Written Testimony of Harley Snyder

Before the Committee on Oversight and Government Reform

March 7, 2008

Chairman Waxman, Ranking Member Davis, and Members of the Committee. My name is Harley Snyder and I am a businessman from Valparaiso, Indiana. Many years ago, when I returned from active duty in the United States Army in 1954, I joined my father's small real estate company. After a few years, I assumed the running of that company. That company grew to become four real estate oriented companies with approximately 250 employees. I am also active in a number of other businesses and organizations in Indiana. I am a director of the National Association of Realtors and served as President of the Association in 1983. I have been a member of the Board of both Countrywide Bank and Countrywide Financial Corporation and I currently serve as the lead director and chair the Board's Compensation Committee.

The Committee has asked me to discuss the compensation and severance provisions of the employment contract of Countrywide's CEO, Angelo

Mozilo. I am happy to do so. Before I do so, however, let me first reinforce from a Board perspective the comments made today by our CEO. The Countrywide Board understands that a significant number of borrowers across the country are finding it increasingly difficult to keep their homes in the current economic environment. Countrywide is committed to being a leader in the effort to help as many of those borrowers as possible keep their homes. The Board is fully supportive of the steps taken by company management to significantly increase our own efforts to help and to work with community groups, government and others in our industry to assist homeowners.

To give you some history and perspective, I will start with a short term, ten-month contract extension that the Board negotiated with Mr. Mozilo in 2004. During 2004, Mr. Mozilo had an employment agreement that was set to expire in February 2006. The reason the contract expired at the end of February was that the Company's fiscal year end was previously the last day of February. After the Company changed its year end, the Compensation Committee, of which I was a member at the time, though not the Chair, thought that it made sense to have the expiration date for the contract changed as well. As such, the Board asked Mr. Mozilo to postpone his anticipated retirement from full-time CEO duties for approximately ten months. Given our objectives and the short term duration of the extension, we reached the conclusion that the most practical and appropriate business approach was to simply extend Mr. Mozilo's contract on the same underlying economic terms as his existing contract. These terms included an incentive bonus program that was tied to the Earnings per Share performance of the Company. This EPS bonus program structure had been specifically approved on at least two separate occasions by the company's shareholders. The Compensation Committee was advised by the Pearl Meyer consulting firm during these negotiations. On the specific question of extending his contract at the existing economic terms, we further sought and received an opinion from the executive compensation consulting firm of Hewitt Associates. Mr. Mozilo was separately represented in these negotiations by his personal attorney.

As I mentioned earlier, when the contract extension was signed, we expected Mr. Mozilo would retire from the CEO position in December, 2006. It turned out that during that year, the individual we thought would succeed Mr. Mozilo as CEO had left the company. As a result, it was the Board's judgment that retaining Mr. Mozilo as CEO for an additional three-year term was in the best interests of the company and the shareholders, and would allow for an orderly transition to a new successor. We once again asked Mr. Mozilo to postpone his retirement

As with many companies, the Board's compensation philosophy had continually evolved to reflect changes in compensation practices and norms. During the 2006 negotiations, one of our objectives was to examine the structure of Mr. Mozilo's compensation package and make any necessary adjustments in his new contract. The Compensation Committee was advised, with respect to both the overall compensation philosophy and the specifics of Mr. Mozilo's new contract, by Mr. Ross Zimmerman, an executive compensation consultant who was a partner at Hewitt Associates and then at ExeQuity. Mr. Zimmerman was an independent consultant who reported to, and worked exclusively for, Countrywide's Compensation Committee. During these negotiations Mr. Mozilo was separately advised by his personal attorney and also worked with Towers Perrin, an executive compensation consulting firm hired by Countrywide's management, to assist in the alignment with the company's benefit plan and his evaluation of the proposal. The roles of both ExeQuity and Towers Perrin were disclosed to our shareholders.

After reviewing the contract with Mr. Zimmerman, we made some important changes. These changes included a significant reduction in the guaranteed portion of Mr. Mozilo's cash compensation by reducing his base salary from nearly $2.9 million to $1.9 million. Mr. Mozilo's new contract also included provisions that would require that certain return on equity and net income targets be met before Mr. Mozilo would be eligible to receive an annual bonus. A maximum cap was added to the bonus payout. Other important changes were made to the equity-based awards. A portion of the annual equity-based award was made in restricted stock units instead of stock options. These restricted stock units contained new performance based requirements that provided that the stock units would not vest unless the Company achieved a return on equity for the year of 12% or greater. The balance of his equity-based award was paid in stock appreciation rights which, by design, have a built in performance component as they have no value unless the Company's stock price increases.

As with the earlier contract, we believed that this aligned Mr. Mozilo's interests with that of the shareholders. I would point out that our bonus formulations which had produced bonuses to Mr. Mozilo for the years the company was highly profitable resulted in no bonus for 2007. That was the only time in the last 30 years in which the company suffered an annual loss.

Historically, the contract negotiations between Mr. Mozilo and the Compensation Committee took place against the backdrop of significant and sustained achievement by the Company and a broad recognition throughout the business community that Angelo Mozilo's tenure as CEO had been a remarkable success. This was reported in the general business press such as in Barron's which hailed Mr. Mozilo as one of the "World's Best CEOs" and Fortune which headlined an article on the company, "Meet the 23,000% stock." This was also recognized in the banking and mortgage communities which honored Angelo with the American Banker's Lifetime Achievement Award.

Recently Mr. Mozilo made the independent decision to voluntary forego severance payments that he would have been entitled to receive under his contract in the event the Bank of America transaction closes. That was his decision, and the Board simply entered into an agreement with Mr. Mozilo to implement his decision.

I am happy to respond to any questions you may have.