UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

	)	
COUNTY OF COOK,	)	Case No. 1:14-cv-02280
Plaintiff,	)	
v.	)	
	)	
BANK OF AMERICA CORPORATION et al.,	)	
	)	
Defendants.	)	

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

COBB COUNTY, et al	)	
Plaintiffs,	)	Case No. 1:15-CV-04081-LMM
v.	)	
	)	
BANK OF AMERICA CORPORATION et al.,	)	
	)	
Defendants.	)	

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
(Southern Division)

MONTGOMERY COUNTY, et al	)	
Plaintiffs,	)	Civil Action No. PWG-18-93575
v.	)	
	)	
BANK OF AMERICA CORPORATION et al.,	)	
Defendants.	)	

Declaration of Michael G. Winston

Pursuant to 28 U.S.C.§ 1746, I hereby declare as follows:

1. My name is Michael G. Winston. I am more than 21 years of age and I am legally competent to execute this sworn declaration. I have personal knowledge of the matters set forth herein and make this declaration based on my knowledge and belief. I am providing this Supplemental Declaration in support of the above-captioned County government plaintiffs in

their Fair Housing Act lawsuits against Bank of America Corporation, Countrywide Financial Corporation, and their related entities and subsidiaries that are named defendants in those lawsuits.

2. I earned my Ph.D. from the University of Illinois and my master's degree from the University of Notre Dame. I completed higher learning programs for executive business at both Stanford University and the University of Pennsylvania's Wharton School. I held executive positions in multiple fortune 500 companies for over thirty years, including Motorola, Menill Lynch, McDonnell Douglas, and Lockheed Corporation. For example, from 1985-1988, I worked at McDonnell Douglas as a Senior Director. From 1987-1998, I worked at Motorola, Inc. as a Vice President and Director and from 1999-2003, I worked at Menill Lynch as Global Head and First Vice President.

3. In 2005, I joined Countrywide Financial Corporation as a Managing Director and Enterprise Chief Leadership Officer. I was brought on to help manage the company's rapid expansion and groom better managers so that Countrywide could become the "Goldman Sachs on the Pacific." I was told that my goal was to help transition Countrywide from a mortgage company to a broad-based fully integrated financial services firm.

4. In my position, I was responsible for organization integration, succession planning, performance leadership, leadership development, and strategic change management. Accordingly, I was privy to the innerworkings of the organization and involved in many meetings with the Countrywide's highest-level executives. I managed a large team which was responsible for penetrating the organization with this agenda down through middle management. I quickly rose to top of the organization and received excellent reviews by the Company's senior executives. As a consequence of my senior management position I saw firsthand how the

Company treated the executives in the organization and I gained extensive insight into various different operations of the organization and valuable insight into Countrywide's improper financial incentives to employees that caused the illegal and predatory lending and other misconduct alleged in the above-captioned matters.

5. Shortly after my arrival, Countrywide's rapid growth and lax governance practices began to concern me. For example, in November 2005, I spotted a car in the company parking lot with a vanity license plate reading "Fund'Em." The man near the car, apparently its owner, explained that this was a reference to Angelo Mozilo's 2006 growth strategy: to fund all loans, regardless of borrower employment, assets, or income. The man stated that loans would basically be given to anyone who could "fog a mirror." This concerned me greatly because such a reckless lending policy was not in line with my task of creating a high-quality financial organization. I went to speak with Andrew Gissinger *immediately* thereafter. He was President and Chief Operating Officer of Countrywide Home Loans. He introduced me to someone already in his office whom he said earned $10 M last year. He asked the fellow to come back later. As his visitor left the room, Drew whispered to me "two years ago this guy was delivering pizza for Domino's". We talked and I raised my concerns about what I had heard earlier. He directed his assistant to put me on his calendar at least once weekly for the next four or five months. We were to discuss my concern on several occasions between December 2005 and March 2006. Drew told me that Countrywide had long abandoned its underwriting standards in order to increase loan volumes.

6. During my tenure at Countrywide I spoke with other employees about this, including ene several mid-level employees who were concerned about Countrywide's further lowering of its already lowered underwriting standards. I also observed Countrywide's inappropriate pressure

on employees firsthand during my experience at Countrywide's Headquarters in California. People were constantly fighting over work and Countrywide had very little strategy or organization to accomplish its goals. During my stint at Motorola, Mort Topfer, who became President of the Communications Sector emailed his top staff that no re-organizations (Sector, Group, Division and Department) could be made without review and approval from my office. I had to sign off on all. Consequently, all reorganizations improved business performance because the design criteria supported key objectives. At Countrywide, organization changes were made indiscriminately with no forethought or correct criteria applied. It had the highest employee turnover of any company I have ever seen. Countrywide motivated employees through fear and incentives.

