

# BANK OF AMERICA BUYS A BIG CHUNK OF THE SHITPILE

There are several things that concern me about the news that Bank of America has agreed to buy a big chunk of the shitpile. First, there's this bit, which sounds to my non-expert ears like it could become a real problem.

By purchasing Countrywide, Bank of America would combine its 5,800 branches with the mortgage lender's coast-to-coast network, helping Mr. Lewis achieve his goal of becoming the biggest player in every major consumer finance category.

Bank of America would brush up against a federal cap that prevents a bank holding company from controlling more than 10 percent of the nation's deposits. Because Countrywide Bank is a federally insured savings and loan, the rule does not apply.

Seeking to ease any regulatory concerns, representatives for the companies were in Washington on Thursday to brief regulators.

Given the financial situation of this country, I'm not sure it's a good idea for anyone to hold 10% of the nation's deposits. Now match that detail with this speculation from Herb Greenburg, via Calculated Risk.

We'll know it soon enough, but with the leak that **Bank of America** is near acquiring **Countrywide**, several things would appear apparent (at least while we're playing the guessing game):

1. The Fed is behind the deal.
2. The Fed is behind the deal because

the rumors yesterday of a near bankruptcy were probably true.

3. As part of the deal, the government likely agrees to guarantee BofA against Countrywide-related losses.

4. Lost in the in the noise yesterday was that **Moody's** downgraded the ratings on 30 (count 'em – THIRTY!) tranches of Countrywide's mortgage debt by more than a few notches. They did something similar before American Home Mortgage filed for bankruptcy.

[snip]

8. BofA gets a free bank and a put to the government.

By Bank of **America**, do they mean that America owns the risk but the Bank owns the upside?

And, as always seems to happen with these things, the guy who built the shitpile floats away in a golden parachute.

Mr. Mozilo is expected to remain as chief executive of Countrywide until the deal closes, probably in the third quarter, people briefed on the transaction said. After that, he would serve on a transition team and would remain with the combined company on an interim basis.

He could be entitled to an exit package of roughly \$72 million. That would be on top of the \$410 million in pay, including \$285 million in option gains, that Mr. Mozilo has taken home since he became Countrywide's chief executive in 1999.

I really wish the Federal Government would instead help out people who are in foreclosure—like the people who owned the two houses on my street that foreclosed and brought

the value of my own house down by 20%—rather  
then prop up an apparently rickety structure  
while those who built that structure get rich in  
the process.