Dave Sambol/Managing Directors/CF/CCI

11/02/2006 09:35:55 PM

To Kevin Bartlett/Managing Directors/CF/CCI@Countrywide

cc

bcc

Subject Re: Product Summit

Agreed. Let's discuss tommorow.

From: Kevin Bartlett
Sent: 11/02/2006 09:17 PM
To: Dave Sambol
Subject: Fw: Product Summit

I'm a little worried about John. He's been withholding sign offs on certain issues that should be priced for. The latest was on extreme alt a where Drew and crowd needed me to sign off when John was out after John dragged his feet for over 30 days. Of course they pick the day he's out to tell me they need a decision.

We should discuss a few of these together with john and make sure we have a policy that we're still comfortable with. I don't want to lose john because he feels powerless.

If you look at the below list, we're really down to some fringes (and some pricing scams).

From: John McMurray
Sent: 11/02/2006 03:37 PM
To: Kevin Bartlett
Subject: Product Summit

Drew held a product summit for four or five hours yesterday afternoon. There are two issues from the summit I wanted to bring to your attention:

1. **Requests.** Here's a quick summary of requests that came up during the meeting:

FSL < 500 FICO Subprime Portfolio. This is the request I mentioned last night.

Hard Money Lending. Under this program, loans would be solely made on the basis of the borrower's equity position. I think there are legal, regulatory and reputational considerations to resolve before we move forward with this type of lending.

80/20 w/580 FICO. This has resurfaced again. Most competitors that offer 80/20s down to 580 have a series of other requirements (e.g., no 30 day lates, 24 months income, etc.) that we don't have.

Using Cash-Out as Reserves. Reserves are measured as assets the borrower has before the loan closes less anything required for closing. This request would redefine reserves to allow cash from a cash-out loan to be counted as reserves.

PayOptions. They want to make both the Hybrid Pay Option and the traditional Pay Option more aggressive. Among other changes, they want to have the start rates on the Hybrid moved from fully indexed minus 1.5 to 4% to fully indexed minus 4% to 5%. Since the Hybrid is already more conservative than the traditional Pay Option, there may be room to make this adjustment. For the traditional Pay Option, they proposed removing the 7.5% annual payment adjustment and allowing the borrower to remain at the same minimum pay rate until recast, which would obviously happen sooner. The second item is controversial even without the new Interagency Guidance.

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2. Approach. As I responded to the various requests, Drew and others reminded me that the company's policy is: "we match whatever anyone else has out in the market." I've obviously heard this many times before. Following are some of the concerns I've raised in the past with respect to this approach:

Composite Guidelines. When this approach is done across lenders, across products and across guidelines, the composite set of guidelines will be the most aggressive credit in the market.

Ceding Credit Policy. With this approach, our credit policy is ceded, on both a product-by-product as well as a item-by-item basis, to the most aggressive lenders in the market. Do we want to effectively cede our policy and is this approach "saleable" from a risk perspective to those constituents who may worry about our risk profile?

Please let me know if you would like to discuss. I would appreciate any input you may have. Thanks.