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### SEC Deposition of Stanford Lee Kurland

Stanford L. Kurland

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1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4 ) File No. LA-03370-A

5 COUNTRYWIDE FINANCIAL CORPORATION )

6 WITNESS: Stanford Lee Kurland

7 PAGES: 1 through 182

8 PLACE: Securities and Exchange Commission

9 5670 Wilshire Boulevard

10 Los Angeles, California

11 DATE: Wednesday, October 1, 2008

12

13 The above-entitled matter came on for hearing,

14 pursuant to notice, at 9:41 a.m.

15

16

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.  
25 (202) 467-9200

2

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

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10

11 On behalf of the Witness:

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22  
23  
24  
25

1 C O N T E N T S

2

3 WITNESS EXAMINATION

4 Stanford Lee Kurland 4

5

6 EXHIBITS: DESCRIPTION IDENTIFIED

7 837 8/26/08 cover letter, subpoena  
8 and background questionnaire 7

9 838 12/5/04 e-mail string, Mozilo/McMurray  
10 regarding WaMu 37

11 839 3/29/05 e-mail string, Mozilo/Kurland,  
12 governance and risk oversight 63

13 840 8/02/05 e-mail string, Mozilo/Sambol/  
14 Kurland/Garcia 89

15 841 E-mail string, Kurland/Caldwell forwarding  
16 11/26/05 e-mail Kurland/Mozilo 143

17 842 E-mail string, Kurland/Caldwell forwarding  
18 11/21/05 e-mail, Mozilo/Kurland 151

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1 P R O C E E D I N G S

2 MS. DEAN: We're on the record at 9:41 a.m. on  
3 October 1, 2008. Would the witness please raise his right  
4 hand?

5 Whereupon,

6 STANFORD LEE KURLAND

7 was called as a witness and, having been first duly sworn,  
8 was examined and testified as follows:

9 EXAMINATION

10 BY MS. DEAN:

11 Q Would you please state and spell your full name for  
12 the record?

13 A Stanford Lee Kurland.

14 Q Mr. Kurland, my name is Lynn -- oh, you were going  
15 to spell it. I'm sorry.

16 A It's K-u-r-l-a-n-d.

17           Q     My name is Lynn Dean and I'm a staff attorney with  
18     the Securities and Exchange Commission.  At some point in the  
19     proceedings this morning, we will be joined by another staff  
20     attorney whose name is Paris Wynn.  Your testimony today has  
21     been requested by the staff as part of a formal investigation  
22     in the matter of Countrywide Financial Corporation, which is  
23     our Los Angeles File No. 3370, to determine whether there  
24     have been any violations of certain provisions of the Federal  
25     securities laws.  However, the facts developed in this

5

1     investigation might constitute violations of other Federal or  
2     state civil or criminal laws.  Just some basic ground rules.  
3     Have you been deposed before?

4           A     Yes.

5           Q     It's similar to a regular deposition.  It's a  
6     little bit different just because we are actually being tape  
7     recorded instead of having a stenographer, which makes it all  
8     the more important that we try to make audible responses and  
9     also that you let me finish a question before you answer  
10    because the record gets pretty garbled if we're both talking  
11    at the same time.  If you need to take a break for any reason  
12    today, let me know and we'll go off the record to let you  
13    take a break.  The only thing I ask is that you not take a

14 break with a question pending. If I've asked a question, if  
15 you could answer it first and then we'll go off the record to  
16 take a break. If you don't understand a question that's  
17 asked of you today, please let us know. We're just trying to  
18 get at the truth here. I will do my best to rephrase any  
19 question you don't understand to make it intelligible. One  
20 thing that is different from a regular deposition is that  
21 both Mr. Wynn and I can both ask questions of you, unlike a  
22 traditional civil deposition where usually there is only one  
23 lawyer who can ask questions. I just don't want you to be  
24 surprised if he jumps in. Even though we're taking your  
25 testimony in our offices today, you should consider yourself

6

1 to be testifying as if you were testifying in a court. The  
2 oath that you took to tell the truth is the same one you  
3 would take in court, and the Commission may decide to submit  
4 today's testimony as evidence to a court in a later  
5 proceeding if one is filed. For that reason, you should make  
6 your best effort to give complete and honest answers to my  
7 questions today. Do you understand all that?

8 A Yes.

9 Q Before we went on the record today, you were  
10 provided with a copy of the Commission's Form 1662, which has  
11 been marked as Exhibit 1. Have you had an opportunity to

12 review Exhibit 1?

13 A Yes.

14 Q Do you have any questions about it?

15 A No.

16 Q Is there anything that would impair your ability to  
17 provide truthful and accurate testimony today?

18 A No.

19 Q Are you represented by counsel?

20 A Yes.

21 MS. DEAN: Would counsel please identify themselves  
22 for the record and state in what capacity you represent Mr.  
23 Kurland in today.

24 MR. CALDWELL: Christopher Caldwell, and I'm  
25 counsel for Mr. Kurland in his capacity as a witness today.

7

1 MR. WILLINGHAM: David Willingham, also counsel for  
2 Mr. Kurland in his capacity as a witness today before the  
3 SEC.

4 BY MS. DEAN:

5 Q Mr. Kurland, I'm handing you now what has been  
6 marked as Exhibit 837, which for the record is a copy of an  
7 August 26, 2008 cover letter and a subpoena directed at  
8 Stanford Kurland c/o Christopher Caldwell, Esq.



9 (SEC Exhibit No. 837 was marked for  
10 identification.)

11 BY MS. DEAN:

12 Q Mr. Kurland, have you ever seen Exhibit 837 before?

13 A Yes.

14 Q Do you understand that you are appearing here today  
15 pursuant to a subpoena?

16 A Yes.

17 Q One of the things that is attached to Exhibit 837  
18 is a background questionnaire, which we asked you to fill  
19 out. Have you in fact filled out the background  
20 questionnaire?

21 A I have.

22 Q We'll go through the detail in the background  
23 questionnaire, and to the extent we get to any question that  
24 you don't know the answer to today, I would ask that counsel  
25 provide that information to us.

8

1 MR. CALDWELL: As we previously stated off the  
2 record, we'll be happy to work with you on this, because  
3 obviously our interest is to try to get through this as  
4 expeditiously as possible for everyone.

5 MS. DEAN: Right.

6 BY MS. DEAN:

7 Q Mr. Kurland, what did you do to prepare for  
8 testimony today?

9 A I met several afternoons with my counsel.

10 Q Have you discussed your testimony with anyone other  
11 than your counsel?

12 A The fact that I'm coming to testify?

13 Q Yes.

14 A I've discussed it with several people, my family,  
15 people I work with, my assistant.

16 Q Did you have any substantive conversations about  
17 what you expected the content of your testimony to be with  
18 any of those individuals?

19 A No.

20 Q Did you speak to any current or former Countrywide  
21 employees in preparation for testifying here today?

22 A No.

23 Q Did you review any documents in preparation for  
24 testifying here today?

25 A No.

9

1 Q I asked you if you had been deposed and you said  
2 you had previously been deposed. In what cases have you been  
3 deposed?

4           A     I believe, to the best of my recollection, I was  
5     deposed twice.  Once was a civil employment matter, and the  
6     other was with the SEC and having to do with trading stock.  
7     It's many years ago.

8           Q     Was it in the Los Angeles Office of the SEC?

9           A     Washington; I'm sorry.

10          Q     Was it an insider trading case?

11          A     You know, it wasn't a case.

12          Q     I should say an investigation.

13          A     It was an investigation, and nothing ever came out  
14     of it, so I don't know -- they just wanted my testimony about  
15     -- I think I had sold 5,000 shares.  This could go back to  
16     the 1980s.  It was quite some time ago.

17          Q     Okay.  The civil employment matter, was your  
18     testimony there related to an employee who had been  
19     terminated at Countrywide?

20          A     Yes.

21          Q     Do you remember the name of the employee?

22          A     I'm sorry, I don't.

23          Q     Do you know what their job title was?

24          A     The person was in Marketing.

25          Q     Do you know when that testimony was given?

10

1           A     It could be ten years ago, a pretty long time ago.

2 Q Was that a lawsuit in California?

3 A I believe so.

4 Q Was your testimony taken in California?

5 A Yes.

6 Q Were you a defendant in that matter?

7 A Yes. Countrywide was the defendant.

8 Q You personally were not a defendant?

9 A I was not. I'm sorry.

10 Q That's all right. Thank you. Mr. Kurland, have  
11 you ever been known by any other name?

12 A No.

13 Q Please state your date and place of birth.

14 A June 11, 1952 in Los Angeles.

15 Q And what is your Social Security number?

16 A 572-86-8061.

17 Q Can you please state your current home address?

18 A 6005 William Bent Road, Hidden Hills, California.

19 Q How long have you lived there?

20 A Fourteen years.

21 Q Does anyone else live there with you?

22 A My wife and my father and a housekeeper.

23 Q What's your father's name?

24 A Benjamin.

25 Q His last name is also Kurland?

1           A     Kurland.

2           Q     What's your wife's name?

3           A     Sheila.

4           Q     And what's the housekeeper's name?

5           A     Mercedes.

6           Q     Does she have a last name?

7           A     Garcia.

8           Q     Do you have any children?

9           A     Three children.

10          Q     Do they live with you?

11          A     No.

12          Q     How old are they?

13          A     I have three daughters. One is 24, one is 22, and

14          one is 19.

15          Q     Do you own any homes other than your principal

16          residence?

17          A     Yes.

18          Q     Where are those located?

19          A     We have a second home in Malibu at 31380 Broad

20          Beach Road.

21          Q     Any other homes?

22          A     We have several rental properties, which I'm not

23          going to be able to give you the addresses.

24          Q     Are they located in the Los Angeles area?

25          A     Yes, they are all in L.A.

1 Q Can you state your current home phone number,  
2 please?

3 A It's area code 818-346-0470.

4 Q And your current work phone number?

5 A It is 818-224-7011.

6 Q And your cell phone?

7 MR. CALDWELL: Counsel, I'm giving you a lot of  
8 latitude. I'm just concerned. Some of this is pretty  
9 personal information.

10 MS. DEAN: This is routine. This is all the  
11 information that was contained in the questionnaire and these  
12 are routine questions.

13 MR. CALDWELL: I just want to make sure,  
14 particularly in light of the fact that you have stated this  
15 could become part of the public record at some point, that  
16 there would be some way to ensure that this information  
17 doesn't become filed with the court or become public. It's  
18 certainly private information.

19 MS. DEAN: Are you going to instruct your witness  
20 not to answer the question?

21 MR. CALDWELL: No. I'm just trying to see if we  
22 can work something out on this.

23 MS. DEAN: You know, this is routine information.  
24 We ask for this information from every witness who comes in  
25 here.

13

1 MR. CALDWELL: I'm just wondering if we can have  
2 some sort of agreement that you would make efforts to ensure  
3 that this personal information doesn't become something that  
4 anybody could walk into the court and read.

5 MS. DEAN: We don't routinely lodge transcripts in  
6 court cases. I understand what your concern is. I mean the  
7 transcripts do become discoverable in a future proceeding.  
8 They are typically discoverable to the parties.

9 MR. CALDWELL: I'm not going to instruct the  
10 witness not to answer. I'll let him answer this. I just  
11 wanted to make you aware of the concern.

12 THE WITNESS: I'll change it if it's a problem. I  
13 think it's area code 818-292-4515.

14 BY MS. DEAN:

15 Q Thank you.

16 A I don't call myself.

17 Q Do you have any professional licenses?

18 A Not that are current.

19 Q You were at one time a CPA; correct?

20 A Yes.

21 Q When did your CPA license lapse?  
22 A Probably something like 1980.  
23 Q It's been some time. That CPA license was a  
24 California CPA license?  
25 A Yes.

14

1 Q Were you ever subject to discipline with respect to  
2 your California CPA license?  
3 A No.  
4 Q I assume your license is merely inactive; correct?  
5 A Yes.  
6 Q Any other professional licenses you might have?  
7 A I had a license, and I'm not going to know the  
8 number of this license, but it was for the principal  
9 financial officer of a broker-dealer.  
10 Q A Series?  
11 A Like a 27 or something.  
12 MR. WILLINGHAM: Are you guessing on that?  
13 THE WITNESS: I'm guessing.  
14 BY MS. DEAN:  
15 Q It was an NASD license?  
16 A Yes.  
17 Q You think it was a Series 27 but it may have been



18 something different?

19 A Yes.

20 Q When did you let that lapse?

21 A I don't know if it lapsed.

22 Q That might still be active?

23 A It may be. I really don't know.

24 Q Have you ever been subject to any discipline with  
25 respect to that license?

15

1 A Yes.

2 Q When was that?

3 A A long time ago. It was in, I believe, the early  
4 1980s.

5 Q Did the NASD assess a penalty with respect to that  
6 license?

7 A Yes.

8 Q What was it?

9 A It was either \$2,500 or \$5,000; something like  
10 that.

11 Q Did you receive a time out?

12 A No.

13 Q What was the misconduct that was alleged?

14 A There was a calculation error in a report.

15 Q What kind of a report?

16 A Like monthly financials.  
17 Q Were you working at Countrywide at that point?  
18 A Yes.  
19 Q And you think it was some time in the 1980s?  
20 A Yes.  
21 Q Would it have been the early 1980s or late 1980s?  
22 A Early 1980s.  
23 Q Any other instances of discipline with respect to  
24 that license?  
25 A No.

16

1 Q Any other licenses?  
2 A No.  
3 Q Can you describe for me your education following  
4 high school?  
5 A I went to Cal State Northridge and have a  
6 Bachelor's degree in business with an accounting option.  
7 Q When did you obtain your Bachelor's degree?  
8 A It was either 1974 or 1975. I'm sorry.  
9 Q That's okay. Did you attend any university after  
10 Cal State Northridge?  
11 A No.  
12 Q After leaving Cal State Northridge, you went to

13 work as an accountant; is that right?

