



Home Loans

Product Strategy

Strategy and Business Initiatives Update

Permanent Subcommittee on Investigations

EXHIBIT #60a

2007 Product Strategy

Product strategy designed to drive profitability and growth

- Driving growth in higher margin products (Option ARM, Alt A, Home Equity, Subprime)
- Recognize and address competitive threats
- Modify and develop new products to increase profitability and competitiveness
- Recruit and leverage seasoned Option ARM sales force, refresh existing training including top performer peer guidance
- Maintain a compensation structure that supports the high margin product strategy

Market Share

Option ARM market share 16% in 2006; ranked #2; Q4 WaMu gained market share, Countrywide lost share

Option ARM

(\$ in billions)	1Q06	2Q06	3Q06	4Q06	FY05	FY06
WaMu	\$8.8 ¹	\$11.3 ²	\$11.6	\$9.5	\$63.3	\$41.2
qtr-qtr change	-25%	28%	3%	-19%		
change from peak				-52%		
market share	14.4%	14.6%	16.6%	20.1%	20.4%	16.2%
Countrywide	\$19.6	\$19.6	\$14.8	\$9.9	\$93.3	\$63.9
qtr-qtr change	-20%	0%	-24%	-33%		
change from peak				-66%		
market share	33.2%	25.7%	29.5%	20.8%	30.1%	25.1%
Wachovia	\$10.9	\$11.0	\$9.1	\$8.8	\$47.0	\$39.8
qtr-qtr change	-16%	1%	-17%	-3%		
change from peak				-35%		
market share	18.6%	14.3%	13.0%	18.6%	15.2%	15.6%

CFC - #1
 WaMu - #2
 GDW - #3
 EMC - #4
 NDE - #5

Alt A

(\$ in billions)	1Q06	2Q06	3Q06	4Q06	FY05	FY06
WaMu	\$5.1	\$6.7	\$7.3	\$6.2	\$12.9	\$25.2
qtr-qtr change	-7%	30%	9%	-15%		
change from peak				-15%		
market share*	5.4%	5.3%	8.0%	6.2%	3.3%	6.3%
Countrywide	\$14.0	\$19.0	\$15.0	\$20.0	\$63.0	\$68.0
qtr-qtr change	-18%	36%	-21%	33%		
change from peak				-19%		
market share	14.7%	15.2%	16.5%	20.0%	16.2%	17.0%
IndyMac	\$15.5	\$15.1	\$19.1	\$20.5	\$43.7	\$70.1
qtr-qtr change	21%	-2%	27%	7%		
change from peak				0%		
market share	16.3%	12.1%	21.0%	20.5%	11.2%	17.5%

Home Equity

(\$ in billions)	1Q06	2Q06	3Q06	FY06
WaMu	\$7.4	\$8.6	\$8.8	\$39.9
qtr-qtr change	-19%	16%	2%	
change from peak				-21%
market share	6.7%	7.5%	7.0%	9.2%
Countrywide	\$12.3	\$12.3	\$11.7	\$42.7
qtr-qtr change	9%	-1%	-4%	
change from peak				-4%
market share	10.2%	11.3%	9.7%	9.8%
Bank of America	\$18.5	\$21.1	\$20.5	\$68.7
qtr-qtr change	-6%	14%	-3%	
change from peak				-3%
market share	18.6%	14.3%	16.9%	15.8%

Subprime

(\$ in billions)	1Q06	2Q06	3Q06	4Q06	FY05	FY06
WaMu	\$6.4	\$7.3	\$7.8	\$5.1	\$36.2	\$26.6
qtr-qtr change	-35%	13%	7%	-30%		
change from peak				-48%		
market share	4.1%	4.1%	4.5%	3.5%	5.8%	4.2%
Countrywide	\$9.2	\$11.2	\$10.1	\$10.1	\$44.6	\$40.6
qtr-qtr change	-24%	22%	-10%	-1%		
change from peak				-18%		
market share	5.9%	6.3%	5.8%	6.9%	7.1%	6.3%
New Century	\$11.5	\$14.1	\$13.8	\$12.2	\$52.7	\$51.6
qtr-qtr change	-13%	23%	-2%	-12%		
change from peak				-23%		
market share	7.4%	8.1%	7.8%	8.4%	8.4%	8.1%

