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### **CNBC Martiromo Mozillo transcript on Bank of America's \$2 billion Investment in Countrywide, Problems in the Mortgage Industry and Countrywide's Strategy Going Forward**

Angelo Mozilo

Maria Bartiromo

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## Interview Transcript: Angelo Mozilo

ANGELO MOZILO INTERVIEW TRANSCRIPT  
CNBC.com | 23 Aug 2007 | 01:43 PM ET

*The following is the unofficial transcript of a CNBC exclusive interview with Countrywide CEO Angelo Mozilo on CNBC's "The Call" today at 11:00 AM ET. All references must be sourced to CNBC.*

*In an exclusive interview with CNBC's Maria Bartiromo, Countrywide CEO Angelo Mozilo discusses Bank of America's \$2 billion investment in Countrywide, problems in the mortgage industry and Countrywide's strategy going forward, among other topics:*

**Maria Bartiromo:** Hi, there, Trish. Thanks very much. We are on the trading floor right now of Countrywide Financial I'm with chairman and CEO Angelo Mozilo. Nice to have you with us.

**Angelo Mozilo:** Thank you for having me.

**Bartiromo:** Thanks for joining us. This has been a pressured period how did the \$2 billion strategic investment come about?

**Mozilo:** It came about as result of long relationship with Bank of America. And Bank of America contacted us and said they would like to help. And, come in to talk to me. I spoke to ken and to his colleagues. And, since we've had a long relationship, relationship with bank of america goes back to 1969 actually. My first line of credit for Countrywide was with Bank of America.

**Bartiromo:** You borrowed \$75,000 from Bank of America.

**Mozilo:** Personally to start Countrywide Financial in 1969.

**Bartiromo:** This on personal level must be incredible for you.

**Mozilo:** It is. This relationship.

**Bartiromo:** Let me ask you about the terms of the convert. This is talked bit today on Wall Street. It's already in the money. It's high coupon. Obviously this is a very attractive piece of paper for Bank of America.

**Mozilo:** It is.

**Bartiromo:** The terms are not so great for you.

**Mozilo:** I would disagree with that. I think terms are great. I think it's a win-win situation for us. Bank of America, world class firm. Largest retail bank in the United States to come into countrywide, do extensive due diligence, very professional team come away we like what we see want to invest \$2 billion is great endorsement for what we believe we have at Countrywide. One of the strongest and best run companies in the country. Important from our viewpoint something of that caliber to give us vote confidence in this environment when everybody was in a panic things being said about countrywide which were not true. So from our viewpoint that is priceless endorsement for us. For a long-term shareholder this is the best deal, long-term shareholder of countrywide best deal they could have. To put countrywide back on a strong footing so we can move forward. It's true if you're looking countrywide short term flip type of thing, get in and get out maybe that doesn't appear to be great deal but I'm not interested in those people. Both companies win here in a very big way. And the premium by the way is not high premium. It's in the market premium. We've got a reasonableness opinion from Goldman Sachs looking at entire transaction so I'm comfortable that this is a great deal, very important good deal for Bank of America because it will be a long-term relationship. This is perpetual preferred. Goes on forever.

**Bartiromo:** Let me ask you. This if I'm shareholder why not go to the fed's discount window? If I'm shareholder maybe I prefer you financing this at 35 point \$75 as opposed to selling \$7 billion of the company at 7.25%?

**Mozilo:** I would love to do that. Countrywide has a bank but is not a bank. Assets that rest in countrywide home loans the mortgage company doesn't have access to the window. But and the bank has access to the window but it doesn't have the assets. And we can't get the assets from countrywide home loans to the bank because of what they call 23-a and b. Regw doesn't permit that interaction. Would have loved to do that. Couldn't be done.

**Bartiromo:** People, the Merrill Lynch report last week coming out floating the word bankruptcy out there.

**Mozilo:** Right.

**Bartiromo:** What will determine whether this along with the \$11.5 billion drawdown credit line, will in fact be enough?

**Mozilo:** Well, first of all let me comment couple things. One is the, just the irresponsible behavior on part of that analyst from Merrill Lynch to, yell fire in a very crowded theater in environment where you had panic already setting in the overall markets unrelated to Countrywide. Was totally irresponsible and baseless. And it, affected the lives of 61,000 people here at Countrywide our employees and more importantly or as important our deboss terse. Our deboss terse primarily senior citizens stood on-line frightened to death that countrywide would go bankrupt and lose their money. Has no basis whatsoever. Strong bank, well overcapitalized accessed to fed window.