14 A Correct.

15 Q Where were you working?

16 A Then it was called Alexander Grant. They changed  
17 names. They are Grant Thornton now, which it goes by today.

18 Q What was the highest position you attained at  
19 Alexander Grant?

20 A Supervisor, audit supervisor.

21 Q Then at some point you went to work for  
22 Countrywide; is that correct?

23 A Yes.

24 Q When did you start working at Countrywide?

25 A In 1979.

17

1 Q What was your job title at Countrywide in 1979?

2 A When I started, it was like -- I can't recall  
3 exactly the title, but it was like operational  
4 controls/systems.

5 MS. DEAN: Let's go off the record.

6 (A brief recess was taken.)

7 MS. DEAN: Back on the record.

8 BY MS. DEAN:

9 Q Mr. Kurland, can you identify any bank where you  
10 have an account?

11 A I have an account at Citibank.

12 Q Any other banks where you do your banking?

13 A Goldman Sachs, which is now a bank.

14 Q Yes, it is. Any place else?

15 A I don't think so.

16 Q Your account at Goldman Sachs, is that a brokerage  
17 account?

18 A I guess you would characterize it -- it's a wealth  
19 management account.

20 Q Other than Citibank and Goldman Sachs, are there  
21 any other financial institutions where you have any either  
22 brokerage accounts or depository accounts?

23 A I may have an account at Fidelity, small account.

24 Q Is that a brokerage account?

25 A Yes.

18

1 Q Mr. Kurland, have you ever previously testified in  
2 any investigation by the SEC, other than the one you  
3 identified earlier?

4 A No.

5 Q Have you ever testified in any investigation by any  
6 other Federal agency?

7 A I don't believe so. I've spoken to the FHA, for

8 example, but I don't know that it was testimony or anything.

9 Q The confusion is that you might have had some  
10 meetings with officials at FHA but you're not sure whether  
11 that was in connection with an investigation?

12 A Correct.

13 Q What was the subject matter of your communication  
14 with the FHA?

15 A It had to do with Ginnie Mae pool certifications.

16 Q Was this in connection with your employment at  
17 Countrywide?

18 A Yes.

19 Q Do you know when those meetings took place?

20 A Again, several years ago. It might have been in  
21 the 1990s. I don't know that it was an investigation.

22 Q Other than that instance, is there any other  
23 instance you can recall where you might have testified in an  
24 investigation by a Federal agency, other than the SEC?

25 MR. CALDWELL: Just to help the witness, by

19

1 "testimony" do you mean something he was doing under oath?

2 BY MS. DEAN:

3 Q Yes, or some instance where there might be a  
4 transcript.

5 A I don't believe so.

6 Q How about testimony in an investigation by any  
7 state agency?

8 A No.

9 Q Have you ever testified in any investigation by any  
10 stock exchange?

11 A No.

12 Q Let me ask you this. In connection with the  
13 disciplinary instance that you recalled related to your  
14 financial principal license, did you testify before the NASD?

15 A No.

16 Q Have you ever given any testimony before the NASD?

17 A I don't believe so.

18 Q Have you ever been named as a defendant or  
19 respondent in any action brought by the SEC?

20 A I'm not sure how the other cases  
21 characterized --

22 Q You said there was an investigation but nothing  
23 ever came of it.

24 A Right.

25 Q I'm going to assume if you had been named as a

20

1 defendant or respondent, you would know.

2 A Okay. I don't think I've ever been named.

3 Q Okay. Have you ever been named as a defendant or  
4 respondent in any action brought by any other Federal agency?

5 A Nothing that I recall.

6 Q Have you ever been named as a defendant or  
7 respondent in any action brought by any stock exchange?

8 A Not that I recall.

9 Q Other than the incident that you recounted with  
10 respect to the financial principal license, have you ever  
11 been named as a defendant or respondent in any action brought  
12 by the NASD?

13 A I don't believe so.

14 Q Have you ever been indicted, been convicted or pled  
15 guilty for any violation other than a traffic violation?

16 A No.

17 Q Have you ever filed for bankruptcy?

18 A No.

19 MS. DEAN: Counsel, for the record, the portion of  
20 the background questionnaire that we didn't just cover  
21 relates to questions 12 through 18, and I would request that  
22 you have Mr. Kurland provide the information that is  
23 requested in those particular items, all of which relate to  
24 securities' accounts and bank accounts.

25 MR. CALDWELL: We're happy to work with you on

1 that.

2 BY MS. DEAN:

3 Q Mr. Kurland, you told me that you started working  
4 at Countrywide in 1979 and that your function had something  
5 to do with operational controls. How long did you remain in  
6 that position?

7 A Not very long, in terms of that defined title.

8 Q What did you do after you ceased the operational  
9 controls' function?

10 A Shortly after I joined, I was made basically the  
11 chief financial officer.

12 Q That would have been in approximately 1980?

13 A Around that time.

14 Q How long did you remain the chief financial officer  
15 for Countrywide?

16 A Until -- it was either 1994 or 1995.

17 Q In 1994 or 1995, did your job title change?

18 A To chief operating officer.

19 Q How long were you the chief operating officer at  
20 Countrywide?

21 A Until 2006, when I left.

22 Q Were you also the president of Countrywide?

23 A Yes.

24 Q When did you become president of Countrywide?

25 A In that 1994/1995 period.



1 Q I've been using the word "Countrywide." When you  
2 were CFO, were you CFO of Countrywide Financial Corporation?

3 A There were some name changes. It used to be  
4 Countrywide Credit Industries. I believe that was my job  
5 title.

6 Q At all times when you were CFO, you were CFO of the  
7 parent, either Countrywide Credit Industries or Countrywide  
8 Financial; correct?

9 A Yes.

10 Q At all times that you were chief operating officer  
11 and president, you were chief operating officer and  
12 president of the parent, Countrywide Financial; is that  
13 right?

14 MR. CALDWELL: I think that assumes facts and  
15 misstates the testimony.

16 MS. DEAN: What did I get wrong?

17 MR. CALDWELL: Maybe it's just ambiguous. I don't  
18 think he ever said he was COO and president at the same time.

19 MS. DEAN: I think he did.

20 MR. CALDWELL: I mean CFO and president. Maybe I  
21 got it wrong. I'm sorry. Why don't you just restate it?

22 BY MS. DEAN:

23 Q Let me just clean up the record. You were CFO from  
24 1980 to approximately 1994/1995; correct?

25           A     Yes.

23

1           Q     Then you became the COO and president in 1994 or  
2     1995 and you retained that title until you left the company  
3     in 2006; correct?

4           A     I think there's like a slight variation to that in  
5     that there was a point in time, and I don't know the exact  
6     cutoff's, where Angelo Mozilo held the title of president of  
7     what was Countrywide Financial, and my title would have been  
8     something like senior managing director and chief operating  
9     officer. The president title, that changed when the  
10    chairman, Dave Loeb, left, and then Angelo became chairman  
11    and I assumed the president title. I don't remember the  
12    exact date.

13          Q     From 2004 to 2006, were you president and chief  
14    operating officer of Countrywide Financial?

15          A     Yes.

16          Q     Let's focus on the 2004 to late 2006 time period.  
17    Can you just describe for me generally what your job duties  
18    were as president and COO of Countrywide during that time  
19    period?

20          A     Operations of the company, like segments of the  
21    operations reported up to me. I provided guidance and

22 direction to the managers and to my subordinates. I  
23 directed, you know, a lot of the strategy in the  
24 organization, structure and development, and I represented  
25 the company to outsiders as well.

24

1 Q Did Loan Production report up to you as president  
2 and chief operating officer?

3 A Yes.

4 Q Did Credit Risk report up to you as president and  
5 chief operating officer?

6 A Yes.

7 Q Did the Finance Department report up to you?

8 A Yes.

9 Q How about SEC reporting, did that function also  
10 report up to you?

11 A I'm not sure how that would be characterized  
12 because the Legal Department that handled the SEC reporting  
13 interchanged over the time, and that may have reported  
14 directly to Angelo Mozilo.

15 Q Did the Legal Department report to you at any time  
16 in the 2004 to 2006 time frame?

17 A I'm not certain what the organizational structure  
18 was at that time.

19 Q In the 2004 to 2006 time period, who was your

20 direct report from the Loan Production segment? Dave Sambol?

21 A Dave Sambol.

22 Q In that same time period, who was your direct  
23 report from Credit Risk?

24 A I believe -- these structures also changed -- I  
25 believe it was John McMurray, although he may have at times

25

1 reported through the head of Secondary. I don't really  
2 recall that precise change.

3 Q Do you mean Secondary Marketing?

4 A Yes.

5 Q Who would have been the head of Secondary  
6 Marketing?

7 A That would have been -- for part of that time, it  
8 would have been Kevin Bartlett.

9 Q Did Mr. Bartlett stop being the head of Secondary  
10 Marketing at some point in 2004 to 2006?

11 A I don't remember the exact dates, but he left the  
12 company and he came back into our Correspondent Division and  
13 then we brought him back to run Secondary, back into the  
14 corporate headquarters. I'm fuzzy on the dates of when that  
15 was.

16 Q Do you think he left and came back during the 2004

17 to 2006 time period?

18 A I honestly don't have a good recall of the exact  
19 movement.

20 Q In the 2004 to 2006 time period, who was your  
21 direct report from the Finance Department?

22 A Eric Sieracki towards the end was the chief  
23 financial officer, and there may have been a period of time  
24 where there was a fellow, Keith McLaughlin, who was -- I  
25 don't recall if he left in 2004 or 2003, but he was the chief

26

1 financial officer at one time.

2 Q He was Mr. Sieracki's predecessor?

3 A Yes.

4 Q I didn't ask you this before. Did the banking unit  
5 report directly to you in the 2004 to 2006 time period?

6 A Yes.

7 Q Who was your direct report from Countrywide Bank?

8 A Carlos Garcia.

9 Q Mr. Garcia was president of the bank?

10 A He was the individual who had oversight of the  
11 banking segment. I don't recall if he would be characterized  
12 as the president of the bank.

13 Q You don't remember his title but you know he was  
14 the person who had the responsibility for the bank; is that

15 right?

16 A Yes. That segment of the company reported under  
17 Carlos. There was a fellow, Jim Furash, I want to say you  
18 might think of him technically as having been the president  
19 of the bank.

20 Q Were you on any standing committees at Countrywide  
21 during the 2004 to 2006 time period?

22 A Many.

23 Q Were you a member of the Credit Risk Committee?

24 A Yes.

25 Q Were you a member of the Asset Liability Committee?

27

1 A Yes.

2 Q Were you a member of the CERC Committee?

3 A Sounds very familiar. I'm trying to think of what  
4 that stood for.

5 Q Enterprise Risk Committee.

6 A I would have been.

7 Q Can you recall any other committees that you were  
8 on?

9 A We may have had like a Strategic Planning  
10 Committee.

11 Q Were you ever on the Countrywide Disclosure

12 Committee?

13 A I don't believe so.

14 Q Did you regularly attend meetings of the Credit  
15 Risk Committee in the 2004 to 2006 time period?

16 A Yes.

17 Q Did you regularly attend meetings of the ALCO  
18 Committee in that period?

19 A I believe so.

20 Q Did you regularly attend meetings of the Enterprise  
21 Risk Committee during that time period?

22 A I believe so.

23 Q Did you keep a calendar at Countrywide?

24 A I had an assistant that kept the calendar.

25 Q Was it an electronic calendar or paper calendar?

28

1 A Electronic.

2 Q Was it in Lotus Notes?

3 A Yes.

4 Q Mr. Kurland, what is your current employment?

5 A I am the chairman and CEO of a company called  
6 PennyMac.

7 Q What does PennyMac do?

8 A PennyMac is an entity that has an asset manager and  
9 a loan services entity. By "loan services," I mean they bill

10 to service mortgages and to fulfill on mortgage  
originations,  
11 primarily modification and restructuring of mortgage debt,  
12 and the asset manager acts as the general partner in an  
13 opportunity fund of distressed assets.

14 Q Would it be fair to say the general purpose of  
15 PennyMac is to purchase distressed assets and do  
16 modifications and restructuring?

17 A It is to purchase distressed assets and then  
18 enhance the value of those assets by in many cases doing  
19 modifications, restructure's, using the discount to help  
20 avoid foreclosure.

21 Q Is PennyMac a privately held company?

22 A Yes.

23 Q Do you have any intentions at this point of taking  
24 the company public?

25 A There's nothing underway to take the company

29

1 public.

2 Q Did you receive severance when you left  
3 Countrywide?

4 A Yes.

5 Q Are you subject to a confidentiality agreement as  
6 part of your severance package?



7 A I don't believe so.

8 Q Did you have a non-compete agreement as part of  
9 your severance?

10 A I had -- I didn't have a separate severance  
11 agreement. I am receiving severance under an employment  
12 agreement that I had in place.

13 Q Go ahead.

14 A You asked me about non-compete. I wanted to be  
15 responsive.

16 Q Is there a non-compete that's part of that  
17 employment agreement?

18 A There's language in the employment agreement as to  
19 not competing. I wouldn't characterize it as a non-compete  
20 agreement.

21 Q What is your understanding of your obligations  
22 under the language you have just identified?

23 A I don't think that I have an obligation not to  
24 work.

25 Q To your understanding, do you have an obligation

30

1 not to -- for some period of time anyway, not to directly  
2 compete with Countrywide?

3 MR. CALDWELL: You mean obligation now or did he

4 ever?