7. I have reviewed the Second Amended Complaint ("SAC") that Cook County filed in this Action. I understand that the allegations in the complaints filed by the other county government plaintiffs are nearly identical to the ones in the Cook County complaint. The paragraph number references below are to the Cook County complaint. My statements, however, would apply equally to the corresponding allegations in the other county government complaints.

8. Regarding the allegations in 4 of the SAC, it is my understanding and belief that increased foreclosures were the result of the Defendants' equity stripping schemes such as originating higher cost first lien home mortgage loans and second lien home equity mortgage loans and lines of credit, and servicing those loans in a manner designed to extract maximum revenue on the resulting defaults and foreclosures.

9. Based on my experience I can confirm the allegations in 5-6 of the SAC that Countrywide's entire subprime and higher cost mortgage lending, securitization and servicing operations were geared to exploit borrowers to maximize corporate profits and management's

compensation. This was accomplished through Countrywide's practices of originating and servicing predatory subprime and higher cost mortgage loans. Among other things, Countrywide encouraged unchecked or improper credit approval decisions for borrowers. Additionally, Countrywide steered borrowers into higher cost loan products increasing the likelihood of delinquency or default of such loans.

10. All of the allegations in 12-21 are true. Countrywide was predatory to an infinite degree, constantly pushing for more fees, more products, more pressure, and using relaxed underwriting standards and lax control. Countrywide's former Chief Fraud Investigator, Eileen Foster, once informed me that Countrywide's mortgage originators knew that many borrowers would not qualify for the loans they were seeking, so the mortgage originators would cut and paste new information into the loan documents to elevate income and assets. She explained to me that there was a running joke that the office supply item most needed in the mortgage originators office was "White-Out."

11. Countrywide's originators, underwriters and management knew that certain borrowers had a high probability of defaulting on loans and used shadow guidelines to approve loans to riskier borrowers that would normally not be approved under the Company's regular guidelines. The Company was motivated by salability of loans and not whether a borrower could repay them. Thus, Countrywide would originate exception loans as long as the risk could be passed off to investors – by selling the loans to them.

12. Regarding 104, Countrywide's "supermarket" strategy was widely known in the Company. The strategy was to match any product offered by competitors and ensure that every

possible borrower for a mortgage loan would receive a loan, regardless of their ability to repay that loan and regardless of their personal financial condition and credit worthiness. This was intended to increase Countrywide's volume of loan originations by market share and revenue. The primary criteria to issue a loan was whether Countrywide could find a buyer for the loan. The result was that the Company further loosened its underwriting guidelines to make sure anyone that applied for a loan – that could "fog a mirror" – received a loan. It was the embodiment of the Company's "Fund'Em" culture I reference above. Because the quality of these loans was so poor and the risk so high that borrowers could not repay them, the strategy inevitably led to very high rates of default among Countrywide loans.

13. During my tenure at Countrywide, I saw the allegations in 139 play out in real time. It was common practice for Countrywide to place their interests above their borrowers' interests by an order of magnitude. Countrywide engaged in nefarious behavior such as: steering borrowers into more costly loans, incorporating unreasonable terms, excessive fees, yield spread premiums to the loan broker, and pre-payment penalties into mortgage loans, and basing loan values on inflated or fraudulent appraisal values of properties. All of this was designed to increase the Company's revenue and profits and enrich its most senior executives. Accordingly, I have no doubt that Countrywide's predatory mortgage loan practices were intentional.

14. Based on my experience in organizational management at both Countrywide and Merrill Lynch, the allegations in 141-143, and 178, are accurate. Countrywide continuously pushed subprime loans even if the borrower could afford a prime loan. This was to drive both companies' business of pooling, securitizing and selling higher risk mortgage loans in mortgage backed securities to various investors, including public pension funds. The vertical integration of these companies enabled them to quickly originate, securitize and sell these loans very

efficiently, creating revenue every step of the way and control over the entire process. Countrywide had practical abilities to direct and control the activities of each and every subsidiary. Countrywide and Merrill Lynch made a lot of money on subprime and higher cost mortgage and servicing strategies, and the Companies routinely conspired together to generate a high volume of higher risk loans that could be profitably packaged as mortgage back securities. This willful conduct inevitably wreaked havoc on borrowers and the financial markets. I must note I did not observe or even hear of such practices at Merrill Lynch until the very end of my stint. I had lunch in the Executive dining room many times. A key executive asked for my advice and counsel several times about some organization changes after the Chairman retired. This executive's father was a Founder of Merrill Lynch. Merrill Lynch's full name is Merrill Lynch, Pierce, Fenner and Smith. My lunch partner was Winthrop Smith III, Chairman of Merrill Lynch International. He was upset by policies put in place by the new President which would no longer ensure the ML was honest and customer-focused. No longer would they adhere to their iron-clad principles. He was shaken that Merrill would often misrepresent facts to partners, clients or prospects. Those few lunches were the first time I had heard of any malfeasance at Merrill. The next week was 9/11 and the world changed. We worked at the World Financial Center caddy-comer to the World Trade Center and were not to return to WFC for many months.

