From: CN=Angelo Mozilo/OU=Managing Directors/OU=CF/O=CCI
Date: 05/26/2006 05:08:12 PM
To: CN=David Bigelow/OU=Managing Directors/OU=CF/O=CCI@COUNTRYWIDE
Subject: Re: Updates regarding your Sanford Bernstein presentation next week

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O.k.

From: David Bigelow
Sent: 05/26/2006 11:56 AM
To: Angelo Mozilo
Cc: Eric Sieracki; Lisa Riordan
Subject: Updates regarding your Sanford Bernstein presentation next week

Angelo, some brief updates to matters we discussed previously:

1) You requested various information on CFC's PayOption porftolio and production. Lisa will be sending all of this to you in a separate email later today.
2) Everything is in place for you to do the earnings re-affirmation during your presentation. The Audit Committee signed off on it this morning. I'll send you the final language this afternoon, along with a brief press release that will go out the same morning.
3) We are proposing to add some language regarding PayOption loans. This "PayOption Position" was developed with input from Dave Sambol, Eric Sieracki, Carlos Garcia, John McMurray, Mary Jane Seebach and others. There will be some minor edits, but it will look something like this:

Despite recent scrutiny of PayOption loans, Countrywide views the product as a sound investment for our Bank and a sound financial management tool for consumers.

PayOption loans represent the best whole loan type available for portfolio investment. The product carries more credit risk than other loans because of the potential for higher leverage and payment shock, but the margin on this product more than compensates for the additional credit risk. Furthermore, PayOption loans carry the lowest interest rate risk of any other loan product, because the accrual rate adjusts monthly. The performance profile of this product is well-understood because of its 20-year history, which includes "stress tests" in difficult environments.

Moreover, Countrywide actively manages credit risk through prudent program guidelines (including negative amortization limits) and sound underwriting. As a result, our pay option portfolio averages a 721 FICO score and a 78% combined loan-to-value ratio. While we expect delinquency rates to rise as our young portfolio seasons, current delinquencies are running at just 0.13%.

For the consumer, PayOption loans provide greater flexibility than other loan types. The flexible payment structure allows borrowers the choice of making a fully-amortizing payment or deploying cash for other uses, such as paying down more expensive credit card debt. Our guidelines and underwriting actually make the PayOption loan safer for the consumer than other types of loans. For example, a 78% CLTV loan can only negatively amortize to 90%, while the same borrower could qualify for an "80/20" combination of first and second mortgages and push his CLTV to 100%

The PayOption loan isn't right for everyone, but Countrywide markets it to sophisticated borrowers: only 5% of our first-time homebuyers use this product; 50% of PayOption buyers use it to refinance; and just 16% of

Pay Option loans produced for our Bank have FICO scores below 680.