

**Angelo Mozilo/Managing
Directors/CF/CCI**

08/24/2007 12:46:21 PM

To dave Sambol/Managing Directors/CF/CCI
cc eric Sieracki/Managing Directors/CF/CCI;kevin
Bartlett/Managing Directors/CF/CCI

bcc

Subject Ceasing programs that are problematic for the Bank
and/or are at high risk.

1. I want you to take the necessary steps to wind down the builder program as soon as humanly possible. This is a business neither the Bank or the mortgage bank should be engage in during this crisis or at any time. I realize that we have some term commitments to builders and we will honor them as long as they perform however I don't want any new business under any circumstances because we would be digging a greater hole for the Company.

2. I want to cease doing any subprime business that is not saleable or that cannot be securitized by Fannie and/or Freddie.

Our balance sheet, liquidity and capital are under stress and therefore it is not prudent to take any further risk of originating assets which cannot be sold easily into the secondary market or would in any way cause regulators concern at the Bank level.

Therefore as you go through the exercise of downsizing please keep these initiatives in mind.

On another matter, I had a conversation with Russell Ried, the CIO at Calpers, and I included Kevin and Eric on the call. Calpers has an interest in buying existing and new production jumbos, AAA and potentially an equity infusion of some kind. Both Eric and Kevin will be contacting their counterparts at Calpers to continue the discussions. Calpers want to come out shortly to do a one day due diligence on our underwriting practices, which should be no problem, and then come back to us with their proposal. This could be a major breakthrough for us. Please stay close to Kevin and Eric so that you can coordinate the activities in the event that Calpers chooses to take a serious interest in us. Let me know if you have any questions.