15. Based on my experience, I can confirm the allegations in 186-187, and 190-195. Countrywide's conduct described in these paragraphs was designed to ensure that Countrywide could profit at every step of the mortgage loan origination, securitization and sale, and servicing processes on both a bulk loan sale and individual loan basis. This required the origination of as many higher cost mortgage loans as possible. Higher risk loans could be charged higher interest rates and fees and, the continued servicing of those loans after their sale, generated tremendous

loan servicing income to Countrywide. However, through the securitization and sale process, Defendants could pass the risk ofloss of bad loans to others and obtain back their capital to make more loans.

16. In my role helping to build the organization, I had a good understanding of the Company's compensation policies and how they fostered this conduct. Countrywide's loan originators' compensation was tied to the profitability of the loans the originated. Loans with less documentation were much more profitable. The more fees added to a loan, and the larger the loan amount, the more profitable the loan was. As a result, Countrywide often increased borrower loan amounts and fees immediately prior to closing. In short, Countrywide's discretionary pricing policies authorized and encouraged home mortgage loan originators to make larger, riskier loans (in terms of loan documentation and quality), work in additional add-on fees, and set higher fees at closing.

17. Next, I can attest both professionally and personally to the allegations in 217-218, 227, 236-243, 247, 253 relating to Countrywide's improper lowering and circumvention of underwriting standards. Countrywide virtually abandoned underwriting, only caring about the quantity of loans they were issuing not the quality of the loans they were providing to borrowers. In fact, Countrywide placed immense pressure on underwriters to approve all mortgage loans and even required underwriters to provide justifications for any rejections they made. It was common to overhear Countrywide employees bragging about their lowered underwriting standards and the poor quality of loans that they were issuing to borrowers. They referred to it as being like "putting lipstick on a pig." Similarly, Countrywide routinely approved exception loans, to the point it seemed that everything at Countrywide was an exception. Customers – i.e. borrowers - did not matter to Countrywide, only revenue and profit share mattered. Countrywide's exception

policy was designed so that all mortgage loans would be approved regardless of the borrower's ability to pay it back.

18. An example of poor-quality loans that were commonplace at Countrywide were the "low doc" or "no doc" loans. As part of my focus on building a quality organization, I was aware that the Company routinely failed to confirm that the information provided by applicants was accurate and failed to verify asset and income information as required. These loans were often referred to as "ninja" loans: no income no job no assets. It was known that inside the company that only 3-5% of loans were ever checked at Countrywide. Similar to the witnesses' accounts alleged in 281-284, in my experience Countrywide issued loans to borrowers that simply should not have been made. Indeed, Countrywide's loan originators were often known to get together and laugh about the poor quality of their loans.

19. Next, I can attest both professionally and personally to the allegations 218-220, 224-225, 254, 260-261, and 288-289, relating to Countrywide's inflation of appraisals of property values. Countrywide ignored low appraisals and fostered the fraudulent inflation of property appraisals. The Company engaged in this abuse of the appraisal process so they could increase the amount of the loans they were able to make to a particular borrower and approve, and thereby increase their revenue and profits on each such loan. This practice was widespread at the Company and it served to increase the Countrywide's revenues and profits.

20. Appraisers are supposed to perform assignments with impartiality and no interest in the outcome, and they are not supposed to perform as an advocate for any party. It was commonplace and well-known to the Company's mid and senior level management, however, that Countrywide employees encouraged the undisclosed inflation of appraisal values to support inflated loan amounts to borrowers. Many Countrywide loan officers had close relationships

with appraisers that allowed them to pressure appraisers to inflate appraisals in order to allow borrowers to take out the loans for which they applied. Accordingly, appraisers systematically abandoned applicable guidelines and overvalued properties in an effort to enable the issuance of mortgages to be transformed to mortgage-backed securitizations.

21. Countrywide's senior most management clearly knew that appraisers often fraudulently increased the values of the properties they appraised, instead of objectively appraising the true fair market value of the properties. It also was well known throughout the Company, including its senior management, that if an appraiser would not approve a property value inflated by over 5%, Countrywide would blacklist them. Thus, if an appraiser tried to be honest, they might never be able to find work again. Neither Countrywide nor Landsafe followed the rules. In fact, they continuously bragged about the rules they got around, often loudly and in public places. Bonuses of Angelo's expanded staff were tied to profits and not principles.

