

**From:** Kritikos, Dimitrios <dimitrios.kritikos@lehman.com>  
**Sent:** Wednesday, September 5, 2007 6:32 PM (GMT)  
**To:** dkritikos@yahoo.com  
**Subject:** Aurora issues  
**Attach:** ALS.pdf

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> From: Kritikos, Dimitrios  
> Sent: Friday, February 02, 2007 10:24 AM  
> To: Goodman, Jeffrey  
> Subject: Aurora risk review  
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> Jeff,  
>  
> Attached please find a document that summarizes some of the credit  
> trends that we are currently experiencing in Aurora. I am really  
> concerned with the dramatic change of the product mix, especially the  
> last 3 months. While the rest of the industry is tightening credit  
> and increasing pricing in these areas, we are moving in the opposite  
> direction. Although I understand that we need to take risk to get  
> reward, the areas where Aurora is growing are not the right ones. To  
> put things in perspective, more than 50% of Aurora's current  
> originations are 100% financing - 80% of that is in non full  
> documentation loans.  
>  
> Extensive analysis has been done on both first payment defaults and  
> long term performance on a lot of these segments. My biggest concern  
> is the high CLTV, stated-stated program which has double or triple  
> "bad" performance compared to the other segments. This segment has  
> really taken off the last 3 months and, in my opinion, needs to get  
> shut down. I raised my concerns with Tom Wind and his team, and they  
> are all on board. We are having a discussion with the desk next week  
> to move on forward.  
>  
> I also believe that we need an overhaul of the credit and product  
> guidelines ASAP. The new chief credit officer starts in Aurora at the  
> end of this month and I will make sure this will get top priority.  
>  
> Please let me know if you have any questions.  
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> <<ALS.pdf>>  
>  
> DK  
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