

From: Elagoz, Melda <melda.elagoz@lehman.com>
Sent: Monday, June 11, 2007 12:50 PM (GMT)
To: Goodman, Jeffrey <jeffrey.goodman@lehman.com>; Maung, Kenny <yemyint.maung@lehman.com>; Huang, Ken (Risk) <khuang@lehman.com>
Cc: Lu, Charlie <charlie.lu@lehman.com>
Subject: RE: Mortgage positions and CSE Scenario Analysis for May month-end

For mortgages you may assume potential impact within 4 weeks
(Changes in 2 weeks is more applicable to liquid products in IR, FX and Equity markets. For Credit and mortgages it is more like 2-4weeks)

> _____
> From: Goodman, Jeffrey
> Sent: Monday, June 11, 2007 8:47 AM
> To: Elagoz, Melda; Maung, Kenny; Huang, Ken (Risk)
> Cc: Lu, Charlie
> Subject: RE: Mortgage positions and CSE Scenario Analysis for May
> month-end

>
> I don't think BB/TB is the final arbiter for stress. I think the CMBS
> positions do have market risk same as our other CMBS loans, but they
> are BB due to historical reason and lack of good TS and daily marks
> but they are at risk of a spread widening and ideally we should show
> some of that in the stress runs. Ken/Kenny do think there is not a
> risk over two week period that we could see such spread widening?

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> _____
> From: Elagoz, Melda
> Sent: Monday, June 11, 2007 8:44 AM
> To: Goodman, Jeffrey
> Cc: Lu, Charlie
> Subject: RE: Mortgage positions and CSE Scenario Analysis for May
> month-end

>
> Jeff
> Since we do not apply stress to the banking books does Asia still need
> to send anything?

>
> Thanks and Regards,
> Melda

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> _____
> From: Maung, Kenny
> Sent: Monday, June 11, 2007 12:12 AM
> To: Elagoz, Melda; Huang, Ken (Risk); Lee, James (Tokyo)

> Cc: Goodman, Jeffrey; Lu, Charlie; Haller, Drew
> Subject: RE: Mortgage positions and CSE Scenario Analysis for May
> month-end
>
> Melda,
>
> Asia PTG positions that Jeff mentioned below are banking book. Do we
> also need to run stress on Banking book?
>
> Thanks,
>
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> _____
> From: Elagoz, Melda
> Sent: Saturday, June 09, 2007 4:23 AM
> To: Huang, Ken (Risk); Lee, James (Tokyo); Maung, Kenny
> Cc: Goodman, Jeffrey; Lu, Charlie; Haller, Drew
> Subject: RE: Mortgage positions and CSE Scenario Analysis for May
> month-end
>
> Ken
>
> Will we have stress results for mortgage products in Asia?
>
> Thanks and Regards,
> Melda
>
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> _____
> From: Goodman, Jeffrey
> Sent: Tuesday, June 05, 2007 8:41 AM
> To: Lu, Charlie; Luken, Patricia; Elagoz, Melda
> Cc: Huang, Ken (Risk); Lee, James (Tokyo); Maung, Kenny
> Subject: RE: Mortgage positions in Europe and CSE Scenario
> Analysis for May month-end
>
> Yes, CMBS needs to be stressed, we also should have something for ASIA
> for loans intended for securitization (Daito, LeoPalace and large
> loans) as well
>
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> _____
> From: Lu, Charlie
> Sent: Tuesday, June 05, 2007 8:39 AM
> To: Luken, Patricia; Elagoz, Melda; Goodman, Jeffrey
> Subject: RE: Mortgage positions in Europe and CSE Scenario
> Analysis for May month-end
>
> Is the CMBS book covered in VaR? We may need to cover the book in
> stress as well. Can we have the positions, type of loans, and hedge
> information of the book?
> Thanks.
>
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> _____
> From: Luken, Patricia
> Sent: Tuesday, June 05, 2007 4:32 AM
> To: Elagoz, Melda; Goodman, Jeffrey

> Cc: Lu, Charlie
> Subject: RE: Mortgage positions in Europe and CSE Scenario
> Analysis for May month-end
>
>
> Re: CMBS - may I assume the stress test should be applied to the
> VaR population? In Europe for CMBS this means whole loans which do
> not generate event risk. Or is it intended for entire CMBS whole loan
> pool?
>
> Thanks,
> Patti
>
> _____
> From: Elagoz, Melda
> Sent: 04 June 2007 22:52
> To: Luken, Patricia
> Cc: Lu, Charlie
> Subject: FW: Mortgage positions in Europe and CSE Scenario
> Analysis for May month-end
>
> Patricia
> The deadline is not June14th as this email mentioned but June12th
> London close (per earlier FSA visit).
>
> Regards,
> Melda
>
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> _____
> From: Goodman, Jeffrey
> Sent: Wednesday, May 30, 2007 5:41 PM
> To: Elagoz, Melda; Luken, Patricia
> Cc: Lu, Charlie; Shotton, Paul; Turner, Maria
> Subject: RE: Mortgage positions in Europe and CSE Scenario
> Analysis for May month-end
>
> I was actually asking about the CMBS loan book
>
> _____
> From: Elagoz, Melda
> Sent: Wednesday, May 30, 2007 4:48 PM
> To: Luken, Patricia
> Cc: Lu, Charlie; Goodman, Jeffrey; Shotton, Paul; Turner, Maria
> Subject: Mortgage positions in Europe and CSE Scenario Analysis
> for May month-end
>
> Hi Patricia
>
> Apparently in Europe in addition to the ABS exposures for which
> Charlie has put together a stress testing template last month, there
> are other mortgage positions (whole loans? other?) which would need to
> be stressed.
>
> We are guessing that you would need to calculate stress P/Ls, at least
> a reasonable approximation, in a spreadsheet. Once you have the
> calculations done we can then post the results on the web via

