

John McMurray/Managing
Directors/CF/CCI
09/07/2007 02:16 PM

To Jess Lederman/Managing Directors/CF/CCI
cc
bcc
Subject Fw: Extreme Alt-A Follow Up

----- Forwarded by John McMurray/Managing Directors/CF/CCI on 09/07/2007 02:16 PM -----

John McMurray/Managing
Directors/CF/CCI
11/16/2006 10:36 PM

To Dave Sambol/Managing Directors/CF/CCI
cc Kevin Bartlett/Managing Directors/CF/CCI
Subject Extreme Alt-A Follow Up

Thank you for the meeting today; your direction was very helpful. The purpose of this email is to follow up on our brief Extreme Alt-A discussion. The situation with this product is symptomatic of two larger and fundamental deficiencies we need to resolve around risk. This situation also illustrates why I have been frustrated and nervous prior to the recent conversations I had with you and Kevin. Following are two fundamental deficiencies that need to be remedied.

First, we need to agree on a risk vision and guiding principles that the entire enterprise will follow. I previously created a set of guiding principles, but there hasn't been acceptance from some of the key business units. The most widely held belief is that our guiding principle is simply doing what anyone else in the market is doing: if it's in the market, we have to do it.

Second, we should require everyone to follow established risk guidance and policies a product cannot be rolled out or transactions closed without the required approvals. There are several recent examples where products or transactions proceeded without the required risk approvals or in contradiction of established policy.

Extreme Alt-A is one of these examples. Extreme Alt-A was never officially approved. I for one have refused to sign-off for several reasons, the key reason being exactly the issue we discussed today. I was very unsupportive of retaining this risk and no one convinced me that we had an execution to successfully distribute the risk. I believe there are other required signatures, beyond mine, are also missing from the approval.

Our planned meeting to discuss the risk vision and principles will address the first deficiency. Since the second issue (requiring approvals and operating within policy) influences the effectiveness of the vision and principles, I recommend that we address both at the upcoming meeting. Thanks again.



JPM000231
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Requested by John McMurray

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