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Sent: Tuesday, January 30, 2007 8:51 PM (GMT)
To: Goodman, Jeffrey <jeffrey.goodman@lehman.com>
Subject: Aurora originations trends and performance

Heads up,

I can see performance for Aurora originated loans to become even worse in 2007. Looking at the trends on originations and linking them to first payment defaults, the story is ugly:

The last 4 months Aurora has originated the riskiest loans ever, with every month been riskier than the one before - the industry meanwhile has pulled back during that time. The proposed guideline changes that are on the table today are not sufficient to rein in the bad performance. I am bringing in all these issues to the Aurora Executive committee on Thursday morning and the Risk Committee on Thursday afternoon. I already discussed this with most of Tom's directs and they are all on board. I will loop in Tom as well tomorrow (he is flying back tonight) and press on Linton and McKinney on Thursday. I will also try to tie this in with the proposed Option ARM product.

DK