> "Adjustments".
>
> Attached below is a link to the most recent factor directory.
> \\leh\fid\groups\FI_RISK_MARKETSHARE\Marketshare\CSE\StressScenarioDat
> a\May31-07
>
> Please call me and Charlie for any details you need.
>
> The deadline for posting results and commentary for the May month-end
> positions is June14th. I will also be sending out a more detailed
> general procedural email shortly.
>
> Thanks and Regards,
> Melda
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> _____
> From: Lu, Charlie
> Sent: Thursday, May 10, 2007 4:00 PM
> To: Elagoz, Melda
> Cc: Goodman, Jeffrey; Luken, Patricia; Hansman, George; Leng,
> Manhua; Haller, Drew
> Subject: RE: Euro ABS Stress Test, The template
>
> Please integrate Euro ABS stress results (row 35) to LehmanRisk.
> We may ask a little excuse to extent the deadline since it is the
> debut, and it took quite efforts from trading desk and the risk team.
> Thanks,
> Charlie
>
>
> << File: EuroABS_Apr07_rpt.xls >>
>
> _____
> From: Elagoz, Melda
> Sent: Thursday, May 10, 2007 3:30 PM
> To: Lu, Charlie
> Cc: Goodman, Jeffrey; Luken, Patricia; Hansman, George; Leng,
> Manhua; Haller, Drew
> Subject: RE: Euro ABS Stress Test, The template
>
> Charlie
>
> Will there be European Securitized Products ABS results for the April
> month-end or are the discussions still going on?
>
> (Today 6pm is the deadline.)
>
> Thanks and Regards,
> Melda
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> _____
> From: Lu, Charlie
> Sent: Wednesday, May 09, 2007 1:09 PM
> To: Maddox, Alex

> Cc: Goodman, Jeffrey; Luken, Patricia; Hansman, George; Leng,
> Manhua; Elagoz, Melda
> Subject: RE: Euro ABS Stress Test, The template
>
>
> We made one more adjustment to incorporate your comments on the
> applications. We brought in the population with a pull through rate of
> 0.65, and stressed assets under the specification of whole loans.
>
> Here are the latest.
>
> Thanks for help,
>
> Charlie
>
>
> << File: EuroABS_Apr07_2.xls >>
>
> _____
> From: Lu, Charlie
> Sent: Tuesday, May 08, 2007 10:34 AM
> To: Maddox, Alex
> Cc: Goodman, Jeffrey; Luken, Patricia; Hansman, George; Leng,
> Manhua; Elagoz, Melda
> Subject: RE: Euro ABS Stress Test, The template
>
>
> Alex,
>
> We made two adjustments on the stress population:
>
> 1) excluding USD 409 mm non-performance loans.
> 2) excluding USD 2.86 bn applications whose rate are not locked.
>
> The net stressed population is 4.56 bn, of which 3.88 bn are whole
> loans, 613 mm are EABS, and 70 mm are residuals. Again, duration
> neutral is assumed and the scenario of "Rating Default / Hedge Funding
> Crisis" is the worst in which the portfolio would produce a net loss
> of USD 48 mm.
>
> Please take a look at the revised file and we shall follow up with
> your comments.
>
> Thanks,
>
> Charlie
>
> << File: EuroABS_Apr07_2.xls >>
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> _____
> From: Lu, Charlie
> Sent: Thursday, May 03, 2007 6:30 PM
> To: Maddox, Alex
> Cc: Shotton, Paul; Goodman, Jeffrey; Luken, Patricia; Hansman,
> George; Leng, Manhua; Marrison, Neil; Tipping, Craig; Elagoz, Melda
> Subject: Euro ABS Stress Test, The template

>
> Alex,
>
> With the help Europe ABS and RAMP team, we had a quick test on Euro
> ABS desk under corp. stress test framework. Here are the highlights:
>
> 1) Only positions booked in RAMP (as of 4/30/07) are included in the
> test. Principal Finance, Credit Derivatives, Property and Mortgage
> Derivatives are not included in the test.
> 2) The tested positions include CMO (USD \$4.9 bn), EABS (USD \$2.3 bn),
> and whole loan (USD \$525 mm).
> 3) Hedges in EDF, SFUT, and SWAP are booked in RAMP and also included
> in the test. However, because risk analytics in duration, key rate
> duration, spread duration, and Greeks are not established, we assume
> duration neutral for the portfolio in the test.
> 4) Credit rating information is partially available for EABS. To these
> rating information is not available, we assign a rating based on the
> security price.
> 5) Rating is not available for CMOs. Again, we give out a rating in
> accordance with the price level.
> 6) We test whole loan following the specification designed for US ABS
> loans.
> 7) Spread duration is about 2.5 year for AAA, 2.8 year for AA, and the
> rest is about 3.0 year.
> 8) The upper panel of the "Summary" tab presents stress factors, which
> are consistent with what we used in U.S.
> 9) Row 35 of the "Summary" tab indicates the stress results under 12
> defined scenarios.
>
> I shall follow up with your questions and comments tomorrow morning.
>
> Thanks,
>
> Charlie
>
> << File: EuroABS_Apr07.xls >>
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