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Countrywide Defends Liquidity

Mark DeCambre

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Countrywide Financial (CFC) defended its financial health late Thursday, citing the "continuing adequacy of its funding liquidity and the strength of its financial condition."

The news came after the stock dropped sharply in afternoon trading, hitting a 52-week low at \$25.40 before recovering some of its losses in late action. Earlier Thursday, mortgage insurer **MBIA** (MBI) said on a conference call that three Countrywide deals hit "triggers" that protect MBIA against a rise in mortgage delinquencies and defaults.

Countrywide finished regular trading down 45 cents at \$26.77.

"Countrywide has longstanding and time-tested funding liquidity contingency planning," said finance chief Eric P. Sieracki. "These planning protocols were designed to encompass a wide variety of conditions, including recent secondary market volatility. Our liquidity planning proved highly effective earlier during 2007 when market concerns first arose about subprime lending, and remains so today. We place major emphasis on the adequacy, reliability and diversity of our funding sources. It is important to note that short-term liquidity is used exclusively to fund our highest credit quality, most liquid assets.

"Our mortgage company has significant short-term funding liquidity cushions and is supplemented by the ample liquidity sources of our bank," Sieracki continued. "In fact, we have almost \$50 billion of highly-reliable short-term funding liquidity available as a cushion today. It is important to note that the company has experienced no disruption in financing its ongoing daily operations, including placement of commercial paper.

"Countrywide's financial condition remains strong, as evidenced by over \$14 billion of net worth, significant excess capital and our strong investment grade credit ratings," Sieracki concluded. "Two independent credit rating agencies, Moody's Investors Service and Standard & Poor's Rating Service, this week re-affirmed their ratings and stable outlook for Countrywide, its bank and its mortgage company."

The jitters come just a week after Countrywide slashed 2007 guidance. CEO Angelo Mozilo warned at the time that he doesn't expect the housing market to pick up till at least 2009.

Since then, smaller players in the mortgage markets have been hit hard. **American Home Mortgage** (AHM) slumped 84% Tuesday after saying it would consider liquidation, while **Accredited Home Lenders** (LEND) plunged 35% Thursday after saying it may be forced out of business by poor industry conditions.

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