

# The Countrywide Blacklist

Posted by Steve Berman on Oct. 16, 2008

It is hard to conceive that a French philosopher from the 17th century could have an impact on our current housing crisis, but as luck would have it, Charles-Louis de Secondat, baron de La Brède et de Montesquieu may have played a roll.

More precisely, had Countrywide Mortgage CEO Angelo Mozilo spent some time reading his political history, and abiding by Chuck's thinking, we might have avoided our current donnybrook.

Montesquieu introduced the concept of checks and balances, originally focused on the political application. His contention, in a nutshell, was that a good system had inherent, opposing forces that could snap into play when one side of the political equilibrium became too dominant.

What he had in mind for government also worked in business, in this case, real estate.

The deal went like this - a home purchaser went to a bank or mortgage broker and asked for a loan. The lender, in turn, went to an appraiser to do an independent evaluation of the home's worth, to make sure there was enough equity out there to support the loan. If the purchaser wanted to borrow \$1 million to buy a house worth \$1 million, the appraiser would give the deal a thumbs-up. If the house was only worth \$500,000, that report would tell the lender it was a dog of a deal and the lender would deny the application.

Checks and Balances.

But what happens if the lender wants appraisers to ignore their responsibility to create accurate appraisals?

Check out this article in the Seattle Post-Intelligencer by Aubrey Cohen, a very sharp real-estate reporter.

In the article, Cohen outlines a lawsuit we filed against Countrywide on behalf of a group of appraisers who claim the mortgage lender used its influence to blacklist them after they refused gin up appraisals in line with the company's business objectives.

Our suit claims that Countrywide's practice was to seek out appraisals that supported loaning money to purchasers even if the deals didn't pencil out, simply so they could make its cut on the loan deal. We further contend that Countrywide and other lenders packaged these jack-legged loans and sold them to other investors.

Our clients contend that when they refused to play ball with this scheme, they were placed on what amounted to a blacklist, known as the 'Field Review List,' its inside blacklist, which is used to snub appraisers.

We believe that as of Aug. 2008, more than 2,000 honest appraisers appeared on the Countrywide blacklist and that Countrywide has been using the practice for more than four years.

Countrywide tried to jump around these claims by saying blacklisted companies can still submit appraisals. However, in order to do so, individuals on the Field Review List have to file their report with an 'approved' appraiser, effectively hamstringing them.

We've already filed three lawsuits against the company citing an array of alleged violations and corruption within the ranks. We'll keep you updated on this case and others against Countrywide. Our other suits against the company cite ERISA violations, predatory lending practices and violations of the RICO act that directly affect appraisers.

Please check our blog and Web site for more updates on this case.