**Bartiromo:** He had a buy rating.

**Mozilo:** Two weeks before had a buy, three weeks before had a buy rating on the stock goes from buy rating in two or three weeks to bankruptcy. Irresponsible. But we'll work our way through that. The company, at the, these things, doesn't kill you makes you stronger. We're much stronger company today than we certainly were couple weeks ago. So i think that, this is, we're going to have to continue to make sure we take every step possible within the mortgage bank, within capital markets area to make sure we are positioned for constantly changing environment. Because this environment is certainly not getting better at least today. Something tomorrow could turn it around. This is first step in series of steps we're going to take.

**Bartiromo:** Can you for investors watching who had access to that report can you categorically say we will avoid bankruptcy?

**Mozilo:** I can't can't, no company can scale they can avoid bankruptcy, can be guaranteed can't go bankrupt but I can tell you there is no more chance for

bankruptcy today for countrywide than it was six months months ago, two years ago, when the stock was \$45 a share. Which are a very solid company.

**Bartiromo:** How much direct contact have you had with the Fed?

**Mozilo:** I have had, only, direct contact with the New York Fed relative to our dealings with couple of New York banks. I have not had any contact with the Fed in Washington.

**Bartiromo:** It's curious that yesterday, you had four major banks going to the discount window. You had Citigroup, JPMorgan, Wachovia, Bank of America. So Bank of America comes out in the morning we'll go to the discount window. We took down \$500 million. Then in the afternoon they say that they're going to invest \$2 billion in Countrywide. Do you think maybe the Fed was, sort of having conversations with Bank of America somebody said look we can't let Countrywide struggle anymore?

**Mozilo:** I think they are totally unrelated but I do think Countrywide has more 10 million to make payments we driving force to have people own homes. I think fed watches that. But that was totally unrelated. Fed, I believe, I'm speculating when they announced reduction the interest rate through the discount window versus fed funds they expected banks to use that to create liquidity and they didn't. And there is stigma attached to using that window because you're paying more for it, why do it? The fed was trying to encourage the banks to use the fed window and I believe, was trying to demonstrate that there is no stigma attached to it when you have four major banks in the country do it. I think it was totally unrelated to Countrywide.

**Bartiromo:** I want to ask you about the fed's moves and about the liquidity environment today after all the injections of liquidity. Let me stay on the Bank of America story for a minute. People are looking at this, this a graceful way for Angelo Mozilo say good-bye and eventually sell this company. Is the ultimate plan to sell the company to Bank of America.

**Mozilo:** No, it's not. I think it is what we said it is. It is investment in part of the company. I think they see the company as great investment. If you look at the how they operate and what we do there is lot of symbiosis in balance sheet and operations. There may be things down the line they can for us better than we can do and vice versa. So I think there's a, strategic initiatives that could be developed overtime, but no, there is no even thought of Bank of America at least in my mind, Bank of America buying.

**Bartiromo:** Everybody knows or thinks that you spoken to b-of-a about taking over the company at much higher price.

**Mozilo:** That was, well, that was not true by the way. That story was never true.

**Bartiromo:** Okay.

**Mozilo:** The truth of that story was that there were thoughts at that time, that we could have some strategic initiatives together because of, we're the best in the world in the mortgage space. That's our focus. And they thought they could capitalize on that. Even at that time, it was a thought about, making investment in countrywide in order to, stimulate that those initiatives. There was never any discussions about them buying.

**Bartiromo:** Talk to us about the environment overall. You have this liquidity right now from b of a and the draw down that we talked about. Have you seen any change in liquidity? How tight is this credit crisis?

**Mozilo:** Speaking for countrywide there has been no change I believe in the marketplace there has been much change in liquidity despite the efforts of the fed. Unless the fed does some more, some more things. I think one to acknowledge there is a serious problem out there in housing which could spill into the overall market. And that the fed chairman is really looking at that concerned about it and paying attention to it and maybe, symbolically lower the rate to really demonstrate that there is a concern.

**Bartiromo:** Is Bernanke not getting the right information?

**Mozilo:** I don't know. I'm not inside the house there. So I don't know. I think they're working off of data. I think their tendency to work off data and data always tells you what happened and doesn't tell you what's happening. We know what's happening. So I think that's why you get these delayed reactions. I think from my perspective it's very serious issue going on in housing. Increased delinquency is. Increased foreclosures. No liquidity. Fannie Mae is capped. They can't participate to the level they should be participating at. Not because of leadership, fan it is a tick leadership because of the regulator who has got the on them. So we still have a tremendous liquidity problem. Some of the loans made in that 5-year period should not be made going forward I acknowledge that no question about it. But there are many loans should be made today, can't be made to legitimate buyers who need housing particularly in lower income and minority area we're not making. That is unfortunate.

