

**Angelo Mozilo/Managing
Directors/CF/CCI**
08/11/2006 03:54:11 PM

To john mcmurray
cc dave sambol;kevin bartlett;eric sieracki
bcc

Subject Pay Options

Members of the CFC Board are raising questions about how we intend to manage the issues surrounding our pay option loans in the Bank and in our Servicing Port as well as new originations. As a result of these and other inquiries relative to this product I want you to prepare a memo, under my name, to the Board, covering the following: 1. The steps we are taking in informing pay option Bank customers of the potential consequences of the reset and encouraging them to either refi out of the product or make principal curtailments to reduce or eliminate neg am. I had instructed both Steve Bailey and Carlos to send these notices out with the monthly coupons to continuously remind all of our pay option customers of the consequences of their behavior. Please check this out to make certain that my mandate in this regard is being carried out. 2. That we have a policy in effect to provide a clear and bold notice upon the origination of a payoption loan of the consequences of negative amort and reset. Again I instructed Sambol to put this in effect in CMD and on third party transactions that a notice with the first payment coupon contain the issues surrounding negative amort. and reset. Please make certain that this mandate is being executed. 3. That you prepare a write up included in this notice to the Board incorporating everything that you, Carlos and Kevin are doing to mitigate the potential risks to the Bank and to our reputation relative to surrounding our credit risk. I would like you to get this done by the middle of next week so that I will have a working document to discuss with the Board. Please send a copy of this e-mail to Carlos Garcia because we have another Carlos Garcia in the Company and CWinsider cannot distinguish whose who and therefore I cannot send it to him directly. Let me know if you have any questions relative to this request.