

Response to LXS Performance Issues – as of 1/24/07

Area	Actions	Comments	Status/Next Steps
Guideline Changes	<ul style="list-style-type: none"> ◆ Stated/Stated moved to same grid as No Doc ◆ Cut back No Doc max CLTV to 95% ◆ Require 720+ FICO on 2nds with CLTV >90 		<ul style="list-style-type: none"> ◆ Eric Hibbert and Maria D’Anza finalizing guideline changes
Process Changes	<ul style="list-style-type: none"> ◆ Establish post-close review on delegated product for specific populations (such as low doc, high CLTV) <ul style="list-style-type: none"> – Expand Clayton review – Fraud review to be completed by QC ◆ Reinstate FPD QC reviews for First Magnus and possibly other specific clients as well as pre-funding fraud detection (top 5 Aurora clients do not go thru fraud detection). ◆ Consider reinstating appraisal review on watch list appraisers and high risk zip codes ◆ Require appraisal training for delegated clients ◆ QC and Ops to develop joint client quality scorecard 	<ul style="list-style-type: none"> ◆ Approx. 50% of the First Magnus EPD loans have either an appraiser on the watch list or in high risk zip code 	<ul style="list-style-type: none"> ◆ Aurora Risk Committee and Lehman Due Diligence to finalize process changes. Applicable depts pulling volume figures for recommended actions: <ul style="list-style-type: none"> – Expanded Clayton review and fraud review. – Determine where/when to use Digital Risk if at all. – FPD First Magnus review and pre-funding fraud review. – Determine whether to reinstate appraisal review. ◆ Client scorecard date TBD.
Pricing	<ul style="list-style-type: none"> ◆ Pricing adjusted on Mtg Mkr NOO and non-full doc NOO 	<ul style="list-style-type: none"> ◆ Initial adjustment to NOO had no impact on volume 	
Client Specific	<ul style="list-style-type: none"> ◆ Quality findings discussed with First Magnus ◆ Following Rnd II of LXS review, stats on Aegis and CTX will be pulled together. 		<ul style="list-style-type: none"> ◆ Specific training for First Magnus to be completed (UW/Appraisal/QC) ◆ Russ to work with Sales and Desk to determine whether we can S&D First Mag loans.
Servicing	<ul style="list-style-type: none"> ◆ Determine whether a segment of the Mtg Maker population should be serviced similar to sub-prime 		<ul style="list-style-type: none"> ◆ Servicing to work with the desk to determine which group of loans should be targeted.

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Quality Review	<ul style="list-style-type: none"> ◆ Additional 420 loans <ul style="list-style-type: none"> -21 Already being pursued for repurchase. 45 more in process of being referred to CA. -238 Already reviewed w/ No Issues. QC Fraud Review to take place on these loans. <ul style="list-style-type: none"> • 23 reviews completed. All had issues. <ul style="list-style-type: none"> -11 misrep income -116 not previously reviewed to be looked at by Credit Policy and Appraisal. <ul style="list-style-type: none"> • Appraisal : 77 reviewed with no issues. 39 still in process. • Credit Policy: 110 reviews completed <ul style="list-style-type: none"> -41 out of guidelines (37%) -45 “soft” guideline issue (questionable UW such as income not supported as opposed to misrep) 	<ul style="list-style-type: none"> ◆ Analysis of quality on initial 155 population completed. ◆ 2nd rnd of reviews: similar UW issues found, no issues found in appraisal at this point. 	<ul style="list-style-type: none"> ◆ Review to be completed February 12.
Repurchase	<ul style="list-style-type: none"> ◆ Original 155 loans reviewed <ul style="list-style-type: none"> -1 Repurchase complete -92 in process ◆ Additional 420 <ul style="list-style-type: none"> -3 Repurchases complete -19 in process 		