5 BY MS. DEAN:

6 Q Pursuant to the employment agreement he's  
7 identified. Was it your understanding that for some period  
8 of time, you had an obligation not to directly compete with  
9 Countrywide?

10 A I tried to understand the enforceability of the  
11 language in my employment agreement, and my understanding of  
12 it, and I'm not an attorney, but what's been communicated to  
13 me is that it's not enforceable.

14 MR. CALDWELL: Let me remind you not to disclose  
15 attorney/client communications.

16 BY MS. DEAN:

17 Q I just want to kind of clear up the record. There  
18 is something in your employment agreement which may or may  
19 not be an enforceable covenant not to compete; is that right?

20 A I think that's a fair way to characterize it.

21 Q Is there also in that employment agreement a  
22 requirement that you maintain confidentiality with respect to  
23 Countrywide?

24 A I am not sure.

25 Q Did you sign a separate confidentiality agreement

1 when you left Countrywide?

2 A No.

3 Q How much was your severance package from  
4 Countrywide?

5 MR. CALDWELL: Objection. I think it assumes facts  
6 and mistakes his testimony, but go ahead.

7 THE WITNESS: I didn't have a severance agreement.

8 BY MS. DEAN:

9 Q You had an employment agreement pursuant to which  
10 you are receiving severance?

11 A Yes.

12 Q How much severance are you receiving?

13 A I'm receiving two years of compensation, of salary,  
14 and the equivalent of two years of bonus based on the last  
15 year prior to my leaving.

16 Q Were those amounts payable in a lump sum or were  
17 they payable over time?

18 A The base salary was paid semi-monthly, and the  
19 bonuses were paid annually.

20 Q You received a bonus payment at year end 2006 and  
21 again at year end 2007?

22 A I would have received -- I'm a little cloudy on  
23 actually when those payoff's -- payments were made. I think  
24 in 2007, there was a bonus payment made, and then there's  
25 another bonus payment that is due at the end of -- I think

1 it's due actually in January of 2009.

2 Q How much are the bonus payments?

3 MR. CALDWELL: Which one are you referring to,  
4 counsel?

5 MS. DEAN: He said it's based on his last year.

6 BY MS. DEAN:

7 Q Are they different?

8 A Yes, because this last payment is for kind of a  
9 stub period, nine months or something, and I think it's  
10 around \$5 million.

11 Q The one that's due in January 2009, you think is \$5  
12 million?

13 A Around \$5 million.

14 Q Approximately \$5 million. What was the payment you  
15 received for 2007?

16 A I'm just going to give you an estimate. I don't  
17 remember the exact amount, but it would have been around \$7  
18 million.

19 Q What was your base salary your last year at  
20 Countrywide?

21 A It was \$1,750,000.

22 MR. CALDWELL: Can we take a real short break?

23 MS. DEAN: Sure. Let's go off the record.

24 (A brief recess was taken.)

25 MS. DEAN: We're back on the record.

1 BY MS. DEAN:

2 Q Mr. Kurland, do you recall in the 2004 time period  
3 ever having any discussions with anyone at Countrywide about  
4 the fact that underwriting guidelines were loosening across  
5 the mortgage industry?

6 A I don't recall a specific conversation.

7 Q Were you generally speaking aware that underwriting  
8 guidelines were in fact loosening in the mortgage industry in  
9 the 2004/2005 time period?

10 A The underwriting standards, I was aware there was a  
11 lot of changes to products and standards; yes.

12 Q By "changes," would that include such things as  
13 writing more loan products that were based on reduced  
14 documentation?

15 MR. CALDWELL: You're talking about the same period  
16 again?

17 MS. DEAN: Yes.

18 THE WITNESS: That time period being?

19 BY MS. DEAN:

20 Q Just generally, I'm focused on the 2004 to 2006  
21 time period. In that time period, were you generally  
22 speaking aware that industry-wide, more loans were being

23 written based on reduced documentation?

24 A Yes.

25 Q And was that also true for Countrywide?

34

1 A I believe so.

2 Q Was Countrywide also writing loans in that time  
3 period -- strike that. Did you ever have any conversations  
4 with John McMurray about the fact that he believed  
5 Countrywide was taking on additional credit risk during this  
6 time period?

7 A I had a variety of dialogue in that time period  
8 with John, and I couldn't like specifically --

9 Q I'm just asking generally speaking, do you recall  
10 discussing with the chief credit officer the fact that  
11 Countrywide was taking on additional credit risk during the  
12 2004 to 2006 time frame?

13 A I don't have like -- I can't generalize it like  
14 that. We had so many different discussions about credit and  
15 about programs, so I couldn't characterize it as there being  
16 -- that Countrywide was taking on additional credit risk.

17 Q Were you familiar generally speaking with a  
18 Countrywide strategy in which Countrywide would match loan  
19 programs that were being offered by its competitors?

20 A I wouldn't -- I couldn't characterize Countrywide's

21 strategy the way you have. Like if there's a general  
22 matching strategy, I'm not familiar with that.

23 Q To your knowledge, did Countrywide match products  
24 that were being offered by its competitors?

25 MR. CALDWELL: Are we talking about ever or in the

35

1 same time frame again?

2 MS. DEAN: Same time frame.

3 THE WITNESS: The company monitored what programs  
4 were in the marketplace and looked to be competitive in  
5 programs.

6 BY MS. DEAN:

7 Q And it would match programs that were being  
offered  
8 by competitors?

9 A I don't know that you could say they matched  
10 programs.

11 Q You've never heard of a strategy at Countrywide  
12 called the "matching strategy?"

13 A No.

14 Q Mr. McMurray never told you that he thought the  
15 matching strategy would lead to Countrywide having broader  
16 underwriting guidelines than its competitors?

17 MR. CALDWELL: In those exact words, counsel?

18 BY MS. DEAN:

19 Q In sum or substance. Did Mr. McMurray ever tell  
20 you that he thought Countrywide's matching strategy would  
21 lead to Countrywide having wider underwriting guidelines than  
22 its competitors?

23 MR. CALDWELL: Objection; ambiguous.

24 THE WITNESS: I don't have -- I can't tell you  
25 specifically that I remember John saying that or even, you

36

1 know, generally that dialogue.

2 BY MS. DEAN:

3 Q You said there was a process where Countrywide  
4 would monitor what the competition was doing. Who would have  
5 been responsible for doing that?

6 A Generally, that fell under the Production  
Division.

7 We had a process for determining what programs were being  
8 offered in the marketplace.

9 Q If the Production Department determined that a  
10 program was being offered in the marketplace that Countrywide  
11 was not offering, was there a process by which the guidelines  
12 would be changed so that Countrywide could offer that  
13 product?

14 A There was a process for proposing programs that,



15 you know, went through a product administration area and the  
16 credit area. Loan programs could and did -- there were new  
17 programs that were offered as a result of that process. I  
18 just can't tell you that they were matched, you know, the way  
19 you're characterizing it.

20 Q That wasn't my question. My question was was there  
21 a process and you said there was. My next question is can  
22 you describe for me what the process was?

23 A I wasn't involved in the specifics of the process,  
24 so what I've told you generally is what occurred.

25 Q There has been some testimony that the process

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1 generally speaking was that Product Leadership would propose  
2 changes based on what was going on in the marketplace, and  
3 that the Credit Risk Group under Mr. McMurray would have an  
4 opportunity to comment on credit risk. In the event that  
5 Product Leadership and Credit Risk disagreed, was there a  
6 process to your knowledge whereby that disagreement was  
7 resolved?

8 A If there was at some point in the process this  
9 disagreement, I would be the one that resolved the  
10 differences.

11 Q At some point, if the Production Division and the

12 Credit Risk Division couldn't resolve the issue, it would be  
13 escalated up to the level of the chief operating officer?

14 A I believe that was the set of standards, something  
15 like that.

16 Q In connection with that process, did Mr. McMurray  
17 ever tell you that he believed Countrywide was taking on  
18 additional credit risk?

19 A I don't recall that.

20 Q Mr. Kurland, I'm handing you what has been marked  
21 as Exhibit 838.

22 (SEC Exhibit No. 838 was marked for  
23 identification.)

24 BY MS. DEAN:

25 Q For the record, it is a multiple page e-mail

38

1 string, Bates stamped CFC2007H362513 through 516. The e-mail  
2 at the top of the first page is from Angelo Mozilo to John  
3 McMurray dated December 5, 2004, and the "Re" line is  
4 "Comparison of the WaMu Subprime First Portfolio." You are  
5 identified as a recipient of this e-mail string starting  
6 immediately below Mr. McMurray's e-mail to -- Mr. Mozilo's e-  
7 mail to Mr. McMurray. There is a December 5, 2004 e-mail  
8 from Mr. McMurray to Angelo Mozilo and Stan Kurland. Have  
9 you seen the portion of Exhibit 838 starting with the e-mail

10 that was sent to you by Mr. McMurray? Previously, I mean.

11 A I don't recall.

12 Q Did you have an e-mail address at Countrywide?

13 A Yes.

14 Q Can you tell me what that e-mail address was?

15 A It was, I think, Stan\_Kurland@countrywide.com.

16 Q Was it your practice to read e-mails that were sent  
17 to you at Countrywide?

18 A I read many of the e-mails that were sent to me. I  
19 didn't read all of them. I'm not saying I didn't read this  
20 one. I just don't recall it.

21 Q I understand. This particular e-mail string seems  
22 to have to do with a question about a subservicing  
portfolio.

23 Can you explain to me what a "subservicing portfolio" would  
24 be at Countrywide?

25 A I need a second to either read this or I could just

39

1 respond.

2 Q Take all the time you need.

3 A Okay.

4 Q You've had an opportunity to review Exhibit 838.

5 My original question is can you explain to me what a

6 "subservicing portfolio" is as referenced in Exhibit 838?

7           A     This is referring to a relationship that  
8     Countrywide had with WaMu whereby they had loans that they  
9     had originated and rather than servicing them themselves,  
10    they had contracted with other servicers, and that was a  
11    subservicing relationship that I believe this is referring  
12    to.

13          Q     If Countrywide was subservicing loans originated by  
14    Washington Mutual, was Countrywide receiving a fee for doing  
15    that?

16          A     Yes.

17          Q     Did Washington Mutual retain any interest in the  
18    portfolio that was being subserviced?

19          A     Yes, they would have been probably the owner of the  
20    loans. They were just contracting.

21          Q     Would the risk of default have been with Washington  
22    Mutual or with Countrywide?

23          A     Washington Mutual.

24          Q     Mr. Kurland, I'm handing you what was previously  
25    marked as Exhibit 200. Exhibit 200 is Bates stamped

40

1     JPM000969 through 976. The e-mail at the top of the first  
2     page is from John McMurray to Jeff Lederman dated September  
3     7, 2007, and the "Re" line is "Credit Risk." Mr. Kurland,

4 again, you're the recipient of the e-mail immediately below  
5 that one, which was actually written by Mr. McMurray and  
6 addressed to Nick Krsnich and yourself on July 26, 2005.  
7 Have you ever seen Exhibit 200 before?

8 MR. CALDWELL: Just we can clarify, it's actually  
9 cc'ed to Mr. Kurland. It's not addressed to him.

10 MS. DEAN: Okay.

11 THE WITNESS: I assume that I received it. I don't  
12 recall it.

13 BY MS. DEAN:

14 Q You don't specifically recall it, but do you have  
15 any reason to believe that you didn't receive it?

16 A I don't.

17 Q Mr. McMurray's e-mail, in the e-mail that he wrote  
18 on July 26, 2005 to Nick Krsnich and yourself, one of the  
19 first things he writes is "As a follow up to this morning's  
20 discussion, I wanted to forward a copy of an e-mail I put  
21 together late last year for Keith." Would the "Keith" in  
22 that circumstance be Keith McLaughlin?

23 MR. CALDWELL: Objection; calls for speculation and  
24 also again misstates the document.

25 THE WITNESS: The document that you gave me, it is

1 addressed to Keith McLaughlin. There's a catch to this.

2 BY MS. DEAN:

3 Q This is a simple question. I just wanted to know  
4 if you think the "Keith" in the e-mail is Keith McLaughlin;  
5 is that right? Do you think that?

6 A There's a possibility that this "Keith" could be --  
7 there was a Board member on the bank -- I'm forgetting his  
8 last name at the moment -- his name was Keith as well.  
9 They're referring to the bank, so it's possible that they're  
10 referring to this Board member of the bank.

11 Q Okay. Whether it was Mr. McLaughlin or this Board  
12 member whose name you can't recall --

13 A Well, his first name was Keith.

14 Q Okay. Apparently, that individual had asked Mr.  
15 McMurray whether or not credit risk at Countrywide was  
16 increasing or decreasing, and it looks like Mr. McMurray  
17 prepared the e-mail that is dated September 9, 2004, which  
18 starts at the middle of the page, and responds to that  
19 question. What I want to focus on is actually Mr. McMurray's  
20 e-mail to Mr. McLaughlin that's dated September 9, 2004. Do  
21 you recall reading this particular e-mail?

22 A I don't.

23 Q If Mr. McMurray wrote you an e-mail in his capacity  
24 as chief credit risk officer in which he has informed you  
25 that he thought credit risk was increasing, would that be

1 something that you would have considered pertinent to your  
2 job duties at Countrywide?

3 MR. CALDWELL: Objection. In reference to this  
4 document, it misstates the document again.

5 BY MS. DEAN:

6 Q It was a general question. If Mr. McMurray in his  
7 capacity as chief credit risk officer wrote you an e-mail in  
8 which he said credit risk is increasing, would that be a fact  
9 that you would consider pertinent to your job duties as chief  
10 operating officer?

11 A Yes.

12 Q Do you recall having any discussions with Mr.  
13 McMurray in either 2004 or 2005 in which he informed you that  
14 credit risk was increasing at Countrywide?