22. Countrywide retail mortgage loans were sent to outside fee appraisers or staff appraisers. These appraisers would generate whatever appraisal was necessary to close the deal. Countrywide claimed it would review all appraisals for quality control, but in reality the review mechanism was a sham intended to create the illusion of quality control and instead allowed an opportunity for the rewriting of appraisals to inflate value. This allowed Countrywide to market its review mechanism and mislead regulators into believing their loan assets were more secure than competitors' products. It also enabled Countrywide and Landsafe to exert control over the home valuation process which routinely led to inflated mortgages. This, in turn, led to increased foreclosures. I spoke with Steve Boland multiple times about this issue because it was yet another impediment to my job description of trying to build a quality financial institution.

23. Even in my personal affairs I experienced this same misconduct first-hand. After relocating to California to work for Countrywide in 2005, I purchased a home with a mortgage through Countrywide. I was talked into an adjustable-rate mortgage with aggressive resets. For most borrowers , the terms of the loan would have caused them to be unable to make their payments . While I was always able to make my payments, at times after the interest rate reset I struggled to be able to do so despite my six-figure income.

24. During my loan approval process the Company mandated that I use Landsafe to value my home. One of the primary factors in residential real estate valuations is a home's square footage. Based on similar homes and recent sales, and after applying various adjustments, an appraiser can provide a valuation based on the square footage of the home and the average price per square foot. I later found out that the square footage on my home was falsified, apparently causing a significantly inflated home appraisal of which I was not aware. Note that I have owned several homes but never before was exposed to appraisal fraud.

25. Countrywide employed many of the same tactics that are alleged against Bank of America and BAC Home Loans Servicing in 364-365 of the SAC. For example, Countrywide employees were instructed to lie to borrowers and claim that Countrywide had never received loan modification documents, despite Countrywide's systems showing it had received the documents.

26. I can personally attest to Countrywide's predatory servicing practices. Every time I tried to pay off my mortgage loan, Countrywide would invent new costs or tack on additional fees at the last second. This experience fit with Countrywide's goal to maximize revenue and profit in every possible way, and to do so in disregard of its customers' interests.

27. I tried multiple times during my tenure to bring Countrywide's malfeasance to light. As I mentioned above, I spoke to Andrew Gissinger, Countrywide Home Loan's then-Chief Operating Officer, who managed around 50,000 Countrywide employees. I tried to persuade him to change course, giving him examples of how to redirect the Company's polices toward loan quality and building a quality institution. Drew listened to my ideas, took numerous notes about my proposals, agreeing to several of my suggestions, and on at least one occasion conveyed those notes to Countrywide Financial Corporation's President and Chief Operating Officer, David Sambol. Shortly after that, David called me into a board room for a meeting, after which he asked me to accompany him to a meeting on Wall Street.

28. David asked me if I was a "team player" and he informed me that if I didn't lie to the ratings agency, Moody's, Countrywide could be shut down. We spoke for nearly 15 minutes and he informed me that I needed to "play ball" so that I could "get to the promised land" at the Company. I refused to lie to Moody's for the Company.

29. Shortly after this meeting I was headed to Angelo Mozilo's office, Countrywide Financial Corp's Board Chairman and Chief Executive Officer. Sandor Samuels, the Company's Chief Legal Officer called me into his office. Sandor asked me how much it would cost for me to just "walk away" from Countrywide and "forget about what I had seen." After that, I became a whistleblower and called the Securities and Exchange Commission at least 17 times, leaving voicemails each time. I eventually spoke to John McCoy at the SEC about these issues.

30. I do not have any personal knowledge of targeting or discrimination against minorities in the mortgage loan origination and servicing processes, and I did not have access to the Company's mortgage loan origination and servicing data. Even if I did, I would not have known

how to determine whether discrimination occurred in either the origination or servicing processes. That is not my area. However, the discriminatory conduct alleged in the SAC does not surprise me based on Countrywide's corporate culture and lack of ethics.

31. I also am personally aware of Countrywide's discriminatory treatment of African American employees within the organization. I know this from two African American executives whom I spoke with in connection with my goal of improving the organization. Countrywide attempted to alleviate the situation by promoting one of them, but the other executive left the Company. In late 2005, I explained to Drew Gissinger that I was concerned about the lack of African American executives and asked what Affirmative Action guidelines Countrywide was abiding by. Drew told me that it was "not something for us to consider." I explained that Affirmative Action was the law and that we needed to abide by it. Incredibly, Drew stated "it was not the law for Countrywide."

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge and belief.

Dated: October 25, 2020

Michael G. Winston

Michael G. Winston