment penalties for subprime loans;
- prohibits flipping of a loan by a lender, meaning they cannot refinancing a loan that provides no tangible net benefit to the consumer;
- prohibits negative amortization loans in which the principal continues to grow despite monthly payments from the borrower for subprime loans;
- prohibits lender financing of credit insurance;
- requires lenders to schedule a face-to-face or phone meetings with borrowers to provide restructuring options before sending a notice of default;
- require lenders to provide a notice to borrowers regarding any change in interest rate 120 days prior to an adjustment;
- adds loans from residential mortgage banks to the list of consumer contracts that must be translated into Spanish;
- increases the surety bond to \$100,000 for finance lenders or brokers of residential mortgage loans;
- requires that notice of default to be sent to a housing counseling agency designated by the debtor; and
- requires lender to mail a homeowner's bill of rights specifying the process and setting forth the rights of the borrower regarding contracts with mortgage foreclosure consultants

Due to opposition from industry lobbyists, and state leaders, [S.B. 1284](#) never received a hearing in the Senate Committee on Business and Commerce. Several other bills Senator Shapleigh filed on this subject [received only late-session hearings](#) and then died in committee.

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