Inside Countrywide, a ‘counseling meeting’ then termination

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By Michael Hudson October 18, 2011

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Days before Mari Eisenman was to undergo cancer surgery, a senior vice president with her employer, Countrywide Financial Corp., called her in for a “counseling meeting.”

The impetus for the meeting, according to Eisenman: her complaints that workers at her branch in Colorado were falsifying documents and manipulating the home appraisal process.

The executive, Eisenman later claimed in a lawsuit, chastised her for causing trouble, complaining that one of the executive’s protégés had been suspended because of her whistleblowing.

While she was at home recovering from her surgery, her suit said, it became clear she was going to be fired.

Eisenman claimed she contacted Countrywide’s home office in California and sought intervention “from the highest officials” to provide her safe harbor as a whistleblower. The officials, her lawsuit said, “indicated that all actions taken against Mrs. Eisenman were proper and the corporation would not provide protection for her."

Eisenman's description of her rocky tenure at Countrywide is similar to accounts from other former employees who claimed the lender punished them for pushing back against corrupt practices. The retaliation, many of them charged, came not just from low-level mangers or coworkers, but was also carried out or condoned by upper-level executives.

A spokesman for Bank of America, which purchased Countrywide in 2008, declined to answer questions about Eisenman's allegations. The bank has refused *iWatch News*' requests to discuss specific allegations by former Countrywide employees, saying they involve allegations of problems that occurred before the bank acquired Countrywide. It has also declined to answer questions about how much investigation, prior to and after the acquisition, it conducted concerning fraud at Countrywide.

Before the merger, Countrywide chief executive Angelo Mozilo and other company officials blamed market conditions for the wave of dicey loans and defaults that weighed down the lender's balance sheet.

"No one, including Mr. Mozilo, could have foreseen the unprecedented combination of events that led to the problems borrowers, lenders and investors face with many of these loans today," a Countrywide spokesman told *The New York Times* in 2007.

'Stay quiet'

iWatch News identified 18 former Countrywide employees who said they'd been retaliated against for trying to prevent fraud. The allegations date back as far as 2003 and as recently as 2008. They involve various Countrywide divisions operating in multiple regions, including Alabama, Arizona, California, Colorado and Texas.

Some of the former workers were non-supervisory employees who said they were fired for refusing orders to commit fraud.

Antonio Noyola claimed Countrywide fired him after he refused to falsify mortgage documents and complained that paperwork was being "routinely" doctored or backdated. Noyola, a licensed notary, said he was ordered in late 2006 and early 2007 to notarize documents "for dates that were incorrect, for persons that he did not in fact know, and to falsify his ledger accordingly," his lawsuit in Ventura County (Calif.) Superior Court charged.

When he refused, Noyola said, managers told him to "stay quiet" and transferred him so he would no longer have access to the falsified documentation, then terminated him.

Noyola and Countrywide settled the case before Countrywide formally responded to his allegations.

Others who claimed they were punished for whistleblowing were managers with broader access to information about the company's operations. Many of these managers claimed they were fired for trying to report fraud to higher-ups.

Hobart Curtis Sanders, who supervised more than 20 employees as the manager of a loan-sales branch in California, claimed Countrywide fired him in April 2004 for complaining about predatory lending tactics. These practices, he charged in a lawsuit in Los Angeles Superior Court, included "price gouging" and "contract knavery" — sneaking added costs and other provisions into loan contracts with the idea that, amid the small print and many pages of mortgage paperwork, borrowers would miss the add-ons.

Countrywide denied Sander's allegations. In a court filing, it asserted that Sanders had mishandled a sexual harassment complaint against one of his employees by failing to report the issue up the chain of command until his superiors had heard about it independently. He wasn't fired but instead left the company after he refused to accept a demotion or transfer, Countrywide said.

Sanders and Countrywide reached a confidential settlement in the case.

