Angelo Mozilo/Managing Directors/CF/CCI
08/01/2007 11:07:10 AM

To dave Sambol/Managing Directors/CF/CCI
cc
bcc
Subject Fw: Fw:

This is part of a series of discussions I have been having with Lyle Gramley, a former Director of ours and a former Fed Governor.
----- Forwarded by Angelo Mozilo/Managing Directors/CF/CCI on 08/01/2007 11:05 AM -----

"Lyle E Gramley" <lgramley@verizon.net>
08/01/2007 10:46 AM

To <Angelo_Mozilo@countrywide.com>
cc
bcc
Subject Re: Fw:

Angelo:
The reason the Fed may not be fully aware is that conditions in the mortgage market have been deteriorating very rapidly in the past couple of weeks. Since they have a policy meeting next Tuesday, the more they know, the better. Don't blame Bernanke for what Greenspan and Bill Poole said--it isn't his fault. What he needs to know is that what is happening in the mortgage market could seriously affect the economy in a negative way.
By the way, I have told my clients that I think the Fed will go to a neutral directive next week--giving equal weight to su par growth and inflation.

----- Original Message -----
From: Angelo_Mozilo@countrywide.com
To: lgramley@verizon.net
Cc: michael.perry@indymacbank.com
Sent: Wednesday, August 01, 2007 1:27 PM
Subject: Re: Fw:

I appreciate your concern and it is well founded. It is stunning to me that the Fed is not "completely" aware of the consequences of their actions and inactions. I am sure that you recall that about two years ago Greenspan, at a Congressional hearing, commented that he would advise homebuyers to take out variable rate loans rather than the traditional 30 year fixed rate product. He subsequently proceeded to increase the fed funds rate 17 consecutive times which has triggered the major concerns relative to the resets of the substantial number of hybrid loans currently outstanding. I strongly believe that the primary means of avoiding a serious depression in real estate causing increased foreclosures and a complete collapse of the secondary markets is for the Fed to show more concerns about the impact of current events on the American people rather than a myopic focus on inflation.

Fear in the credit markets is now tending towards panic. There is little to no liquidity in the mortgage market with the exception of Fannie and Freddie and they are being constrained by OFEO. Any mortgage product that is not deemed to be conforming either cannot be sold into the secondary markets or are subject to egregious discounts. I look forward to the Fed contacting me.

"Lyle E Gramley" <lgramley@verizon.net>
08/01/2007 08:56 AM

To "Mozilo, Angelo" <angelo_mozilo@countrywide.com>
cc
bcc
Subject Fw:

----- Original Message -----
From: Lyle E Gramley
To: Perry, Michael ; Mozilo, Angelo
Sent: Wednesday, August 01, 2007 10:58 AM

Angelo and Mike:
I am sufficiently concerned about what is going on in the mortgage market, and what it means for the economy, that I called Chairman Bernanke's office today and suggested that he or someone at the Fed give each of you a call and get a briefing on the current state of affairs. My hunch is that the Fed is not fully aware of the deterioration underway, and would greatly benefit from your guidance. Thanks.
Lyle