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4-3-2006

### Countrywide Mozilo Email to Kurland re PayOption Arm Information

Angelo Mozilo

Steve Bailey

William Endicott

<https://elischolar.library.yale.edu/ypfs-documents/4311>

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**Angelo Mozilo/Managing  
Directors/CF/CCI**

To Stan Kurland/Managing  
Directors/CF/CCI@COUNTRYWIDE;Dave  
Sambol/Managing  
Directors/CF/CCI@COUNTRYWIDE  
cc Steve Bailey/Managing  
Directors/CF/CCI@Countrywide  
bcc

04/03/2006 09:13:57 PM

Subject Fw: PayOption Arm Information You Requested

This is important data that could portend serious problems with this product. Since over 70% have opted to make the lower payment it appears that it is just a matter of time that we will be faced with a substantial amount of resets and therefore much higher delinquencies. We must limit this product to high ficos otherwise we could face both financial and regulatory consequences.

----- Forwarded by Angelo Mozilo/Managing Directors/CF/CCI on 04/03/2006 09:11 PM -----

Steve Bailey/Managing  
Directors/CF/CCI  
04/03/2006 05:27 PM

To Angelo Mozilo/Managing  
Directors/CF/CCI@COUNTRYWIDE  
cc  
bcc  
Subject Fw: PayOption Arm Information You Requested

Angelo,  
Here is the information on PayOption Arms as we discussed. Please let me know if you have any questions.

----- Forwarded by Steve Bailey/Managing Directors/CF/CCI on 04/03/2006 05:24 PM -----

Bill Endicott/Loan  
Admin/CF/CCI  
04/03/2006 05:20 PM

To Steve Bailey/Managing  
Directors/CF/CCI@Countrywide  
cc Craig Baingo/Loan  
Admin/CF/CCI@COUNTRYWIDE, Kevin  
Meyers/Loan Admin/CF/CCI@Countrywide, Lisa  
Afsharian/Loan Admin/CF/CCI@COUNTRYWIDE,  
Svetlana Keslin/Loan Admin/CF/CCI@Countrywide  
bcc  
Subject PayOption Arm Delinquencies

The following is a quick re-cap on the PayOption ARM portfolio as of February 06:

PayOption ARMs make up 341,841 loans or \$118 billion UPB representing 4.5% and 10.4% in total CHL volume and dollars respectively.

Concentration of loans with negative amortization is currently at 62%. The negative amortized balances are in the early stage of ramping up and are still relatively low. Please note that once a balance reaches 115%, the loan resets to a full amortization term. See the stratification of balances below.

Loan Bal.	62% Portion	Mix
101	146,209	68.97%
102	62,899	29.67%
103	2,857	1.35%
104	12	0.01%
105	4	0.00%
105-109	12	0.01%
110-115	1	0.00%

72% of customers chose Minimum Payment selection in February 06, up from 60% in August '05.

The delinquency rate has increased in the last six months from 1.19% in August '05 to 2.21% in February '06. The rise in delinquency is mostly attributed natural seasoning of the portfolio. The PayOption ARM delinquency is relatively low when comparing to Conventional, Government, and Subprime portfolios with 2.75%, 14.04% and 16.45% delinquency rates respectively.

CLD and WLD origination channels account for 39% and 38% of the PayOption ARM portfolio volume, respectively; California represents 45%.

When comparing PayOption Arm performance to Interest Only, 3/1 and 5/1 ARM products, it consistently outperformed 3/1 product. Over the past 6 months, PayOption ARMs under-performed both 5/1 and Interest Only loans with the exception of February when PayOption ARMs outperformed the Interest Only product.