



Countrywide whistleblower reports 'liar loans'

Former regional manager sues mortgage company for wrongful termination

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HOUSTON - Amid multiple federal investigations into potential wrongdoing at Countrywide, a former regional manager now says he tried to sound the alarm about improper conduct, and was ignored.

Mark Zachary, who'd been in the mortgage business for 12 years when he took a job at Countrywide in August 2006 as a regional vice president in Houston, says he found a corporate culture of shady, possibly illegal practices.

"You see some of the things that were going on and you just know that it's not right," he said in an exclusive interview with NBC News. "It was, what do we do to get one more deal done. It doesn't matter how you get there, just how do you get one more deal done."

In a series of internal documents over the next nine months, Zachary says he repeatedly warned superiors about questionable practices:

- Inflating home appraisals—so buyers could borrow enough to cover closing costs...but end up owing more than the house was worth.
- Flipping loans—moving an unqualified buyer from a conventional loan to one that doesn't require documentation, knowing they couldn't afford it.
- Coaching borrowers—to overstate, even double, their income to qualify.

In fact, Zachary says certain loans were known as "liar loans." Why?

"Because the income stated on those loans generally is not a true representation of what that person normally makes," he said.

In February 2007, after six months on the job, Zachary warned superiors about the potential effects of bad lending practices, writing:

"In a market where there are more foreclosures and defaults than we care to talk about, I think part of that is because some builders and lenders are setting people up for further failure in life by putting them in loans and houses they do not belong in."

Were these practices the work of a couple of bad apples?

"No, not at all," says Zachary. "It comes down, I think from the very top that you get a loan done at any cost."

Zachary said these practices ultimately misled investors—about the safety and value of these loans, and hurt borrowers—who were put in loans they couldn't afford to repay.

Countrywide denies Zachary's allegations, saying it "investigated each of his claims and found no merit to his accusations."

However, NBC News spoke to six other former Countrywide employees in different parts of the country who described the same culture and many of the same practices. Some even said that W-2's and other documents—including paystubs, lease agreements, and letters of verification—were falsified to clear loans.

A former loan officer—who runs a website criticizing Countrywide—said the more loans they made, the more they were paid...which created a culture of anything goes.

"I've seen supervisors stand over employees' shoulders and watch them, you know, change incomes and things like that to make the loan work," he said.

Customers say they saw it too. Lisa Blue says her countrywide loan officer told her to claim she made more than twice her actual income.

"I said I highly doubt an accounting manager makes a hundred thousand dollars anywhere," Blue said. "She was telling me to state stuff that was totally lies."

Zachary says after he took his concerns to senior management, and refused to approve unqualified borrowers to make his

numbers, he was fired after 10 months on the job.

Countrywide disputes that. A spokeswoman says that Zachary was "terminated for poor performance," and that he "received verbal counselling on his performance, as well as written feedback in the form of his evaluation, before he first made allegations of impropriety."

But documents show Zachary began raising questions to Countrywide superiors about specific lending practices as early as September 2006, soon after joining the company.

In February 2007, Zachary received a good employee performance evaluation—indicating he was surpassing some expectations and not meeting others—but with no indications he was in any jeopardy of losing his job. Four months later, he was fired.

Zachary's lawyer, Philip Hilder, says his investigation shows the practices his client alleges were not necessarily confined to the Texas region, but may have been systemic. He dismisses Countrywide's claim that they have investigated Zachary's allegations.

"I don't think they properly investigated," says Hilder. "And I don't think they're gonna like the results when they do." So why is Zachary speaking out now?

"People are out in the streets because of lending practices that should'a never been practiced," says Zachary. "I don't know what I can say to make that situation better, but what I can do is still go to work every day, and make sure, or try to make sure that it doesn't continue to happen."

Zachary is now suing Countrywide for wrongful termination.

Countrywide says Zachary is "motivated by self-interest." A spokeswoman claims Zachary offered not to go public with his allegations if the company paid him \$1 million. Zachary's lawyer says that charge is "false and deceitful."

The Countrywide spokeswoman also says the company's "lending operations are prudently and effectively managed," and that "Countrywide's ethical standards are rigorously enforced."

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