15 A I don't recall a specific discussion like that.

16 Q Do you have any reason to believe you did not in  
17 fact receive the e-mail that has been marked as Exhibit 200?

18 MR. CALDWELL: Asked and answered.

19 THE WITNESS: I'm sorry?

20 MS. DEAN: You can answer.

21 MR. CALDWELL: You can answer. Counsel,  
22 presumably, not including the very top e-mail?

23 MS. DEAN: Sure.

24 THE WITNESS: I have no recall of this whatsoever.

25 BY MS. DEAN:

1           Q     Let's focus on some of the specific comments that  
2     Mr. McMurray made. In the e-mail that he forwarded to you on  
3     July 26, 2005, he wrote at the bottom of the first page that  
4     he believed credit risk was increasing. Separate and apart  
5     from recalling whether you received this e-mail, generally  
6     speaking, in 2005, were you aware that Countrywide's credit  
7     risk was increasing?

8           A     No.

9           Q     If you turn to the second page of Exhibit 200, Mr.  
10    McMurray provides some reasons why he thinks credit risk is  
11    increasing. The first of them on this page is at II, and he  
12    indicates that he thinks the economic environment for credit  
13    risk was deteriorating, and he provides three reasons for  
14    that, having to do with home price appreciation, interest  
15    rates, and credit spreads. Do you see that?

16          A     Yes. You're referring to this memo from 2004?

17          Q     Yes. I'm just asking you if you see the reason  
18    that's provided there. I'm just asking if you see the text.

19          A     I do.

20          Q     In the 2005 time period, were you aware that the  
21    economic environment for credit risk was deteriorating?

22          A     I don't believe so.



23 Q III of Mr. McMurray's e-mail on the second page, he  
24 indicates that he believed loan quality throughout the  
25 primary market was deteriorating.

44

1 A Where are you?

2 Q III. He provides two reasons for that, his comment  
3 that loan quality was deteriorating. The first of those is  
4 that he believed underwriting standards have become more  
5 aggressive, and the second of those is that loans were being  
6 originated under riskier loan programs. Do you see that?

7 A I do.

8 Q Did Mr. McMurray ever communicate those -- do you  
9 recall Mr. McMurray ever telling you that he believed loan  
10 quality throughout the primary market was deteriorating in  
11 the 2005 time period?

12 A I don't recall that.

13 Q Aside from a conversation you might have had with  
14 Mr. McMurray, were you generally speaking aware that  
15 underwriting standards had become more aggressive and that  
16 loans were being originated under riskier loan programs?

17 MR. CALDWELL: Ambiguous as to time.

18 BY MS. DEAN:

19 Q In 2005.

20 A What I was aware of was that loan programs were

21 changing and that underwriting in general for the industry  
22 had for a while been going through, you know, changes. I  
23 don't recall what my reaction or beliefs at that time were.

24 Q Were you aware generally speaking that Countrywide  
25 was writing more adjustable rate mortgages in 2005 than it

45

1 had in prior periods?

2 A That sounds right to me. I don't have like a  
3 specific date at which ARM loans were increasing.

4 Q Were you aware generally speaking that Countrywide  
5 was writing more loans that had higher loan to values than it  
6 had in prior periods?

7 MR. CALDWELL: This is 2005 again, counsel?

8 MS. DEAN: Yes.

9 THE WITNESS: My general recall, you know, would  
10 have been that the industry was moving to higher LTVs.

11 BY MS. DEAN:

12 Q And Countrywide was moving along with the industry  
13 into writing higher LTV loans?

14 A I believe so.

15 BY MR. WYNN:

16 Q Mr. Kurland, in 2005, are you aware that  
17 Countrywide's underwriting guidelines had expanded

18 significantly?

19 A I don't recall.

20 Q You don't recall if you were aware or you don't  
21 recall if they had expanded significantly?

22 A I don't recall that they had expanded  
23 significantly.

24 Q At any point in time during your tenure at  
25 Countrywide, did you ever become aware that underwriting

46

1 guidelines expanded significantly when compared to the past?

2 A Underwriting had changed over the course of many  
3 years. I would be aware that there was a change in the  
4 methodology of underwriting loans. At any time in the past,  
5 there was a different way to underwrite a loan, you know, in  
6 2005 than in 1979.

7 Q With respect to your entire tenure at Countrywide,  
8 can you identify a period of time at which underwriting  
9 guidelines were expanded significantly?

10 MR. CALDWELL: I'm going to object as ambiguous.

11 THE WITNESS: I can't point to a specific time  
12 where there was an expansion of underwriting guidelines. It  
13 was a very evolutionary process of changes that was made over  
14 the years to how loans were underwritten.

15 BY MR. WYNN:

16 Q Mr. Kurland, is it your position that the expansion  
17 of Countrywide's underwriting guidelines that occurred  
18 between January 2003 and say August 2007 was not significant  
19 when compared to Countrywide's underwriting guidelines  
20 historically before that time period?

21 MR. CALDWELL: Lacks foundation as to this witness  
22 and also ambiguous.

23 THE WITNESS: I left in 2006. With regard to any  
24 change in underwriting guidelines, I have absolutely no idea  
25 what took place. Again, with regard to underwriting in

47

1 general, the process and the loan programs changed over time.

2 BY MS. DEAN:

3 Q Let's turn to page four of Exhibit 200, the one  
4 that ends in Bates stamp 972 at the bottom of the page. This  
5 is an expansion of Mr. McMurray's outline that we were just  
6 looking at on the second page, III, in the middle of the  
7 page, on "Loan Quality." He attempts to show statistics on  
8 the comment that he made about loan quality. Just looking at  
9 loan to values, which is "A" under III, Mr. McMurray notes  
10 that the percentage of fundings with combined loans to value  
11 were greater than 95 percent in July of 2002, and 15 percent  
12 of Countrywide's HELOCs had loans to value of greater than 95

13 percent, and by July of 2004, it was 23 percent. Do you see  
14 that?

15 A I do.

16 Q Were you generally speaking aware of the fact that  
17 Countrywide was writing a larger percentage of home equity  
18 loans with combined loan to values of greater than 95 percent  
19 in the 2005 time period?

20 A I don't recall.

21 Q The second line of that chart that Mr. McMurray  
22 prepared is headed "BC Seconds." Do you see that?

23 A Yes.

24 Q Is "BC" another way of referring to subprime?

25 A Yes.

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1 Q For subprime seconds, it looks like percentage of  
2 funding greater than 95 percent, combined loan to value, went  
3 from 68 percent in July of 2002 to 89 percent in July of  
4 2004. Do you see that?

5 A I do.

6 Q Generally speaking, were you aware of that  
7 statistic in the 2005 time period?

8 A I don't recall.

9 Q Mr. McMurray also provides detail with respect to  
10 adjustable rate mortgages under "B." In July of 2003,

11 convention loan fundings at Countrywide, 85 percent of them,  
12 according to Mr. McMurray's e-mail, were fixed rate loans,  
13 and in July of 2004, only 50 percent of the loans were fixed  
14 rate loans. Do you see that?

15 A I see that.

16 Q Were you aware of that fact in 2005?

17 A This is a change. I don't recall, you know, being  
18 specifically aware of these percentages, but you know,  
19 there's a shift between fixed and ARMs that take place.

20 Q Even though you may not have known the exact  
21 percentage, you knew that Countrywide was writing more ARM  
22 loans in 2004 and 2005 than it had written in 2003 and 2002?

23 A It sounds like that's accurate. I don't have a  
24 specific recall that you're asking me.

25 Q If you look at "C" of Mr. McMurray's e-mail on the

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1 page ending in 972, he provides some statistics about  
2 interest only loans. In July of 2002, one percent of  
3 Countrywide's originations for interest only loans -- strike  
4 that. In July of 2002, it appears that only one percent of  
5 Countrywide's conventional originations were interest only,  
6 and by July of 2004, that was 23 percent. Do you see that?

7 A I do.

8 Q Were you generally speaking aware of the fact that  
9 Countrywide was writing significantly more interest only  
10 loans in 2004 than it had been writing in 2002?

11 A I don't recall that specific comparison of 2002 to  
12 2004.

13 Q Without recalling the specific percentages, were  
14 you generally speaking aware that Countrywide was writing  
15 more interest only loans in 2004 than it had written in 2002?

16 A I don't recall that I was aware of the thinking in  
17 2004.

18 Q The second line of that same chart on the interest  
19 only indicates that in July of 2002, Countrywide originated  
20 zero subprime loans on an interest only basis, but by July of  
21 2004, 24 percent of its subprime originations were interest  
22 only. Do you see that?

23 A I do.

24 Q Were you aware that Countrywide was writing 24  
25 percent more subprime interest only loans in 2004 than it had

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1 been writing in 2002?

2 A I don't recall that.

3 Q Letter "D" that starts at the bottom of the page  
4 that ends in 982 and goes onto the next page, Mr. McMurray  
5 provides some detail about low and no documentation loans.

6 Just looking at the conventional chart, which is the one on  
7 the left, on the left-hand column, there's some things  
8 identified there as "full alt," is that full documentation  
9 loan or full or alternate documentation loan? Would that be  
10 your understanding?

11 A I just know what's written here.

12 Q Are you familiar with the phrase "full/alt" as it  
13 refers to documentation type?

14 A Yes.

15 Q What does it mean?

16 A Full doc would have been loans that were  
17 traditionally underwritten to the full documentation process,  
18 verification of income and assets, you know. Alternative  
19 documentation could be a variety, variation, but not full  
20 doc.

21 Q Were you familiar with the "Fast and Easy Program"  
22 at Countrywide?

23 A Yes, I recall Fast and Easy.

24 Q Can you tell me what that was?

25 A What I recall was a program that particularly was

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1 built around refinancing mortgages in the portfolio that had  
2 kind of streamlined documentation features to it.



3 Q It was an alternative documentation type loan; is  
4 that right?

5 A Yes. I think this was a program that was approved  
6 by Fannie Mae. That's kind of what I recall.

7 Q The loans were originated under that program based  
8 on less full documentation; correct?

9 A Streamlined; yes.

10 Q Were you familiar with the Fast Track Program at  
11 Countrywide?

12 A You know, I vaguely recall that. I'm not sure. I  
13 couldn't describe the program.

14 Q Was it a reduced documentation program?

15 A I really don't recall.

16 Q Let's focus on the reduced line on this chart that  
17 Mr. McMurray prepared. It appears that in July of 2002, 2  
18 percent of Countrywide's conventional originations were based  
19 on reduced documentation and by July of 2004, that was 16  
20 percent of Countrywide's conventional originations. Were you  
21 generally speaking aware of that statistic in the 2005 time  
22 period?

23 A I can't recall what I was thinking or aware of in  
24 2004.

25 Q Were you aware that Countrywide was writing more

1 loans based on reduced documentation in 2005?

2 A In 2005?

3 Q Yes.

4 MR. CALDWELL: Objection; incomplete comparison.

5 THE WITNESS: I'm not certain what I was aware of.

6 I can tell you generally that underwriting had become more --

7 there had been changes in underwriting guides and it was a

8 more accepted practice to have reduced doc loans.

9 BY MS. DEAN:

10 Q Are you familiar with the concept of "layered risk"

11 as it relates to mortgage underwriting?

12 A I'm familiar with the concept.

13 Q Can you tell me what it means?

14 A Generally, it would be taking attributes of loans

15 that individually might represent a risk and then stacking

16 those, having a loan with multiple types of risk attributes.

17 Q If you look at the page of Exhibit 200 that ends in

18 973, item I, it's the second to last paragraph at the bottom

19 of the page, Mr. McMurray makes the comment in this e-mail

20 that "We are seeing more loans with layered risk factors."

21 Do you see that?

22 A Yes, I do.

23 Q Then he provides an example, which is high CLTV

24 plus low documentation plus weak FICO. Were you generally

25 speaking aware in the 2005 time period that Countrywide was

1 writing more loans that had layered risk factors?

2 A I don't recall what I was aware of.

3 Q The last thing that Mr. McMurray writes on that  
4 page Bates stamped 973 is IV, and the heading is "Loan Mix."  
5 He notes that an increasing portion of the production at  
6 Countrywide was HELOCs and subprime loans which required  
7 Countrywide to retain at least some significant portion of  
8 credit risk. Do you see that?

9 A Yes.

10 Q Were you aware in 2005 that an increasing portion  
11 of Countrywide's production of loans were HELOCs and subprime  
12 loans?

13 A I'm not sure of the proportions of prime to  
14 subprime.

15 Q Leaving out subprime then, what about the  
16 representation that Countrywide was writing more HELOC loans  
17 than it had in the past? Were you generally speaking aware  
18 of that fact?

19 A Generally aware that it was a product that had  
20 grown over the years from when it was first released and it  
21 was again a more popular program. I simply cannot tell you,  
22 you know, proportions and give you an absolute answer to your  
23 question.

24 Q You told me that in the event of a dispute between

25 Credit Risk and Product Leadership with respect to the

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1 introduction of a new program that there were some instances  
2 where you were called upon to resolve the dispute; is that  
3 right?

4 MR. CALDWELL: I think that misstates the  
5 testimony. You can answer whether or not it's accurate.

6 THE WITNESS: What I recall is there was a process  
7 that went up through Credit and there was a point at which if  
8 there was a disagreement that they would bring the issues.

9 BY MS. DEAN:

10 Q Do you recall any specific instance where that  
11 occurred?

12 A I don't recall, you know, the specifics that I can  
13 tell you off the top of my head, but the company was  
14 organized that if there was a difference, I'm sure there were  
15 cases that they brought to me. I just don't know off the top  
16 of my head. I can't give you an example.

