

Angelo Mozilo/Managing  
Directors/CF/CCI  
04/17/2006 08:14:43 PM

To Dave Sambol/Managing Directors/CF/CCI  
cc stan kurland;john mcmurray;kevin bartlett  
bcc

Subject Re: Sub-prime seconds

There was a time when Savings and Loans ere doing things because their competitors were doing it. They all went broke. We should not be involved in programs or products simply because our competitors have them: we should only conduct activities that are in the best interest of our Company and it's shareolders. *Dave Sambol/Managing Directors/CF/CCI* wrote:

Date: 04/17/2006 06:45:47 PM  
From: Dave Sambol/Managing Directors/CF/CCI  
To: Angelo Mozilo/Managing Directors/CF/CCI@COUNTRYWIDE  
cc: "Stan Kurland" <stan\_kurland@countrywide.com>, "John McMurray" <john\_mcmurray@countrywide.com>, Kevin Bartlett  
Subject: Re: Sub-prime seconds

I have also requested the analysis you reference and Bartlett and Mcmurry are in the process of putting it together for us. Like yourself, I would not support or approve of any activity that it is not supportable or advisable from a financial and reputational standpoint to the Company. I do however believe that we should defer arriving at conclusions as to whether and when it might be advisable to pull back our guidelines on this product untill we analyze the underlying facts here and the impact on the Company of our various options. What I do know at this point ( based on what has been conveyed to me by our product people) is that our current guidlines for this product are not more aggressive than those offered in the general market, and these loans are pervasively offered in the marketplace by virtually every relevant competitor of ours. I have asked Kevin to verify and update this competetive analysis as well. From: Angelo MoziloSent: 04/17/2006 05:55 PMTo: Dave SambolCc: Stan Kurland; John McMurraySubject: Sub-prime secondsI have asked Stan to conduct a thorough review of our sub-prime second business. I have asked him to look at the following:1. On a cumulative basis have we made any money in this business and if we did, were the rewards related to both the financial and reputational risks that we have taken.2. On a going forward basis what are we facing relative to margins, reserves and overall financial performance of this business.3. Where were the breakdowns in our system that caused the HSBC debacle including the creation of the contract all the way through the massive disregard for guidelines set forth by both the contract and corporate.4. To review the compensation to the sales force in light of the overwhelmig hits taken by the Company on this product.In all of my years in the business I have never seen a more toxic product. It's not only subordinated to the first but the first is sub-prime. In addition the fico's are below 600, below 500 and some below 400 compounded by the fact these are 100% loans which must always be written off in the event of foreclosure.. With real estate values coming down and interest rates rising this product will become increasingly worse. There has to be major changes in the program including substantial increases in the minimum fico. No margin, no matter how high, could ever cover the inevitable losses on loans with ficos uner 600. Whether you consider this business milk or not I am prepared to go without milk irrespective of the consequences to our production. Our financial and reputational integrity is too important to me and should be to all of us..Please feel free to participate with Stan on his efforts to get to the truth on this matter.