Wachovia Overview

With the acquisition of Golden West, Wachovia experiencing growing pains in becoming a large financial institution

- Wachovia acquired Golden West in 2006
- Originations totaled \$110 million during the fourth quarter of 2006
- Wachovia seeks to exceed more than \$44 billion in Option ARMs originated by Golden West in 2006
 - Wachovia provides special training to their “Option Army”, training 1,000 branch employees and adding another 800 mortgage consultants to the 200 already working in branches
 - Wachovia has initiated radio advertising in the Southern California market
- **In geographies where Wachovia is considered a threat (such as California), it is primarily tied to the Fixed Rate Pick-A-Payment loan they are aggressively promoting**

Wachovia's Key Products

Wachovia's product set includes a Hybrid Option ARM and Fixed Option ARM; potential threats to WaMu

Parameter	WaMu Option ARM	Wachovia/World
Product/Indices	<ul style="list-style-type: none"> • 1-3 Mo MTA, COFI • 60 Mo MTA, "Flex 5" 	<ul style="list-style-type: none"> • Pick-A-Payment ARM, COFI and proprietary CODI and COSI indices. • 30-year Fixed Pick-A-Payment
Pricing Package	<ul style="list-style-type: none"> • 1-Mo MTA - 1 Mo start rate is 1.00% • WaMu Margin at 1.125pts, 3-year ppp is 2.600, 7.661% fully indexed • 9.95% lifecap • 7.5% annual payment cap 	<ul style="list-style-type: none"> • Min. payment rate is 1.95% Fixed, 1.5% for Pick-A-Payment ARM • World's Fixed Pick-A-Payment 6.95% for 30 years, Pick-A-Payment ARM 7.2% Fully indexed • Same annual payment caps
Payment Options	<ul style="list-style-type: none"> • Up to 4 payment options for the first 5 years 	<ul style="list-style-type: none"> • Guaranteed up to 4 payment options for the first 10 years
Recast	<ul style="list-style-type: none"> • Recast at year 5 or when balance exceeds initial principal balance by 115% 	<ul style="list-style-type: none"> • Recast at year 10 or when balance exceeds initial principal balance by 125% • World metrics indicate a "worst case" neg-am scenario of 117% at year 10 so "loans have never recast due to NegAm."
Loan Terms	<ul style="list-style-type: none"> • 30 and 40 year 	<ul style="list-style-type: none"> • 30 year

CA Rates as of 3/9/2007

Wachovia/World Analysis

What does a top performer at World look like?

- Highly skilled in selling the Option ARMs
 - Option ARMs have a higher commission rate than other products (between 65 and 80bps depending upon fundings per month - interviews with former LCs revealed compensation variances across regions)
 - World has successfully sold the Option ARM in all market cycles
 - 92% of GDW's business in 2005 was Option ARM
- Likely a "Combo rep" -- sources broker business as well as retail sales
 - Attractive to LC because it adds volume with minimal time and effort
 - Wholesale volume is almost a necessity in order to qualify for an SA (Reports varied on how many loans needed to qualify –between 12 and 25 per quarter–and different standards may exist in different states)
 - Compensation is much lower on brokered loans (~10 bps)
 - Brokered loans through LCs are reported under the Retail channel so it is impossible to tell precisely the volume or number of participants – ranking info, therefore, clouded by inclusion of wholesale production
- Strongly aligned with culture and mission of Golden West
 - Due to the stability of their business over time, Golden West appears to maintain employees with long tenures and strong loyalty to the business

Wachovia/World Analysis

Golden West underwriting approach and Wachovia fit

- More "relaxed" underwriting documentation standards
 - World has traditionally required less verification of assets and income from its customers; reportedly this has started to change in the last several years but is still more lenient than WaMu
 - World has much more lenient documentation requirements than WaMu, however, LTVs are typically <70%
 - Several of the LCs WaMu has hired from World have had difficulty meeting WaMu's documentation standards, further emphasizing differences
- Integration to alter standards?
 - Wachovia is known for being more score-driven in its approval process and maintaining stringent credit standards
 - Although, management has announced they will operate Golden West as a stand-alone, there is likely much fear that Wachovia will adjust credit policy when the two do fully integrate

World/Wachovia Analysis

How does Golden West compensate? How does this compare to WaMu?