17 Q Generally speaking, was it your perception in the  
18 2005 time period that Product Leadership was pushing to  
19 expand underwriting guidelines?

20 A Production is basically always pushing to expand.  
21 You know, whether it was 2005 or 2004 or 2003 or 1980, in my

22 view, Production was always pushing.

23 Q Would you say there was tension between the  
24 Production Division's desire to expand underwriting  
25 guidelines and Credit Risk's desire to manage credit risk?

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1 A As I said, I think in my history in mortgage  
2 banking, there was always a tension or a push, as it should  
3 be. There should be a balance.

4 Q To your recollection, was that tension increasing  
5 in the 2005 time period?

6 A My feeling on that was there was a lot of tension.

7 Q There was a lot of?

8 A A lot of tension, heightened tension, as you  
9 indicated.

10 Q How did you perceive your role with respect to  
11 resolving any differences between Credit Risk and Production?

12 A Well, you know, ultimately I would evaluate, and as  
13 we discussed, if there was an issue that had to be  
14 arbitrated, I would do that. I tried to give direction and  
15 guidance and support to both areas in terms of pursuing  
16 business initiatives and balancing that with appropriate  
17 review of credit and underwriting standards.

18 Q Did you perceive of your role in the 2005-2006 time  
19 period as one in which you were attempting to reign in the

20 aggressiveness of the production side of the business?

21 MR. CALDWELL: Assumes facts and over broad as to  
22 time.

23 BY MS. DEAN:

24 Q You can answer.

25 A In the period of time in 2006 that I was there and

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1 active, and then in 2005 -- can you rephrase your question?

2 I want to make sure I'm answering.

3 Q Were you trying to reign in the Production Division  
4 in terms of guideline expansion in 2005?

5 A I think, you know, as we talked, I think there was  
6 greater tension over products, and so my activities would  
7 have been to try to reduce what credit risk we were exposed  
8 to. I don't think that it's really any different than other  
9 years, other than that I think there was a more forceful  
10 attitude coming out of Production.

11 Q What did you attribute that more forceful attitude  
12 to?

13 A I think there had been a lot of success with the  
14 initiation of programs, you know, there was kind of a  
15 significant confidence that had been built up around new  
16 products and programs. Just the feeling, that they felt

17 somewhat empowered to keep pushing on expanding programs.

18 BY MR. WYNN:

19 Q Why do you think they were empowered?

20 MR. CALDWELL: Calls for speculation. Go ahead.

21 THE WITNESS: I was just giving you what my  
22 feelings were, that they felt they had successfully expanded  
23 the product menu and that had worked for them, and they had a  
24 build up in kind of their attitude or their confidence around  
25 programs. This is my sense. Tension isn't something that can

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1 be measured. It's a feeling of how forcefully people are  
2 pursuing or trying to get products expanded.

3 BY MS. DEAN:

4 Q When you say they were successful in terms of  
5 getting new products on the menu, if you will, was part of  
6 what was driving the desire to expand the guidelines the  
7 ability of Secondary Marketing to sell these products into  
8 the secondary market?

9 MR. CALDWELL: Calls for speculation; over broad.

10 THE WITNESS: I don't think that product expansion  
11 is pushed by Secondary Marketing.

12 BY MS. DEAN:

13 Q What was driving it? That's what we're trying to  
14 get at. You said they felt empowered because they were

15 successful in getting new products, and I'm just trying to  
16 get at what was the driver of that, what caused the desire to  
17 expand the guidelines, if you know?

18 MR. CALDWELL: Calls for speculation.

19 THE WITNESS: In a Loan Production Division, we're  
20 talking about tension between Loan Production and Credit,  
21 loan producers want to produce more loans. It's their  
22 driving initiative.

23 BY MS. DEAN:

24 Q Their compensation was based on the volume of  
25 production?

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1 A You know, compensation plans would vary in the  
2 Production Divisions between profitability and volume.  
3 There's a variety of compensation programs.

4 Q Generally speaking, if you're in the Loan  
5 Production Division, writing more loans is considered a good  
6 thing; correct? Either because you get increased  
7 compensation or because you're perceived as being a good  
8 producer?

9 A I think that's fair.

10 BY MR. WYNN:

11 Q Mr. Kurland, if you could take a look at Exhibit



12 200, page 973, there's a heading H, for "Origination  
13 Process." Do you see that?

14 A Yes.

15 Q Item one is "Loan Officers."

16 A Yes.

17 Q If could read that item one and let me know when  
18 you're finished.

19 A Just item one?

20 Q Yes.

21 A Okay.

22 Q Can you tell me what "EHLIC" is?

23 A That's a home loan something. I'm trying to  
24 remember what the acronym stands for. I think it refers to  
25 basically the loan officers, the sales people within the

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1 branches.

2 Q According to testimony I've heard in this case, for  
3 most of Countrywide's history, sales people were not  
4 commissioned, there were no commissioned loan officers or  
5 brokers, and that the policy had been supported by Mr.  
6 Mozilo. Is that correct?

7 A First of all, there's a distinction between loan  
8 officer and a broker. The characterization that you're  
9 referring to, asking me to answer, isn't correct. There was

10 a long period of time where the branch personnel -- their  
11 incentive compensation was bonus based upon the activities or  
12 income of the branch, and that had changed to a more direct  
13 commission program for sales people.

14 Q When did that change?

15 A I don't recall the precise time, but it changed.

16 Q Did you support that change?

17 A I supported the expansion of our sales force.

18 Q Did you support the change from having the sales  
19 force have a bonus based upon overall profits to a more  
20 commission based system of compensation?

21 A I did.

22 Q Why did you support that?

23 A You know, it was a very significant strategy issue  
24 in terms of mortgage originations and what had transpired in  
25 the marketplace in terms of the capability to reach customers

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1 and certain technology changes that had occurred in the  
2 industry that basically made the old model very limited in  
3 terms of its scope and reach. I'm telling you there are a  
4 lot of complexities that go into why that was deemed to be  
5 appropriate, but there was considerable assessment of the  
6 change and the reason for the different methodology.

7 Q Can you identify any of the reasons that led you to  
8 support the move to a commission based sales force?

9 A The system that the company had in place was  
10 basically a loan office with a few people in it, a branch  
11 manager and some processing/operational people, and with the  
12 advent of computers and laptops, its reach to the consumer  
13 was very limited, if you just had a process where you had a  
14 profitability that was based solely on the performance of the  
15 branch, and you couldn't expand the reach of that branch, so  
16 Countrywide really couldn't compete any longer in terms of  
17 expanding its presence in a community if it had stayed with  
18 its old strategy unless it built many, many thousands of  
19 branches. The strategy or what drove to the strategy to move  
20 to a more typical loan officer structure was to broaden the  
21 reach of the retail offices.

22 Q How would moving to a commission based system  
23 expand the reach of a retail office?

24 A You could hire loan officers that could go out to  
25 the real estate agents and brokers that were in the community

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1 and expand the position and relationships, driving mortgages,  
2 as opposed to the old style, which was basically a branch  
3 manager and some processing people who were basically  
4 isolated to the office.

5 Q Is it correct that Mr. Mozilo opposed the new  
6 commission based system?

7 A I would say if you're talking about in this last  
8 change -- Countrywide went from commission to non-commission  
9 and then back to commission. I don't think it would be fair  
10 for me to characterize whether he opposed or not. If he  
11 opposed it, it wouldn't have been done.

12 Q Do you recall any reasons voiced in opposition to  
13 moving to a commission based sales force?

14 A The general concern of a typical loan officer  
15 structure is that really control the business, their business  
16 activities, and it was customary in the industry that loan  
17 officers would up and leave and take a whole group to another  
18 lender. That was one of the strong negative's in the kind of  
19 history of loan officers. Basically, the industry operated  
20 with loan officers not the way that Countrywide had  
21 previously.

22 BY MS. DEAN:

23 Q Mr. Kurland, I'm handing you what has previously  
24 been marked Exhibit 239, which for the record is a multi-page  
25 document Bates stamped JPM000126 through 172. The title on

1 the first page is "Countrywide Financial Corporate Credit

2 Risk Committee, March 21, 2005." Have you ever seen Exhibit  
3 239 before?

4 A I don't know.

5 Q Mr. McMurray testified that he prepared reports  
6 like Exhibit 239 and handed them out or distributed them at  
7 Credit Risk Committee meetings. Regardless of whether you've  
8 seen this particular report before, do you remember seeing  
9 reports of this general nature at Credit Risk Committee  
10 meetings?

11 A I believe so.

12 Q If you turn to page 17 of the document, it's the  
13 one that ends in Bates stamp 142, the chart that is on this  
14 page is headed "Stated Documentation Products, Documentation  
15 Charting Total Funding." Have you ever seen a chart like the  
16 one that is contained on page 17 of Exhibit 239?

17 A Probably.

18 Q As part of his function as credit risk officer, Mr.  
19 McMurray would prepare for the Credit Risk Committee  
20 information about trends with respect to documentation types  
21 on loans; is that right?

22 A Yes.

23 Q Would those trends be discussed at the Credit Risk  
24 Committee meetings?

25 A He would generally report and walk people through

1 parts of his report.

2 Q You recall being at meetings in 2005 in which Mr.  
3 McMurray reported on the trend with respect to the percentage  
4 of loans that were being originated based on various  
5 documentation types; is that right?

6 A I think so.

7 Q Mr. Kurland, I've handed you what has been marked  
8 as Exhibit 839.

9 (SEC Exhibit No. 839 was marked for  
10 identification.)

11 BY MS. DEAN:

12 Q Exhibit 839 is a multiple page document Bates  
13 stamped CFC2007I058679 through 681, and the e-mail at the top  
14 of the first page is from Angelo Mozilo to Stan Kurland, and  
15 it's dated March 29, 2005, and the "Re" line is "Governance  
16 and Risk Oversight." Mr. Kurland, have you ever seen Exhibit  
17 839 before?

18 A Can I have a second to look at it?

19 Q Sure.

20 A Okay.

21 Q Have you ever seen Exhibit 839 before?

22 A I think so.

23 Q Did you write the e-mail that is immediately below  
24 that is addressed to managing directors at Countrywide?

25 A Yes.

1 Q What was the purpose of your e-mail to the managing  
2 directors on March 29, 2005?

3 A It was, you know, really trying to lay out for  
4 them how the governance and oversight of the company was  
5 organized and how different kind of subcommittees fell under  
6 that, you know, basic structure.

7 Q One of the things that you identify in your e-mail  
8 is you say there are two new risk committees that have been  
9 created, the Executive Risk Committee and the Operational  
10 Risk Committee. That's in the first paragraph. Was it your  
11 idea to create those two risk committees?

12 A I would assume so.

13 Q Was Mr. Mozilo supportive of your efforts to  
14 formalize the governance structure by creating the Executive  
15 Risk Committee and the Operational Risk Committee?

16 A I don't know.

17 Q And why is that?

18 A My sense. I don't know if he was being supportive  
19 or not.

20 Q Was he ever explicitly not supportive?

21 MR. CALDWELL: Of these particular two committees?  
22 Is that what you're talking about?

23 MS. DEAN: Yes.

24 THE WITNESS: I don't think that he was explicitly  
25 ever non-supportive.

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1 BY MS. DEAN:

2 Q I'm curious about your answer when you say you  
3 don't know if he was supportive or not. How active a role  
4 was Mr. Mozilo taking in the management of the company in the  
5 March 2005 time period?

6 MR. CALDWELL: Over broad; vague.

7 THE WITNESS: He was the CEO of the company. I  
8 don't know how to define "active."

9 BY MS. DEAN:

10 Q Was he in fact performing the duties of a CEO in  
11 the March 2005 time period?

12 MR. CALDWELL: Assumes facts; vague.

13 THE WITNESS: I'm not -- you'd have to basically  
14 define to me what those activities are that would meet the  
15 definition of the duties or responsibilities of a CEO. You  
16 know, he worked.

17 BY MS. DEAN:

18 Q Did you have regular communications with Mr. Mozilo  
19 in the March 2005 time period in the course of your  
20 responsibilities at Countrywide?



21 A We had periodic communications.

22 Q Do you have some reason to suspect that he was not  
23 in fact being supportive of your efforts to formalize the  
24 governance structure for Countrywide in the March 2005 time  
25 period?

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1 A I think you can read his note several ways.

2 Q Let's talk about his note. That's actually why I  
3 marked this exhibit. Mr. Mozilo responded to your e-mail  
4 about formalizing the governance structure by adding these  
5 new committees, and he responded "Hopefully, this will help  
6 to reduce the other 400 committees that currently exist  
7 within the company." How did you interpret that comment when  
8 you received it?

9 A I interpreted his comment as not really having a  
10 grasp on why there were committees and groups within the  
11 company that had different meeting agenda's.

12 Q Did you interpret his comment as being less than  
13 supportive of your attempts to formalize the governance  
14 structure?

15 A I would have seen this as insulting, frankly.

16 Q What was your working relationship like with Mr.  
17 Mozilo in the March 2005 time period?

18 A What was our?

19 Q Working relationship like.

20 MR. WILLINGHAM: In March of 2005.

21 THE WITNESS: We had, you know, I think reasonable  
22 relationship.

23 BY MS. DEAN:

24 Q Would you say Mr. Mozilo generally speaking agreed  
25 with -- strike that. Would you say the two of you generally

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1 speaking agreed on the strategic direction of Countrywide in  
2 this March 2005 time period?

3 A I think so.

4 Q When Mr. Mozilo wrote the e-mail that's at the top  
5 of Exhibit 839, you said you would have perceived that e-mail  
6 as being insulting. Would you have responded to it?

7 A No, I don't think so.

8 Q Did you and Mr. Mozilo generally speaking agree on  
9 how the company should be governed in the March 2005 time  
10 period?