**Bartiromo:** How long does this cycle take to work itself out?

**Mozilo:** I if knew that you and I would be interviewing in south of France not here in Calabasas. I don't know. It seems to me, I don't see a light here at the moment. Something could happen could change that overnight. Appears to me we've got a way to go to work our way through.

**Bartiromo:** How do you work your way through it? What needs to be done. You said you need caps to be lifted for Fannie and Fred dip. What else needs to be done?

**Mozilo:** Panic has to go away. Confidence has to return to the market. What is driving this is form it's not real. A lot of what is driving this lack of confidence, this panic. This is, one of the greatest panics I've seen in 55 years financial services. And, so something has to be done to restore the confidence the market. If we turn that around. Most of that was driven by form not substance. But form has become substance. Fear has become real. What you have a two handle on one year t-bill, the other day, that means, all the liquidity is going into it. Bills. That's how panic this market is.

**Bartiromo:** Right.

**Mozilo:** We have to have some turn of events will put liquidity back into the mortgage space. Particularly at this time. We're originating best quality loans ten years at best prices in five years yet nobody wants to buy them.

**Bartiromo:** What happened in last two months when you were calling on banks to help you or to access capital? Tell me what kind of reception you got?

**Mozilo:** I think. This I would characterize it these banks, banks we've been dealing with many, many years.

**Bartiromo:** Banks you've dealt with for 40 years.

**Mozilo:** Right.

**Bartiromo:** What do they say to you?

**Mozilo:** We have our own problems. So, so they were restricted. They did. They had their own issues. So they couldn't be as accommodating. But, what happened it started this way. Started with commercial paper. Commercial paper started to dry up. Our oxygen what we live off is commercial paper, repo lines, medium term notes. That's what we do. And, because most of our business is not done in the bank. It will be but not done in the bank now. As a result we rely upon those three instruments. Commercial paper started to dry up. Lack of confidence. Concerns over subprime thing. Subprime thing, CNBC, all you heard subprime. There was never that amounts of subprime loans being done in this country ever you think every loan would be subprime. That began to have material effect on psyche of the market everybody thought everything was subprime. Commercial paper started pulling back. Then we had to rely more on repo lines pressure of all mortgage company providers were on the banks. We need a lot of asks from the banks. They had limitations what they could do. They began pulling back. That began a whole series of events that led where we are today. You got to remember we're a survivor. You're interviewing me. Look other day green point, new century, Ameriquest go right down the companies been around for years are gone. American home. Homebanc. All these companies are gone. So it has had a material effect on the market. Now in one sense that's good news for Countrywide. Hate that happening to anybody but, at end of the day, we're only game left in town.

**Bartiromo:** Aren't you doing exactly what you criticized others for doing, taking market share in the down market? I mean isn't that at end of the day, where we are right now as a result of that? You're taking market share in a tough market?

**Mozilo:** Yeah. I criticized I don't think I've criticized that's what I should do, take market share when I have opportunities to take it. I think what I said I'm against taking share just for the sake of taking market share even though it's jeopardizing the company. Where you're doing it at losses I'm absolutely opposed to critical of s&ls in the past. Critical of subprime companies in the past doing that I'm not critical I think that is my responsibility to seize market share when the opportunities to do that when I'm doing high quality loans at good spreads.

**Bartiromo:** Two final questions, Angelo. Last time you joined us on CNBC you told me never in your 50 plus years business have you seen that housing does not take us in or out of a recession.

**Mozilo:** That's right.

**Bartiromo:** is housing going to take us into recession?

**Mozilo:** I still think so. I've been proven wrong so far. I can't believe when you're having level of delinquencies. Equity is gone. Tide has gone out that this doesn't have material effect a on psyche of American people and eventually on their wallet.

**Bartiromo:** finally what will this company look like in six months or a year? Obviously subprime is gone. Alt-a. He locks. Jumboes blew up last week. Don't you have to become a much smaller originator?

**Mozilo:** I'm not sure. We have to become much stronger. Balance sheet has to be much stronger. \$2 billion helps a lot. Will continue to strengthen that balance sheet. What shaping even though volumes all are down and our volumes are down, but at end of the day we could be, we could be doing very substantial volumes for high quality loans because there is nobody else in town. Although the pie is smaller I think we'll get a bigger part of the pie and be more important than we are today.

**Bartiromo:** For joining us. Thanks for being here. Angelo Mozilo, chairman and CEO Countrywide Financial.

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