

A conversation with...

Angelo Mozilo, Vice Chairman and CEO of Countrywide Credit Industries Inc.

Charles J. McPeak

Professor McPeak recently met with Angelo Mozilo and discussed the innovative approaches that have been used to make Countrywide the largest independent mortgage banking company in the U.S.

Mozilo is Vice Chairman and CEO of Countrywide Credit Industries Inc. He co-founded Countrywide in 1969 and, under his guidance, it has become the unchallenged leader among independent mortgage banking firms. The company is listed on the New York Stock Exchange and employs 12,000 personnel.

GBR: Is the success of Countrywide, in part, due to the innovative approach to home financing?

AM: Yes. In particular the unique way in which we have developed our delivery system. We have a very innovative retail branch system that enables us to expand virtually at will.

GBR: You have said that Countrywide did not become a leader by focusing on the bottom line. Can you tell us more about this innovative approach?

AM: We have continually focused on three basic principles:

1. Obsession with technology to lower the cost of home financing and for efficiencies.
2. Lower the barriers of entry for homeowners.
3. Educate potential buyers to their rights and opportunities.

If you look at companies that are over one hundred years old, you will find that they have one thing in common; their primary focus is not the bottom line. They are dedicated to making a difference in people's lives. It is very clear to me that a company will have a very short shelf life if it is focused solely on the bottom line. There is a long history of companies where the innovators, or the entrepreneurs, leave the company and new management enters the picture and immediately sets out to improve the bottom line. They will cut costs, cut personnel and cut quality. The most recent example is Al Dunlap who was known as "Chainsaw Al" at Sunbeam. For a short period of time the stock price improved; but now the shareholders are left with a very depressed company. My objective is to make certain that Countrywide is "built to last."

GBR: For decades it has been the mantra of most managers to say, "If it is not broken, don't fix it." Your approach has been, "Break things that are not broken." Are you concerned about the risks in this highly innovative approach?

AM: No. It is part of the culture at Countywide for people to come in here every single day and look at what they are doing and determine how it can be done better. Forget about tradition. Forget about established policies. Did anything happen in the last twenty-four hours that will enable us to do it better? If so, go ahead and do it. Is there a risk in this? Yes, but the risk is much greater if we allow change to be our master, rather than be the master of change.

AM: Let me give you an example. Generally speaking, low-income minority borrowers have a statistically higher rate of delinquency than low income white borrowers, however, to accept this as a given would be misguided. What we have found is that sophisticated borrowers will not hesitate to contact us when they have a problem, while less sophisticated borrowers are reluctant to do so. We must therefore reach out to the less-sophisticated segment of borrowers and actively attempt to assist them through their problem. On the surface nothing seemed to be broken, but when we dig into the pattern of delinquencies, we can readily see that something had to be fixed.

GBR: Have you been successful in getting people in your organization to be comfortable with another of your innovative approaches: “Focus not on your accomplishments but on what you have not accomplished?”

AM: It is difficult because people like to spend time on that which is in their comfort zone rather than to take on the risk of failure. I constantly encourage people to focus on what they have not accomplished. The way I attempt to address this is to put someone in charge to own the new project and to plant the seed. That person will probably not continue to water it and put fertilizer on it, but the seed will be planted and it has to be cared for. It is easier for me to get new things done that way than to try to alter someone’s behavior. The methodologies that I use are not things that I read in a book but rather are lessons that I have learned through trial and error. They work here; I don’t know if they will work somewhere else.

GBR: Do you see any particular changes in the next few years that will demand a new and more creative approach in your industry or in business in general?

AM: In our industry there are two very formidable entities that have a less than clearly defined role in the mortgage business. I am speaking of Fannie Mae and Freddie Mac. These are government-sponsored enterprises, but they operate more like traditional publicly-held companies that are trying to get closer and closer to the consumer by going around the traditional lending process. This is both troublesome and presents a formidable challenge. The question is how do we respond to this challenge short and long term; and how do we do it in such a way that we do not miscalculate -- that we do not damage a relationship with a very important business partner. They are of extraordinary importance to us and to housing in general. How do we orchestrate this very delicate ballet so that their strategy is compatible with our strategy?

GBR: If you could build this company all over again, is there anything that you would do differently?

AM: I can't think of anything I would do differently except to start out with a lot more capital. Obviously I did not plan that I would start out in the mailroom, be a messenger boy, and do all of the jobs necessary to learn our business. Knowing the details of the business, however, is a great source of strength for me, particularly because my colleagues know that I have been there and done that.

GBR: Are there any significant lessons that you learned in your career that you would like to pass on to our students. It sounds like one of them is, "Go through that process."

AM: That is one of them. Another is: If you are going to follow, make sure that you pick the very best leader that you can find...an individual with integrity, an individual who treats people with dignity. It is likewise important that you treat people with dignity and that you surround yourself with people who are the absolute best. I try to hire only people who I believe are smarter than I am. If both leaders and followers always attempt to be the best that they can be, then the organization will have a secure future

One of the few regrets I have is that I did not finish business school. I have all kinds of excuses, but the fact of the matter is that I did not finish. I am convinced that it would have dramatically shortened the time that it has taken for me to build this company. I am impressed with the type of education that is being provided by the Graziadio School of Business and Management. It is critical that these students take advantage of every learning opportunity that the School offers to them.

GBR: What do you see as the most significant changes in the business world as we enter the next millennium?

AM: I see the major issue as a sociological one. We are faced with perceived differences in opportunity that are culturally-based. We will need to develop more understanding of the needs of all people in our society. In our own small way, we at Countrywide are doing that. Everyone is treated the same. Everyone has the same opportunity to finance a home. Everyone is treated equally. Everyone gets the same respect, attention, and quality of service.

GBR: What advice would you offer to those students who aspire to a career in Finance?

AM: I would make at least three suggestions for young people who want to enter the financial services industry, whether it be investment banking, mortgage banking, merchant banking, or commercial banking. First, take courses that are relevant. Take courses in finance, economics, and accounting. It is extremely important that they understand the basics of a balance sheet and income statement as well as the basic accounting rules. The second thing they should do is attempt to intern with a company that is in their area of interest. Thirdly, they need to have fire in their belly, a real desire to make a difference.

GBR: Our evening MBA program is predominantly populated by mid-career professionals. Many seek guidance for making a career change. Do you have any advice for them?

AM: To make a career change into an entrepreneurial venture is relatively easy because you are taking all of the risk. The advice I would offer is to limit the number of mistakes they make. To make a career change to go work for a company is much more difficult. Most companies are looking for people with experience in their particular field. The exception is a company that is growing very rapidly and has a limited amount of intellectual resources and expertise that it can tap. Countrywide is that type of company. In the entire country there are probably 250,000 people who have some understanding of what mortgage banking is about. That leaves about 280,000,000 people who have not a clue of what mortgage banking encompasses. Because we are growing so rapidly, because there are very limited resources to tap, and because we have such a unique operation that few people in the industry understand, we provide opportunities for people who are bright, well-educated, have fire in their bellies, and have some semblance of a financial education. We can train these people, particularly those with an intense desire for success. As a result, most of our people come from outside our industry. In fact, you will find that not one of our twenty managing directors came from the mortgage banking industry.