11 MR. CALDWELL: Calls for speculation; over broad.

12 THE WITNESS: I think generally we didn't have  
13 differences of opinion or there wasn't anything that came to  
14 my attention that he believed the company should be organized  
15 or structured differently.

16 BY MS. DEAN:

17 Q Would you say you had a good working relationship  
18 with Mr. Mozilo in March of 2005?

19 A I would say that we had our up's and down's in  
20 terms of our relationship. I don't know if I would  
21 characterize it good or excellent.

22 Q Did you and Mr. Mozilo have any disagreements in or  
23 around the March 2005 time period with respect to risk  
24 oversight at the company?

25 A Not that I know of.

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1 Q I asked you how active he was as the CEO. Let me  
2 ask it a slightly different way. In the March 2005 time  
3 period at Countrywide, was Mr. Mozilo active in making  
4 strategic decisions for the company?

5 MR. CALDWELL: Ambiguous.

6 THE WITNESS: I'm having difficulty trying to think  
7 of a particular strategic issue that I could relate your  
8 question to.

9 BY MS. DEAN:

10 Q Let me ask it this way. Did you feel that in the  
11 2005 time period generally -- did Mr. Mozilo leave the  
12 operations of the company pretty much in your purview or was

13 he engaged in decision making on that level?

14 MR. CALDWELL: Ambiguous and over broad.

15 THE WITNESS: He was very high level. You know,  
16 wasn't involved in levels of detail about the company, had  
17 devoted, I think, a lot of time to external communications.  
18 We had a significant team of people that managed the  
19 activities of the company.

20 BY MS. DEAN:

21 Q If Mr. Mozilo wanted something to be done in the  
22 2005 time period, as a general rule, would his wishes have  
23 been carried out?

24 MR. CALDWELL: Incomplete hypothetical; calls for  
25 speculation. Go ahead. Ambiguous.

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1 THE WITNESS: If he wanted something done, his  
2 orders would be carried out.

3 BY MS. DEAN:

4 Q Would you say that would have been true right up  
5 until you left the company in September of 2006?

6 MR. CALDWELL: Same objections.

7 THE WITNESS: I think to the best of my knowledge,  
8 you know, I can't speak to how everybody else did their  
9 activities, in general, if he had something that he wanted,  
10 it would be handled.

11 BY MS. DEAN:

12 Q I wanted to clarify a time period. I know that the  
13 official announcement of your departure from Countrywide was  
14 effective in September of 2006. Did you actually cease your  
15 duties as the COO and president before September 2006?

16 A Yes, I ceased, I think, operating as I had in the  
17 past. I wasn't operating at the same level at the end of my  
18 period as I was, you know, previously, years before.

19 Q When did that happen?

20 A It was kind of a progression that went from really  
21 almost the beginning of the year until I finally left. I  
22 lost authority in the company. People weren't responsive to  
23 me.

24 Q You think that started in the beginning of 2006?

25 A I think the process started in the beginning of --

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1 Q You kind of trailed off there.

2 A I'm sorry. The beginning of 2006?

3 A Yes.

4 Q We'll talk about that a little bit more after  
5 lunch. I have some e-mails I want to show you. I just  
6 wanted to try to sort of pinpoint when it was you think you  
7 became less active in terms of the operation of the company.

8 I understand it was a progression. Would you say that it was  
9 in the first half of 2006?

10 MR. CALDWELL: Objection; assumes facts, vague and  
11 ambiguous.

12 THE WITNESS: It was a progression, like I said,  
13 You know, I think it was very severely different for me in  
14 kind of the March area, but even before that, there were a  
15 lot of issues.

16 BY MS. DEAN:

17 Q Did you have any role in the preparation of  
18 Countrywide's periodic filings with the Securities and  
19 Exchange Commission?

20 A Yes.

21 Q What was that role?

22 A I signed the Qs and Ks and I was involved in the  
23 review of those.

24 Q I'm handing you what has previously been marked as  
25 Exhibit 194, which for the record is the Form 10-Q for the

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1 period ended March 31, 2005 for Countrywide Financial  
2 Corporation. You said that you reviewed the documents.  
3 Typically speaking, in terms of preparation of a 10-Q, would  
4 it have been your practice to read the whole document or were  
5 there particular sections that you focused on?

6           A     You know, the Qs would have been presented  
7 typically in a review meeting, and Financial Reporting Group  
8 would point out particularly changes that were made to the  
9 document or new accounting provisions. I would mainly read  
10 the document in that context.

11           Q     You said there was a review meeting. Was there  
12 more than one meeting -- let's be specific to this 10-Q. Do  
13 you recall having seen Exhibit 194 before?

14           A     Most likely, I saw this document.

15           Q     Do you have any reason to believe that you did not  
16 in fact review the 10-Q for the period ended March 31, 2005  
17 before it was filed?

18           A     I have no reason to believe that I didn't review  
19 it.

20           Q     You think you would have looked at it, you just  
21 don't specifically recall doing it as you sit here today?

22           A     Yes.

23           Q     With respect to the quarterly report for the period  
24 ended March 31, 2005, do you recall attending a review  
25 meeting in connection with the preparation of this 10-Q?

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1           A     There were many review meetings over the year. I  
2 can't tell you that I can specifically remember this  
meeting.

3 I remember review meetings.

4 Q In connection with the preparation of the Form 10-Q  
5 for the period ended March 31, 2005, do you recall having any  
6 discussion with anyone at Countrywide about whether there  
7 should be additional disclosures with respect to credit risk?

8 A I don't.

9 Q Do you recall having any discussions with anyone at  
10 Countrywide about whether the percentage of loans that  
11 Countrywide was originating based on reduced documentation  
12 should be disclosed in the 10-Q?

13 A I don't recall.

14 Q Do you recall having any discussions with anyone  
15 about whether or not the percentage of loans that were being  
16 originated at loans to value of 95 percent or higher should  
17 be disclosed in the Form 10-Q?

18 A I don't.

19 Q Do you recall having any discussions in connection  
20 with the preparation of the Form 10-Q for the period ended  
21 March 31, 2005 about whether the percentage of Alt A loans  
22 that Countrywide was originating should be disclosed in the  
23 10-Q?

24 A I don't recall.

25 Q Do you recall having any discussions with anyone at



1 Countrywide in connection with the preparation of the 10-Q  
2 for the period ended March 31, 2005 about whether the  
3 percentage of loans with piggyback second's should be  
4 disclosed in the 10-Q?

5 A I don't.

6 Q Do you recall having any discussions in connection  
7 with the preparation of the March 31, 2005 10-Q about whether  
8 the percentage of loans that Countrywide was originating that  
9 had layered risk characteristics should be disclosed in the  
10 10-Q?

11 A I don't.

12 Q I wanted to ask you one specific question about  
13 Exhibit 194. If you turn to page 34 of the document, which  
14 is you use the numbering scheme at the top of the page, it's  
15 page 38 of 65. This is in the section of the document that  
16 deals with loan production. There is a table kind of at the  
17 top third of the page that breaks out the loan production by  
18 purpose and interest rate type. Do you recall reviewing this  
19 section of the document?

20 A I don't.

21 Q Do you know why this particular break out was  
22 included in the document?

23 MR. CALDWELL: For the record, which particular  
24 break out are you referring to?

25 MS. DEAN: The purpose and interest rate type on

1 the loan production.

2 THE WITNESS: I don't profess to know the  
3 requirements for SEC reporting and what things have to be in  
4 or why they're in a document. There was the Financial  
5 Reporting Group and the Legal Group that put together the  
6 form, but I don't know -- I couldn't tell that I know the  
7 reason why, other than I would assume it's a required level  
8 of disclosure.

9 BY MS. DEAN:

10 Q That's just based on the fact that you -- strike  
11 that. You don't actually know why this particular disclosure  
12 was included; is that right?

13 MR. CALDWELL: You're talking about those two  
14 again, counsel?

15 MS. DEAN: Yes.

16 THE WITNESS: No, I don't.

17 BY MS. DEAN:

18 Q There is a disclosure in the paragraph below the  
19 table that shows loan purpose and interest rate type, and in  
20 a discussion about the percentage of loan production that was  
21 adjustable rate, there's a reference to something called a  
22 "short term pay option adjustable rate mortgage." It's the  
23 last sentence of the paragraph immediately below the table on

24 page 34. I just wanted to ask if you knew what a "short term  
25 pay option adjustable rate mortgage" was.

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1 A It's in this?

2 Q It's the last four words of the paragraph.

3 A Let me just read it. I think that it's referring  
4 to normal monthly adjustable pay option ARMs, as opposed to a  
5 long term period.

6 Q You think the "short term" refers to the period --

7 A Reading this now, that's what it seems to me that  
8 they are comparing hybrid adjustable ARMs which are a fixed  
9 period to ones that are just monthly adjustors or six month  
10 adjustors.

11 Q Thank you. The "short term" modifies the  
12 adjustable as opposed to the long term. It doesn't mean that  
13 it's a loan of short duration, it means the rate can adjust  
14 monthly?

15 A Yes; that's right.

16 Q Thank you. Mr. Kurland, I'm handing you what was  
17 previously marked as Exhibit 226. Exhibit 226 is a multiple  
18 page document, Bates stamped JPM000313 through 316. The e-  
19 mail at the top of the first page is from John McMurray to  
20 Jeff Lederman and it's dated September 7, 2007. You're not  
21 actually copied on this e-mail but I did want to ask you a

22 couple of questions about the content. Why don't you take a  
23 minute to review it and then I will ask my question.

24 MS. DEAN: Off the record.

25 (A brief recess was taken.)

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1 MS. DEAN: Back on the record.

2 BY MS. DEAN:

3 Q Mr. Kurland, have you had an opportunity to review  
4 Exhibit 226?

5 A Yes.

6 Q Mr. McMurray's e-mail discusses something he calls  
7 the "matching strategy" in the first sentence of his e-mail  
8 to Mr. Lederman. I had asked you earlier today if you were  
9 familiar with the "matching strategy." Did Mr. McMurray's e-  
10 mail refresh your recollection in any way about the matching  
11 strategy at Countrywide?

12 MR. CALDWELL: Objection; ambiguous.

13 THE WITNESS: I think that part of this is  
14 consistent with what I said, that they were looking for a  
15 broad product menu. I think "matching" again would indicate  
16 you're going to have exactly what someone -- I'm unfamiliar  
17 with that as a terminology that was used in the company. I  
18 still don't recall the concept of people talking about a

19 matching strategy with me, but I do agree that strategically  
20 there was a view to have a broad product menu.

21 BY MS. DEAN:

22 Q Whether it's called a matching program or something  
23 else, you were generally speaking aware that it was a goal of  
24 the company to provide a broad menu of loan products;  
25 correct?

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1 A Yes.

2 Q In addition to wanting to provide a broad menu of  
3 products, Countrywide wanted to be competitive with what  
4 other loan originators were offering in the marketplace;  
5 correct?

6 A Yes.

7 Q As part of that process, it would survey what  
8 competitors were offering to make sure that its own loan  
9 guidelines were competitive; is that correct?

10 A Yes.

11 Q You've never actually seen Exhibit 226 before  
12 today; is that right?

13 A I don't recall it.

14 MS. DEAN: Let's go off the record.

15 (A luncheon recess was taken.)

16 A F T E R N O O N S E S S I O N

17 MS. DEAN: Back on the record at 1:20.

18 BY MS. DEAN:

19 Q Mr. Kurland, I'm handing you what has previously  
20 been marked Exhibit 211. For the record, this is a two page  
21 e-mail string Bates stamped JPM000317. The e-mail at the top  
22 of the first page is from John McMurray to Jeff Lederman  
23 dated September 7, 2007, and the subject is "World Savings'  
24 Pay Option ARM Credit Standards." I'll give you a moment to  
25 look this over. You actually originated this string on the

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1 second page with an e-mail to Mr. McMurray dated July 18,  
2 2005. I wanted to ask you generally speaking what this e-  
3 mail was about, and I'll give you a second to look it over.

4 Mr. Kurland, have you had an opportunity to review  
5 Exhibit 211?

6 A Yes.

7 Q Did you draft the e-mail on the second page of 211  
8 that's dated July 18, 2005?

9 A I believe so.

10 Q The "Re" line on this e-mail is "World Savings' Pay  
11 Option ARM Credit Standards." Do you recall why you were  
12 asking Mr. McMurray for an overview of pay option ARM  
13 underwriting standards used by World Savings in July of 2005?

14  
discussion.

A My general recall is there was a lot of  
15 Our program was being modeled basically after World Savings',  
16 the entity that had been primarily involved in pay option  
17 business, and there was some debate going on as to, you know,  
18 why our standards weren't exactly like their standards or  
19 where they thought there were variations. Even publicly,  
20 World Savings, the Sandler's, who were the chairman and co-  
21 chairman, chairmen of the organization, took very -- they  
22 kind of laid out the underwriting guidelines and they had  
23 been from my recollection very standardized activities for  
24 them, somewhat covered in the communication. Instead of all  
25 of the kind of hallway dialogue going on about why couldn't

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1 we do this or that, I wanted John to clarify for everyone  
2 what was the distinction between -- what was really happening  
3 at World Savings.

Q In this July 2005 time period, was Countrywide  
4 experiencing a higher delinquency rate than the one percent  
5 delinquency rate identified in your e-mail?  
6

A You know, I think in the e-mail, I'm not certain of  
7 this, but I think I'm referring to like all prime loans, not  
8 just ARMs or pay option loans. They had a very good  
9 performance and track record with this loan. One of the  
10

11 reasons why the product became so popular is that it was the  
12 performance of it, at least historically, was viewed to be so  
13 good.