'Action plan'

Eisenman, the former Countrywide employee in Colorado, said she uncovered indications of fraud soon after the company hired her as a branch operations manager at its Bergen Park, Colo., location.

She started the $200,000-a-year job in June 2004. By October 2004, her lawsuit said, she suspected that managers in the branch and beyond were either taking part in or condoning illegal practices.

The practices, she said, included inflating applicants' incomes, misrepresenting whether customers were buying homes as residences or as investments and "securing multiple property appraisals when the original property appraisals failed to qualify the individual for a loan."

She claimed she also observed other bad business practices, including improper disposal of borrowers' confidential information and alcohol consumption inside the branch.

Eisenman said she forced an investigation by the company's fraud unit by reporting the illicit activities to a regional executive. After her allegations were substantiated, her suit said, a branch manager and several loan officers were fired or forced to resign.

Instead of rewarding her for exposing the fraud, Eisenman claimed, higher-level managers began laying a trap for her. She claimed one manager hired the wife of a personal friend and encouraged her to file "false reports" against Eisenman. The woman claimed that Eisenman had made disparaging remarks about the woman's husband, who also worked at Countrywide.

Soon after, in February 2005, a senior VP called her in for her counseling meeting and presented her with an "Action Plan" that included a 30-day "final" written warning.

Eisenman's suit said the plan was full of fabricated information, including a made-up statement that Eisenman had previously been reprimanded for engaging in intimidating behavior and making inappropriate comments to other employees.

While she was on leave for cancer surgery, her suit said, the company moved someone else into her position. She learned that she was being fired, the suit said, through a "COBRA" notice informing her that she was entitled to continue her health insurance until she found a new job.

The lawsuit was resolved in 2008, according to the clerk's office for Arapahoe County (Colo.) District Court. Bank of America didn't respond to a request for a response about Eisenman's allegations.

'Go home'

Diana Wingard, who worked as a manager across the country in Alabama, said her career arc at the lender, like Eisenman's, was brief and turbulent.

Wingard began working in November 2006 as a team manager at Countrywide's regional operations center in Montgomery, Ala. Her job was to oversee the processing and underwriting of loans streaming in from various branch offices that fed the regional center.

She discovered, she later said in a lawsuit, evidence that the lender was violating federal consumer laws and putting itself at risk of big fines and big hits to its balance sheet.

Wingard claimed Countrywide was inflating borrowers' incomes on loan applications, approving loans based on "unverifiable" borrower employment histories, and failing to provide borrowers with paperwork informing them of their right, under federal law, to change their minds within three days and cancel their loans.

Three incidents made it apparent, she claimed, that the fraud was being tolerated or encouraged by upper management:

- A worker at a branch in Auburn, Ala., complained to Wingard that her supervisor was forcing her to approve loans she believed were fraudulent, declaring that if she refused to go along she "could just get in her car and go home."

- When Wingard investigated a mortgage that appeared to be backed by an inflated appraisal and murky income documentation, her immediate boss, a regional vice president, forbade her from talking to the loan underwriter who had signed off on the deal.
- Later, in a meeting, her boss and a vice president of operations ordered her to discontinue her fraud audit and to stop advising employees to call the company's "fraud hotline" when they suspected wrongdoing.

On Jan. 2, 2007, soon after Wingard's meeting with the two executives, the company fired her, claiming she had falsified employee time cards, according to Wingard's lawsuit. Later, when Wingard tried to collect unemployment benefits, the company changed its story, telling the unemployment office that she had been terminated for "mishandling a group of loans," her suit said.

Wingard said both rationales were made up.

She filed a whistleblower claim with the U.S. Department of Labor under the 2002 Sarbanes-Oxley corporate reform law, then tried to move her case to U.S. District Court in Alabama. A judge dismissed the lawsuit, ruling Wingard had no right to go to court and bypass the administrative process within the Labor Department.

A spokesman for Bank of America didn't respond to questions about Wingard's claims.

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