- Compensation varies by product and type
 - In addition to increasing compensation on Option ARMs, World has lowered commission on Fixed-rate products as a deterrent to LCs (~\$300 / loan for conforming fixed, \$350 for jumbo fixed)
 - Several of the LCs lamented how often the compensation structure seemed to change, particularly for brokered loans
 - Intercompany or “World-to-World” refis have a lower commission rate as well (this was the key factor in our hiring one of their top LCs a few years ago)
- WaMu commission structure favorable to World’s
 - LCs supported the assertion that WaMu pays more commission than World (WaMu averages around 80bps in the retail channel, well above even what World pays for Option ARMs-67bps)
- Equity not a key factor
 - All 3 LCs agreed that equity is not a key part of the compensation package at World and thus, World LCs would not need to wait until the Wachovia deal closes in order to cash in options

Retail Loan Consultant 2007 Incentive Plan Focus on High Margin Products

Four main product categories place primary emphasis on high margin "W Products"

PRODUCT CATEGORIES

The incentives specified in the incentive tier table vary by product category. There are four main product categories: "W" Products, "A" Products, "M" Products and "U" Products. Most Wal-Mart Home Loans products fall into one of these four categories:

"W" Products	"A" Products	"M" Products	"U" Products
<ul style="list-style-type: none"> • Option ARM (Net New) • Non-Prime referrals • Home Equity Loans (HELs) 	<ul style="list-style-type: none"> • Option ARM (Ref: s) • Hybrids (Net New) • Alt-A (Net New) • Fixed (Net New) 	<ul style="list-style-type: none"> • Hybrids (Ref) • Alt-A (Ref) • Fixed (Ref) 	<ul style="list-style-type: none"> • HELOCs • HELOC Line increases • Wal-Mart Mortgage Plus

Retail Loan Consultant 2007 Incentive Plan Focus on High Margin Products

- Incentive Tiers reward high margin products, "W Products", such as the Option ARM, Non-Prime referrals and Home Equity Loans (HELs)
- WaMu Mortgage Plus currently includes a 35 bps "kicker", which is assessed quarterly, bringing compensation up to the "W Products" level for Mortgage Plus.
- WaMu also provides a 15 bps "kicker" for selling 3 year prepayment penalties; something that Wachovia/World does not.

The 2007 Incentive Tier Table is as follows:

2007 INCENTIVE TIERS - RETAIL LOAN CONSULTANTS							
Tier	Tier Description	BASIS POINT INCENTIVE					
		W Products	A Products	M Products	D Products	Affordable/CRA/NAL Kicker	Special Product Promotion #1: 3-Year PrePays
Bronze	1-5 loans or \$1 - \$749,999	40	32	25	35	12	15
Silver	6-11 loans or \$750,000 - \$1,699,999	55	52	38	35	12	15
Gold	12-16 loans or \$1,700,000 - \$2,124,999	63	58	48	35	12	15
Platinum	17+ loans or \$2,125,000+	70	64	52	35	12	15

Retail Loan Consultant 2007 Incentive Plan

Special Referral Program – Retail to Non-Prime Referral

- Retail Loan Consultants can refer a Non-Prime borrower to a Long Beach Mortgage Account Executive and earn a referral incentive if the referred loan funds
- To earn compensation for the referral, the following must occur:
 - The Retail Loan Consultant must
 - Make initial contact with the customer, and
 - Communicate the referral to a Long Beach Mortgage Account Executive by completion of the required documentation.
 - The loan funds; and
 - Incentive Administration is notified that the Funded, as recorded in the system of record.
- Partnerships are eligible to refer Non-Prime borrowers to Long Beach and earn referral compensation. Any referral compensation earned will be calculated as follows:
 - The earned compensation on a given referral is calculated.
 - The compensation is then split according to the basis points incentive split specific to the particular Partnership.
 - Note: Non-prime 2nd liens are not part of this program.