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Sent: Friday, March 30, 2007 10:58 PM (GMT)
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Subject: Alt-A / Mortgage Maker Performance
Attach: ALS dlq60 @ 3 months.pdf

Ken and Maria,

I run an analysis on the performance of last year's originations at Aurora. I wanted to focus on performance of recent originations since the product mix has changed substantially the last 6 months. I used the 60+ metric at month 3 for Alt-A and Mortgage Maker loans. Here are some conclusions:

Alt-A:

The areas that are currently considered for tightening are definitely the worst performers in the segment. That is true for originations of the entire year as well as originations of the last quarter of 2006. One additional area that we need to look at is large loan amounts (over \$400k) for No Ratio or Stated loans with CLTV > 95. These loans show 3 to 8 times worse performance than the rest of the Alt-A population. By eliminating them, we affect about 1% of the entire production.

Mortgage Maker:

Stated-Stated over 90% CLTV and FICO < 700 performs almost 4 times as bad as the rest of the loans. By increasing minimum FICO to 700 for all Stated-Stated we affect less than half of a percent of current production. Also investment properties for FICOs < 700 perform equally poorly in that program. This is another third of a percent of the production.

No Doc loans with FICO < 660 and No Doc Investor properties with FICO < 720 are also performing 3 to 4 times worse than the rest. Total production there is less than 1%.

No Ratio loans with CLTV > 90 and loan amounts over \$400k are performing 3 to 7 times worse than the rest. Total production there is less than half of a percent.

Stated loans with CLTV > 90 and loan amounts over \$400k are performing 3 to 5 times worse than the rest. Total production there is around 1%.

Overall, these segments account for around 5% of production, but show a 3 to 5 times worse performance than the rest of the loans. I will try to measure the exact impact to recent production early next week.

Michelle,

The following segment: Mortgage Maker - Stated - CLTV>95, FICO < 680 - REFIs - CA shows an unusual high default rate: almost 13% 60+ rate after 3 months. Can we look into these loans to see what is going on? I will send you the loan numbers.

I attached the analysis for your reference. The checked boxes are the ones that we are currently cutting back. I will call you next week to discuss.

Thanks,

<<ALS dlq60 @ 3 months.pdf>>

DK