

**Angelo Mozilo/Managing
Directors/CF/CCI**
08/13/2006 01:30:31 PM

To John McMurray/Managing Directors/CF/CCI
cc
bcc

Subject Re: Pay Options

Please get the memo to me as soon as you can covering those specific areas noted in my e-mail to you. It's important that the CFC Board be brought up to date on these matters in a timely manner.

John McMurray/Managing
Directors/CF/CCI
08/13/2006 11:21 AM

To Angelo Mozilo/Managing Directors/CF/CCI
cc Kevin Bartlett/Managing Directors/CF/CCI, Carlos
Garcia/Managing Directors/CF/CCI, Dave
Sambol/Managing Directors/CF/CCI
bcc
Subject Re: Pay Options

I won't send anything out until you've seen the draft and have a chance to provide additional input. In the most recent meeting we had with the OTS, Finn did share one concern with respect to Option ARMS in the current market: the difference between the minimum pay rates and the the accrual rate is larger now than it's ever been historically. Nevertheless, based on my meetings with the FRB and OTS, the OTS appears to be both more familiar and more comfortable with Option ARMs.

Angelo Mozilo/Managing Directors/CF/CCI wrote:

Date: 08/12/2006 03:09:22 PM
From: Angelo Mozilo/Managing Directors/CF/CCI
To:
cc: dave sambol, Carlos Garcia/Managing Directors/CF/CCI
Subject: Re: Pay Options

Let me see the memo to the Board before you send it out.

It appears that the Fed is now troubled by pay options while the OTS is not. Since pay options are a major component of both our volumes and profitability the Fed may force us into a decision faster than we would like.

----- Original Message -----

From: John McMurray

Sent: 08/12/2006 09:15 AM

To: Angelo Mozilo

Cc: Dave Sambol; Kevin Bartlett; Eric Sieracki; Carlos Garcia

Subject: Re: Pay Options

I'll put together a draft memo for your review. We had a meeting with FRB Governor Bies yesterday where she raised questions about affordability products (interest-only and Option ARMs). With Governor Olson's recent departure to the SEC, Bies has now picked up additional responsibility for consumer issues. In response to her questions, we: (1) shared some of our reporting for PayOption loans; (2) discussed our changes in servicing Pay Option loans, including statement enhancements and customized letters; and (3) described our new Pay Option brochure which includes additional warnings and an understanding your risks section. The servicing changes apply to all Pay Option borrowers, not just Bank loans. The Pay Option brochure will go out with the opening package for Pay Option loans.

At the conclusion of our presentation on reduced servicing, Governor Bies asked us to contact James Lockhart (new director of OFHEO) to make our case directly with OFHEO. Bies said she will call Lockhart to encourage him to meet with Countrywide on this issue.

Angelo Mozilo/Managing Directors/CF/CCI wrote:

Date: 08/11/2006 03:54:11 PM
From: Angelo Mozilo/Managing Directors/CF/CCI
To: john mcmurray
cc: dave sambol, kevin bartlett, eric sieracki
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.