14 Q Was Countrywide trying to make some decision about  
15 whether to continue offering the pay option ARM loan in the  
16 July 2005 time period?

17 A I don't think so.

18 Q Other than just having Mr. McMurray provide a  
19 comparison between World's underwriting standards and  
20 Countrywide's, was there a decision that was going to be made  
21 based upon Mr. McMurray's information?

22 A I recall this being just a lot of back and forth  
23 discussion about the product, you know, look at World  
24 Savings, they're even offering this to subprime borrowers.  
25 My reaction was John, you know, could you do some real fact

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1 finding and tell us what this relates to. I think what he's  
2 concluding is that it's not -- there's more factors going on  
3 than just what was being discussed in the hallway  
4 discussions.

5 Q In this time period, the middle part of 2005 time  
6 period, had someone at the company expressed concerns about  
7 the performance of the Countrywide pay option loans?

8 A I'm not sure. I can tell you that in that time



9 frame, this product was performing very well. That's what I  
10 recall.

11 BY MR. WYNN:

12 Q Do you recall in this time period, July 2005,  
13 anyone in the Production Division advocating further  
14 expanding the guidelines to have pay options and using World  
15 Savings' to support those proposals?

16 A Again, Production is always proposing expansion.  
17 I'm not certain that's what was taking place. I'm not saying  
18 it wasn't taking place. I just don't -- I don't have a recall  
19 precisely. Again, what it seems to me based on this is  
20 again, a lot of chatter in the company about the program. It  
21 was, you know, a significant program for the bank, and World  
22 was a major competitor. I just asked for the comparison.

23 BY MS. DEAN:

24 Q Mr. McMurray apparently concluded several things  
25 about the World Savings' underwriting. I just wanted to ask

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1 you about them. If you look at the second paragraph of his  
2 e-mail dated July 19th, in which he responds to your request  
3 for data about the World Savings' portfolio, he cites three  
4 reasons why he thinks World's delinquency rates are low. The  
5 first is that World's portfolio is biased toward the prime

6 mainstream, and then he elaborates that 83 percent of  
7 originations are greater than 620 FICO scores. Do you see  
8 that?

9 A Yes.

10 Q Was that different than the pay option ARM  
11 portfolio that was being originated by Countrywide?

12 A I don't know.

13 Q He then goes on to say that beyond the FICO score,  
14 World's processes and policies were much more stringent than  
15 industry norms. Do you see that?

16 A Yes.

17 Q In this time period of July 2005, would you have  
18 characterized Countrywide's processes and policies with  
19 respect to underwriting as being more stringent than industry  
20 norms?

21 A Would I have characterized them? Is that your  
22 question?

23 Q Yes.

24 A I think there were variations. I would have  
25 accepted there were variations in the industry. Some people

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1 were more stringent and others were less.

2 Q Would you have characterized Countrywide as being  
3 more stringent than industry norms?

4           A     I don't think so.

5           Q     The third factor that Mr. McMurray cites is  
6 extremely favorable economic conditions including interest  
7 rates, home prices and employment. In this July 2005 time  
8 period, was there discussion at Countrywide about whether or  
9 not the company could continue to anticipate home price  
10 appreciation at the rates that had been seen in 2004 and  
11 2005?

12          A     This was only part of 2005?

13          Q     Yes, first half.

14          A     I think there were discussions about the magnitude  
15 of home price appreciation.

16          Q     Internally at Countrywide, was there some concern  
17 expressed that home prices would likely not continue to  
18 appreciate as quickly as they had done in 2004 and the first  
19 half of 2005?

20                   MR. CALDWELL: I'm going to make an objection.  
21 Over broad and calls for speculation. Go ahead.

22                   THE WITNESS: I don't recall the specific time  
23 period, but we had a considerable home price appreciation  
24 continuing, and there was basically discussion as to what  
25 would and when would the market return to kind of a normal

1 home price appreciation.

2 BY MS. DEAN:

3 Q In what context were those discussions held?

4 A I think in a lot of different forums. It was an  
5 item that was of interest to everybody observing housing. We  
6 had seen very significant increases in home price  
7 appreciation and it was discussed not frequently, you know,  
8 but on multiple occasions.

9 Q Was the conclusion at Countrywide that it was  
10 unlikely that home price appreciation would continue to be as  
11 rapid as it had been in 2004 and 2005?

12 MR. CALDWELL: Over broad; calls for speculation.

13 THE WITNESS: I think again, you know, I can't  
14 remember where home price appreciation was in a particular  
15 time in 2004 or 2005, but I think it was kind of the general  
16 view that home price appreciation would trend towards a  
17 normal level, which was more in the four to five percent, or  
18 it could be three to five percent per year range as opposed  
19 to some of the kind of mid-teen type levels that we saw.

20 BY MS. DEAN:

21 Q On the first page of Exhibit 211, Mr. McMurray  
22 identifies some additional processes that World had in place  
23 with respect to its pay option portfolio. He writes that  
24 World emphasizes equity and that credit blemishes must be  
25 offset with additional equity, and high loan to values are

1 limited even with good credit. Was that true of the pay  
2 option ARM loan portfolio being originated at Countrywide in  
3 2005?

4 MR. CALDWELL: Compound; over broad.

5 THE WITNESS: I don't think I could characterize  
6 like the specific programs we originated for sale into the  
7 secondary market and what we originated for the bank as

well.

8 I really can't tell you exactly where our programs fell, you  
9 know, within a couple of lines, with those types of  
10 descriptions.

11 BY MS. DEAN:

12 Q I'm sorry. I don't understand what you mean by "a  
13 couple of lines."

14 A You know, this is an underwriting guide, and would  
15 be considerable in length. This is just an example of some  
16 factors in underwriting or in developing a program. I can't  
17 -- I don't know all of their programs and frankly I don't  
18 know all of Countrywide's programs. I have trouble answering  
19 your question.

20 Q Specifically, with respect to the pay option  
21 portfolio, did Countrywide's pay option loan portfolio  
22 emphasize low loan to value originations?

23 MR. CALDWELL: Ambiguous.

24 THE WITNESS: Generally, what I recall that was

25 held, the portfolio that was held at the bank, I don't know

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1 exactly at this period of time, but it had an average of LTV  
2 that was considered to be a reasonable equity level, in the  
3 75 to 80 percent area. That's what I recall.

4 BY MS. DEAN:

5 Q Did you understand Mr. McMurray's e-mail to you  
6 dated July 19, 2005 to be indicating a difference between the  
7 way World Savings underwrote its pay option portfolio or a  
8 similarity?

9 A What I take away from this is just an explanation  
10 as to why it's not being offered on subprime loans, that  
11 their product is not a subprime product. That's what I think  
12 this really gets to the heart of.

13 Q I appreciate that, but that doesn't answer the  
14 question I asked which is as you read this e-mail in July of  
15 2005, did you believe Mr. McMurray was pointing out a  
16 similarity between the World and Countrywide pay option ARM  
17 portfolio or a difference?

18 MR. CALDWELL: Objection, assumes facts.

19 MS. DEAN: Counsel, I have allowed you to make  
20 these objections. I have basically ignored them, but  
21 frankly, this is not a civil deposition and your objections

22 have no standing here. We are not operating under the  
23 Federal Rules of Evidence. You are wasting time.

24 MR. CALDWELL: I'm not wasting time. My objections  
25 have been very short. You may want to use this transcript

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1 some day and I'm obligated to preserve my objections. He may  
2 not have thought about that issue. I haven't made speaking  
3 objections. A lot of your questions have a lot of problems,  
4 counsel, and I'm entitled, in fact, it's my duty as his  
5 lawyer, to preserve the record with respect to those  
6 objections.

7 MS. DEAN: As I told you, I've allowed you to make  
8 them but --

9 MR. CALDWELL: Okay, then let's keep moving.

10 THE WITNESS: I'm trying to answer to the best of  
11 my ability. The way I would have perceived this memo would  
12 not be trying to or thinking of it as a comparison between  
13 our program or World's program, but responsive to flippant  
14 type comments that WaMu was making subprime pay option  
15 mortgages, and this would have been like okay, now we can  
16 move past that as an issue. They're making loans that are  
17 based on high credit quality and expectations that the loans  
18 will perform. That's the context that I believe I received  
19 this and that I had requested the information.

20 BY MS. DEAN:

21 Q One of the other things that Mr. McMurray  
22 identifies as an additional process that's in place at World  
23 Savings is at the bottom of the first page of Exhibit 211.  
24 He says that World uses only in-house appraisers, and that  
25 brokers can't order their own appraisals. Do you know what

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1 the policy at Countrywide was with respect to appraisals and  
2 whether brokers could order their own appraisals?

3 A I believe that brokers ordered their own  
4 appraisals.

5 Q A third thing that Mr. McMurray identified with  
6 respect to World Savings' portfolio is at the top of page two  
7 of Exhibit 211. He says that World avoided large loan  
8 balances and NOO property. Do you know what an "NOO  
9 property" is?

10 A Non-owner occupied.

11 Q That would be an investment property?

12 A Or a second property, second home.

13 Q Do you know if Countrywide's portfolio of pay  
14 option loans avoided large loan balances and non-owner  
15 occupied properties in the 2005 time frame?

16 MR. CALDWELL: Compound.



17 THE WITNESS: I don't recall the specifics of where  
18 the cutoff's were.

19 BY MR. WYNN:

20 Q Mr. Kurland, looking at Exhibit 211, do you recall  
21 if you ever had discussion with Mr. Mozilo about World  
22 Savings' underwriting practices as it pertained to pay option  
23 loans?

24 A I don't recall a specific dialogue, but there were  
25 likely to have been general discussions about this product.

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1 Q Do you recall any conversation where you told Mr.  
2 Mozilo about Mr. McMurray's observations regarding World  
3 Savings' underwriting as set forth in Exhibit 211?

4 A Could you repeat that? I'm sorry.

5 Q Did you ever talk to Mr. Mozilo about the  
6 conclusions that Mr. McMurray reached regarding World  
7 Savings' underwriting practices as set forth in Exhibit 211?

8 A I don't recall.

9 Q In testimony to the staff, Mr. McMurray stated the  
10 purpose of this e-mail and his work in Exhibit 211 was to  
11 respond to calls from Mr. Sambol and Mr. Garcia to lower FICO  
12 scores on pay option products, and in support of their  
13 proposal, they pointed to World Savings saying World Savings  
14 had low FICO scores, why can't we do it. Do you recall those

15 types of proposals made by Sambol and Garcia?

16 A I don't know that they were proposals by either one  
17 of them, but I think what you're suggesting is kind of  
18 consistent with what I've already said, that there were  
19 discussions about their programs and their standards. They  
20 are not raising those issues just as points of interest.  
21 They're raising them because they want to see if they can  
22 offer a similar type product.

23 Q You mentioned "hallway chatter." By "hallway  
24 chatter," is that the same thing as considering a proposal?

25 A It's not. I think that's the distinction. I don't

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1 recall a formal proposal. What I recall is this issue being  
2 talked about and just wanting to have more clear information  
3 presented so people were working off real facts.

4 BY MS. DEAN:

5 Q Mr. Kurland, I'm handing you what has been marked  
6 as Exhibit 840.

7 (SEC Exhibit No. 840 was marked for  
8 identification.)

9 BY MS. DEAN:

10 Q This is an e-mail string, Bates stamped  
11 CFC2007I061392 through 394. The e-mail at the top of the

12 first page is from Angelo Mozilo to Dave Sambol, Stan  
13 Kurland, and Carlos Garcia, and it's dated August 2, 2005.  
14 Have you ever seen Exhibit 840 before?

15 A No, I don't recall it. I'm not saying I haven't  
16 seen it. I just don't recall it. Can I take some time to  
17 look at it?

18 Q Please do. Mr. Kurland, have you reviewed Exhibit  
19 840?

20 A Yes.

21 Q Do you recall receiving the e-mail string that has  
22 now been marked as Exhibit 840?

23 A It looks familiar to me.

24 Q Do you have any reason to believe you didn't  
25 receive it?

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1 A No.

2 Q Let's start at the back since that's actually the  
3 first e-mail in the chain, the page that ends in Bates stamp  
4 1393 at the bottom. There's an e-mail there from Angelo  
5 Mozilo to Carlos Garcia and Stan Kurland dated August 1,  
6 2005. In that e-mail, Mr. Mozilo writes "I am becoming  
7 increasingly concerned about the environment surrounding the  
8 borrowers who are utilizing the pay option loan and the price  
9 level of real estate in general, but particularly relative to

10 condo's and specifically condo's being purchased by  
11 speculators/non-owner occupants." Do you see that?

12 A Yes.

13 MR. CALDWELL: I was going to object that it  
14 misstates the document.

15 MS. DEAN: In what way, counsel?

16 MR. CALDWELL: We've had this problem before. It's  
17 not directed to him, which is what you said. It's copied to  
18 him. There's a difference.

19 BY MS. DEAN:

20 Q Okay. Do you recall in or around August 2005 Mr.  
21 Mozilo expressing concern about the bank's strategy of --  
22 strike that. Do you recall in or around August of 2005 Mr.  
23 Mozilo expressing concern about the borrowers who were  
24 utilizing the pay option loan at Countrywide?

25 A I remember concerns being raised about Florida,

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1 about Las Vegas. You know, that was probably around this  
2 time. You know, other than reading this, I wouldn't have  
3 thought of it as something specific to pay options.

4 Q Do you recall Mr. Mozilo expressing concern about  
5 the possibility of a collapse in the condo market?

6 A I recall a concern over the condo market in

7 Florida.

8 Q On Mr. Mozilo's part?

9 A Yes.

10 Q In response to that concern, Mr. Mozilo then writes  
11 that he thinks the bank should re-think the assets that it's  
12 putting into its held for investment portfolio. Do you  
13 recall having a discussion with Mr. Mozilo about that?

