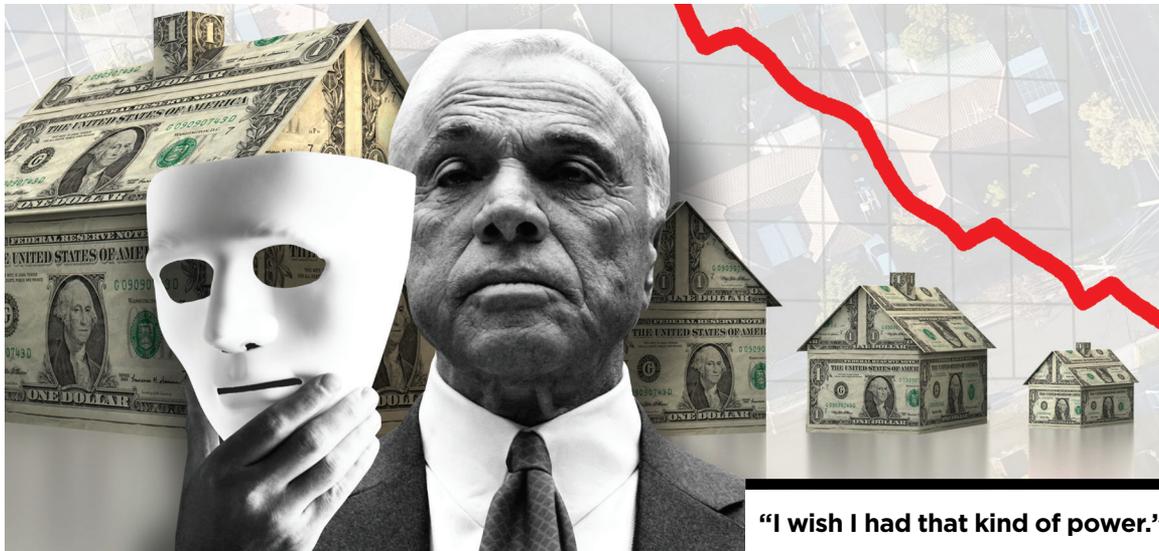


The Face of the Subprime Crisis

Though he denies causing it, Angelo Mozilo is forever linked with last decade's mortgage meltdown.

BY GLENN RIFKIN



“I wish I had that kind of power.”

It was the 10th anniversary of the two financial crises, but Angelo R. Mozilo was having no part in taking any blame. In a rare interview last summer with *The Wall Street Journal*, the once-iconic figure synonymous with the words “subprime crisis” continued to argue he didn’t help fuel an epidemic of ailing mortgages that preceded the worldwide economic meltdown. The 80-year-old former CEO of Countrywide Financial Corp. blamed the liquidity crunch and the ensuing financial panic for the crisis.

“Not subprime mortgages, not Countrywide, not Angelo Mozilo,” he said. “I wish I had that kind of power.”

Of course, most observers have a drastically different take on Mozilo’s role, tagging him as among the key villains of the crisis, the chief executive whose avarice and arrogance turned Countrywide into the leading purveyor of the toxic subprime loans. Indeed, the more prevalent conversation during the years of the recession that followed was whether Mozilo would be indicted for his role in spearheading Countrywide’s controversial behavior as a mortgage lender.

Mozilo escaped prosecution, though he fought a decade-long legal battle to settle an accusation by the Securities Exchange Commission that he profited to the tune of \$140 million due to insider trading. As part of the 2010 settlement, Mozilo

neither admitted nor denied any wrongdoing but was ordered to pay a \$67.5 million fine (most of which was paid for him by Bank of America, which acquired Countrywide). He dodged a final bullet in 2016 when the Department of Justice abandoned a civil fraud case against him.

Regardless of the legal outcome, Mozilo's reputation was in tatters, a punishment in itself for the once-proud executive with a remarkable rise-to-power tale. The Bronx-born son of a butcher, Mozilo got into the mortgage business at age 14, when he became a part-time messenger for a mortgage lender in New York City. In 1969, he co-founded Countrywide with his former boss and headed to Southern California to take advantage of a population boom and burgeoning home sales. A sharp dresser with an uncannily dark, year-round tan, Mozilo was a smooth salesman who built Countrywide into the nation's largest mortgage lender, enriching himself along the way by selling quality mortgages to home buyers.

"Mozilo gained a reputation in the industry as a genius and a rainmaker," wrote CNN's Matt Egan in 2018. "Yet Mozilo's quest to dominate the mortgage market led to a race to the bottom at Countrywide."

Though many other mortgage lenders eagerly participated in the subprime bonanza, Countrywide was the 800-pound gorilla driving the trend. Its aggressive salesforce often led potential borrowers to unfavorable, high-cost loans that generated higher commissions. At its peak, Countrywide had \$11.4 billion in revenue with 62,000 employees, 900 offices, and assets of \$200 billion. From 2000 to 2008, when he stepped down, Mozilo was among the highest-paid CEOs in America, with total compensation of \$521 million.

"As I recall, Countrywide was making quality loans for many years, and then everybody started getting into the subprime loans and Mozilo didn't want to go near them," says Henry Pontell, chair of the sociology department at John Jay College of Criminal Justice in New York. "But in the business environment, bad practices in the mortgage lending industry pushed the good practices out. If he didn't concede, he'd go out of business." Once he dove in, Mozilo was determined that Countrywide would dominate the subprime market.

When Mozilo resigned as CEO of Countrywide as the economic meltdown was gaining momentum, the *Los Angeles Times* noted that Mozilo continued to claim that "Countrywide is a great American story." But Paul Muolo, managing editor of *Inside Mortgage Finance* and co-author of the book *Chain of Blame*, about the subprime mortgage fiasco, saw things differently. According to Muolo, "Mozilo's downfall was his lust to have Countrywide become the biggest provider of every kind of mortgage. That included subprime loans for people with poor credit or heavy debt loads."

Though Mozilo has never embraced his own history lesson and continues to cite Countrywide as an American business icon, the 450,000 American homeowners who were grossly overcharged by Countrywide—and many of whom lost their homes to foreclosure during the housing crisis—likely don't quite see it that way. What they have always wondered, along with many analysts and pundits and the public, is why Mozilo and many other executives in the financial services sector were spared criminal charges and jail time for their roles in a crisis that brought the world economy to its knees. ▀

MEMORY LANE

Just as Mozilo is tied to subprime, these two figures are inexorably linked to different financial collapses—the savings and loans debacle and junk bonds:



CHARLES H. KEATING JR.

The Arizona-based real estate millionaire whose Lincoln Savings & Loan defrauded thousands of depositors and triggered the \$150 billion savings and loan crisis of the 1980s and '90s. He served four-and-a-half years in federal prison.



MICHAEL MILKEN

A brilliant innovator who created the junk bond but became a symbol of the stock market volatility that preceded the crash of 1987. Convicted in 1990 of securities law violations, he paid a whopping \$600 million fine and was sentenced to a 10-year jail term, reduced to 22 months.