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One on One with Susie Gharib

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One on One with Angelo Mozilo, Chairman and CEO of Countrywide Financial

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SUSIE GHARIB: Countrywide Financial got a vote of confidence from investors today on news that Bank of America invested \$2 billion in the struggling mortgage lender. With that cash infusion, can Countrywide survive the crisis that is gripping the home loan industry? Joining us now, Angelo Mozilo, chairman and CEO of Countrywide Financial. Mr. Mozilo, welcome to NIGHTLY BUSINESS REPORT.

ANGELO MOZILO, CEO, COUNTRYWIDE FINANCIAL: Thank you.

GHARIB: So do you now have enough cash to survive?

MOZILO: Yeah, there was never a question about our survival, Susie, it was only d -- that question was only raised with journalists. But never at Countrywide, there was doubt of our survival.

GHARIB: Do you think, though, as time goes on that you may have to go back to Bank of America again and ask for more cash?

MOZILO: I think, look, I think there is a lot of things that Countrywide has to do to adapt to this new environment, Susie. There has been a substantial change in the debt markets. You are aware of it. You reported on it. This is not a Countrywide centric issue. This is a national, in fact worldwide issue in terms of liquidity crisis. And Countrywide as it has for the past 40 years will continue to adapt to the environment that it's in to make sure that we survive. And what we do in that regard will be -- have many aspects to it. In terms of adjusting the company to the new environment, adapt our financial structure, what is happening in the financial markets. We'll do a variety of things that will make certain that the company is positioned for the next, you know, we've gone through 40 years. We've got 40 more years to go and make sure we are positioned for it. And it is going to, as I said, involve lots of things that we'll do. And you will be reading about them as we you do them.

GHARIB: You certainly have been a survivor over those 40 years, but you said today that this housing downturn could push the U.S. economy into a recession. If there is a recession, do you think that you can ride it out or might it spell bankruptcy for Countrywide?

MOZILO: Oh, God, here we go again. I -- you know, I just -- wish that that, there is no way I guess I can stop the use of the word bankruptcy. Countrywide was never in a position for bankruptcy except for irresponsible behavior on the part of an analyst. And I guess additional irresponsible behavior on the part of journalists to pick that up and go with it without even investigating the possibility of that. There was no possibility of that at the time it was written and -- or now. And now in terms of a recession, recessions have historically been very good for the mortgage banking business. And the reason being is that recessions force the Fed to lower rates. And when they lower rates, it gives an opportunity to people who have loans now to refinance at much lower rates. So it actually is -- recessions have always been a boom period for the financial services business that deals in mortgage lending.

GHARIB: Would you like the Federal Reserve at this point to cut interest rates? I mean let me ask you this, what would you like the Federal Reserve to do to relieve this credit crunch that we are in?

MOZILO: I would like them to do a few things, not that they would listen to me. I have a wish list. One of them is that they reduce the interest rate and discount window down to the Fed funds rate. I think that that would create greater liquidity for the marketplace because liquidity is the issue in this market for everybody. Secondly I would like them to acknowledge that the -- that they understand the housing issue is a crisis and that they are concerned about it and will make sure that it doesn't get out of control. And -- and I think those are the things that -- anything that would bring liquidity back into the marketplace and the Fed drive that.

GHARIB: Would you see using -- going to the discount window and borrowing money?

MOZILO: Well, we have a bank. And the bank can use the discount window. The situation with Countrywide, Susie, is that the bank has access -- the bank is highly profitable bank. It has been a great bank. It's well capitalized, has access to the window, but the assets, much of the assets that we have are not in the bank. They are in the mortgage bank that doesn't have access to the window. So we are trying to continue to restructure and reorganize Countrywide so that the entirety of Countrywide has access to the Fed. So we have -- so we have liquidity.

GHARIB: Mr. Mozilo, are you still giving loans for mortgage these days and if so, what are you doing differently in terms of your lending standards?

MOZILO: Yeah, we still are very active, probably still the leading lender by far in the country. You know, probably at the rate of about \$25 billion a month today. We were at \$40 billion in our height so we are very active. What we are doing differently, Susie is that we are making certain that every loan we make is done at standards which are substantially higher than they were in the past for a variety of reasons. One is that the concerns on the part of regulators as to some past lending practices and the lending community and also the restrictions that you have in the secondary market. The only market available today is the Fannie, Freddie market which has a maximum loan amount of \$417,000 and they have their lending requirements. We've always originated to the lending requirements. When you get above the point (ph) 17,000, then it becomes much more difficult in terms of selling those loans and we have to originate to higher standards.

GHARIB: Let me jump in because we just have a few seconds left and I want to talk to you about your stock which is down 50 percent from its high. What would you say to investors who hold Countrywide, why should they hold on to it at this time?

MOZILO: Well, it's their choice. I mean whether they hold on or not depends upon their personal views of, you know, what their own needs are as an investor. But I can tell you this. That you have to pick a point in time where this is true that the stock is in half. But the fact is that this company has -- is the 12th best performing company in the history of the New York Stock Exchange, up 25,000 percent over the last 25 years. So the long-term holders of Countrywide have done extremely well and I would say that the future long-term holders of Countrywide will do equally well.

GHARIB: All right. Mr. Mozilo, thank you so much for coming on our program, we really appreciate your time.

MOZILO: Thanks, Susie.

GHARIB: My guest tonight, Angelo Mozilo, chairman and CEO of Countrywide Financial.

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