

ANGELO MOZILO WILL NOT BE CHARGED

In news that will not surprise you in the least—but will put you off your breakfast—Countrywide CEO Angelo Mozilo will not be charged.

Federal prosecutors have shelved a criminal investigation of Angelo R. Mozilo after determining that his actions in the mortgage meltdown — which led to \$67.5-million settlement against him — did not amount to criminal wrongdoing.

Perhaps the most insightful comment in LAT's coverage of Mozilo's escape of any liability is this:

Columbia University law professor John Coffee said mortgage cases like Mozilo's were muddled by the numerous parties involved, unlike Enron and other "cook the books" cases in which executives were convicted.

Countrywide's model was to make or buy mortgages only to sell them off immediately to Fannie Mae or Wall Street as fodder for securities.

Given that model, Coffee said, blame could be assigned to an entire chain of players: mortgage brokers who falsified applications; investment bankers who concocted complex and "opaque" mortgage bonds; rating firms that provided high ratings on the bonds but said they were lied to; and institutional investors that relied on dubious ratings because the securities carried above-market interest while promising to be risk-free.

"All share responsibility, but none are

culpable enough by themselves to compare with [Enron's] Ken Lay, Jeff Skilling or the WorldCom CEO," Coffee said.

I guess we could write a new corollary to the line, "If you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem." If you commit massive amounts of fraud by yourself, even George Bush's DOJ will indict you; but if everyone in an industry conspires to commit the same kind of fraud, Barack Obama's DOJ won't charge anyone.