14 A No.

15 Q Why would Mr. Mozilo have copied you on this e-mail  
16 to Carlos Garcia, if you know?

17 MR. CALDWELL: Calls for speculation.

18 THE WITNESS: I don't know.

19 BY MS. DEAN:

20 Q Did he routinely copy you on correspondence with  
21 respect to issues related to Countrywide Bank?

22 MR. CALDWELL: Calls for speculation.

23 THE WITNESS: I believe I was copied on memo's. I  
24 wouldn't know the ones I wasn't copied on.

25 BY MS. DEAN:

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1 Q Prior to Mr. Mozilo sending out this e-mail to  
2 Carlos Garcia with a carbon copy to you, had you had a  
3 discussion with Mr. Mozilo about this issue?

4 A I don't recall.

5 Q Mr. Mozilo makes some specific suggestions here  
6 about what should happen with respect to the bank's held for  
7 investment portfolio. The first of which is he says that the  
8 bank should never put a non-owner occupied pay option ARM on  
9 the balance sheet. Do you see that? It's the second  
10 sentence of the second paragraph of his e-mail dated August  
11 1.

12 A I see that.

13 Q Do you know if the bank continued to hold for  
14 investment non-owner occupied pay option ARM loans after this  
15 e-mail from Mr. Mozilo was sent out?

16 A I don't know specifically the answer to your  
17 question, that they held loans before, that they would have  
18 sold them, and I don't recall that taking place.

19 Q To the extent that they were already on the balance  
20 sheet, they would have stayed there because you don't have a  
21 recollection of any loans being sold after this e-mail?

22 A I'm saying I don't recall that and I think your  
23 question was, you know, perhaps difficult to answer the way  
24 you phrased it.

25 Q Let me break it down. To your knowledge, did

2 held for investment portfolio between August 1, 2005 and your  
3 departure from the company?

4 A I don't believe so.

5 Q One of the other things that Mr. Mozilo says in his  
6 e-mail is that he believes that the focus for the bank should  
7 be on FICO scores 700 and above. Do you know if the bank  
8 changed its strategy with respect to the portfolio as held  
9 for investment loans as it relates to FICO scores in response  
10 to Mr. Mozilo's e-mail?

11 A I don't remember what change took place as a result  
12 of this.

13 Q You don't remember?

14 A I don't remember.

15 Q In the next sentence in this e-mail, Mr. Mozilo  
16 makes the comment "When the loan resets in five years, there  
17 will be an enormous payment shock." Do you see that?

18 A The same paragraph?

19 Q Yes. We're in the second paragraph at the bottom of  
20 the page that ends in Bates stamp 1393, and the third line  
21 from the bottom.

22 A Okay. Yes, I see it.

23 Q Did you ever have any discussions with Mr. Mozilo  
24 about his concerns with respect to the payment shock that  
25 might be experienced by pay option ARM borrowers?

1           A     I don't recall if I had a conversation with him.

2           Q     Did you ever have a conversation with anyone at  
3 Countrywide Bank about the potential for payment shock being  
4 experienced by pay option ARM loan borrowers?

5           A     Yes.

6           Q     Who did you have that conversation with?

7           A     I would have had conversations with Dave Sambol,  
8 with probably John McMurray, Carlos Garcia.

9           Q     First, what do you understand the phrase "payment  
10 shock" to mean?

11          A     "Payment shock" was typically referring to a reset  
12 that resulted in an increase in someone's payment.

13          Q     The conversations that you had with Mr. Sambol on  
14 that issue, when was the first time you recall having a  
15 conversation with Mr. Sambol about the potential for payment  
16 shock on a pay option loan?

17          A     I don't recall any specific date. This was a  
18 characteristic of a pay option loan, that there comes a time  
19 at which it resets, and there's a potential for payment  
20 shock. Those items are discussed as we're not only  
21 discussing the product, but this was a product that was held  
22 in the bank, and it was discussed with regulators, and it was  
23 discussed with the Fed. This isn't a topic that's isolated  
24 to this one paragraph.

25          Q     You don't remember the first time you would have



1 had an discussion with Mr. Sambol about that issue?

2 A I don't have like a first time.

3 Q In Mr. Mozilo's e-mail in August of 2005, he  
4 indicates that one of the consequences of this payment shock  
5 might be foreclosure. Do you recall having discussions with  
6 either Mr. Sambol, Mr. McMurray, or Mr. Garcia about the  
7 potential for payment shock to cause borrowers to default on  
8 their pay option loans?

9 A I think discussions were about payment shock, would  
10 borrowers be able to find new loans, would there be other  
11 loans available with the extent of the increase in payments.  
12 That would have been the general items that we discussed.

13 Q Were you having these discussions, to your  
14 knowledge, in the August 2005 time period?

15 MR. CALDWELL: Objection; over broad, compound.

16 THE WITNESS: I think what I can say is that from  
17 the initiation of this program and the terms of the loan, it  
18 was always -- the reset's were always something that were  
19 discussed. You know, it wouldn't have been isolated by the  
20 way to 2005. It would have been through the life cycle of  
21 this product.

22 BY MS. DEAN:

23 Q Did Countrywide take any steps to address the  
24 potential for borrowers to default in the event of loan reset  
25 and payment shock in this 2005 time period?

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1 A What's happening in 2005, interest rates are  
2 rising, which is increasing short term interest rates, and  
3 there was a process for increasing minimum payment rates as  
4 one of the items I recall or steps that were taken.

5 Q You recall one of the steps that Countrywide took  
6 was to change the process whereby the minimum payment was  
7 calculated?

8 A In terms of addressing the rising interest rate  
9 environment and the level of potential reset's was addressing  
10 what was the minimum start rate.

11 Q How would changing the minimum start rate affect  
12 the potential for reset?

13 A In a pay option ARM, you have a choice to make a  
14 payment at the initial minimum payment, right, and if that  
15 rate is -- obviously if it's lower, that minimum payment  
16 rate, when rates are moving up, there's the potential for  
17 negative amortization on a pay option loan, and to the extent  
18 the beginning rate is higher or the minimum rate is higher,  
19 it reduces the potential negative AM, which would result in  
20 less of a payment requirement as change in payment or window

21 of reset.

22 BY MR. WYNN:

23 Q Was the start rate increased in 2005?

24 A I don't recall, you know, precisely. There were, I  
25 think, modifications that were made to the program, to

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1 increase the minimum start rates for loans of varying  
2 characteristics. I don't recall the specifics of the date or  
3 when that occurred.

4 BY MS. DEAN:

5 Q If you turn to the last page of Exhibit 840, the  
6 first full paragraph, the one that starts with the word  
7 "Frankly," in the last sentence, which starts three lines  
8 from the bottom of the paragraph, Mr. Mozilo wrote "I feel  
9 strongly that over the next 12 months, we are going to be  
10 facing one of the most difficult and challenging real estate  
11 and mortgage markets in decades." Do you see that?

12 A Yes.

13 Q Did you agree with Mr. Mozilo at the time you  
14 received this e-mail in August of 2005, that the next 12  
15 months were going to be one of the most difficult and  
16 challenging real estate and mortgage markets in decades?

17 A I don't know what my feelings were when I read

18 that.

19 Q Did you have any discussions with Mr. Mozilo about  
20 the fact that he apparently believed that the next 12 months  
21 were going to be a difficult and challenging real estate  
22 market?

23 A I don't recall a dialogue.

24 BY MR. WYNN:

25 Q Did you say you don't recall a dialogue?

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1 A I don't remember a conversation like that, dialogue  
2 conversation.

3 BY MS. DEAN:

4 Q Do you know why Mr. Mozilo believed that the next  
5 12 months were going to be a difficult and challenging real  
6 estate and mortgage market?

7 MR. CALDWELL: Calls for speculation.

8 THE WITNESS: I don't know his specific reasons for  
9 feeling that way.

10 BY MS. DEAN:

11 Q You never had a conversation with him about the  
12 subject?

13 A I don't recall one.

14 Q Have you ever heard of the pay option ARM loan  
15 being referred to as an "affordability product?"

16 A Yes.

17 Q What do you understand the phrase "affordability  
18 product" to mean?

19 A One that was meant to make loans more affordable  
20 for borrowers.

21 Q Have you ever heard the phrase used to mean a loan  
22 that would allow a borrower to purchase a home in their  
23 market where real estate values were very high?

24 A I think that would incorporate -- it could be  
25 affordable where real estate is high or where real estate is

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1 not high, but --

2 Q Let me ask it this way. Have you ever heard the  
3 phrase applied to a loan product that was used to permit a  
4 borrower to take out a larger loan than he otherwise would  
5 have been able to afford in a different product?

6 MR. CALDWELL: The phrase being "affordability  
7 product?"

8 MS. DEAN: Yes.

9 MR. CALDWELL: Ambiguous.

10 THE WITNESS: An affordability product would by its  
11 nature be something that would have let's say a lower payment  
12 than a 30 year fully amortizing loan. I think that is

13 consistent with your question.

14 BY MS. DEAN:

15 Q All things being equal, the payment on a \$500,000  
16 mortgage on an affordability product would be lower than the  
17 payment on a \$500,000 mortgage on a conventional product?

18 A Not conventional, but I would say like an interest  
19 only mortgage would provide a more affordable payment than a  
20 30 year fully amortizing, both could be conventional  
21 products.

22 Q In the second to last paragraph of Mr. Mozilo's e-  
23 mail, he recounts an anecdote about a conversation he had  
24 with a mortgage broker, in which the broker told him that he  
25 does all of his business with Countrywide because the area

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1 that he serves is economically suppressed and the only way he  
2 can qualify borrowers is via the pay option ARM loan. Do you  
3 see that?

4 A Yes.

5 Q Mr. Mozilo goes on to say that he's heard that same  
6 story many times over from mortgage brokers who utilize the  
7 pay option for very marginal borrowers. Do you see that?

8 A I do.

9 Q Was that an appropriate use of the pay option loan  
10 in your opinion?

11 MR. CALDWELL: Objection; ambiguous.

12 THE WITNESS: I think there were many products, you  
13 know, a large menu of products, some had payments that were  
14 more affordable than others. You know, I don't know whether  
15 I could distinguish for you whether that's appropriate for  
16 pay options versus, for example, interest only, and that was  
17 a feature of the product.

18 BY MS. DEAN:

19 Q As the president and chief operating officer of the  
20 company, when you read this e-mail in which Mr. Mozilo  
21 complains that he's heard of numerous instances of mortgage  
22 brokers utilizing the pay option for marginal borrowers, were  
23 you concerned?

24 A We had considerable surveillance that took place in  
25 the company, the divisions, that dealt with credit and dealt

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1 with the evaluation and quality control of mortgages. This  
2 statement by itself could be considered alarming but I would  
3 have depended upon the activities within the company to see  
4 mortgages and determine, you know, how loans are being  
5 underwritten. I wouldn't rely upon anecdotal information.

6 Q Did it ever come to your attention through the  
7 regular QC process at the company that borrowers were being

8 qualified for pay option ARM loans -- strike that. Did it  
9 ever come to your attention through the regular QC process at  
10 the company that brokers were qualifying borrowers for pay  
11 option ARM loans by misstating their income?

12 A I don't think so.

13 Q One of the last things Mr. Mozilo writes in the e-  
14 mail that's on the last page of Exhibit 840 is that he wants  
15 Mr. Garcia to meet with himself and "Stan" to review what  
16 actions Mr. Garcia is putting in place to secure the  
17 financial integrity of the bank. Did you and Mr. Mozilo ever  
18 have a meeting with Mr. Garcia where you discussed this e-  
19 mail?

20 A I don't recall.

21 Q Do you recall having a meeting with Mr. Garcia in  
22 which the subject of what loans the bank should be holding  
23 for investment was discussed?

24 A It's very likely that we had that meeting, you  
25 know. It sounds faintly familiar. I had many meetings with

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1 Carlos Garcia.

2 Q Did Mr. Mozilo ever tell you that he wanted to sell  
3 the loans -- the pay option loans in the bank's held for  
4 investment portfolio?

5 A I don't recall that.



6 Q Did Mr. Mozilo ever express concern to you with  
7 respect to the percentage of the pay option portfolio that  
8 was negatively amortizing?

9 A That was a general concern around the product, and  
10 he probably -- we probably did discuss that. It was a  
11 considerable topic of public interest.

12 Q Did you yourself have any concerns about the  
13 percentage of the pay option portfolio that was negatively  
14 amortizing at year end 2005?

15 A No.

16 Q Did you have any concerns about the percentage of  
17 borrowers who were consistently electing to make the minimum  
18 payment on their pay option ARM loans at year end 2005?

19 A It was an observation that was, you know, being  
20 highlighted. I remember that. I don't recall whether that  
21 registered as a concern or as something that we were going to  
22 evaluate, but I do remember the subject.

23 BY MR. WYNN:

24 Q Were you concerned about negative amortization in  
25 2005?

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1 A It was not a significant financial concern.

2 Q What about from a credit risk perspective?

3 MR. CALDWELL: Objection; ambiguous.

4 THE WITNESS: From credit --

5 BY MR. WYNN:

6 Q You said "financial." That could mean  
7 profitability only. Credit risk could mean something else.

8 A Your question again?

9 Q Did you have any concerns about the percentage of  
10 the pay option portfolio that was negatively amortizing from  
11 a credit risk perspective in 2005?

12 A I don't recall that as a significant issue that I  
13 had over credit risk for the company.

14 BY MS. DEAN:

15 Q Did it ever become a concern prior to your  
16 departure from the company? A concern of yours.

17 MR. CALDWELL: Objection; ambiguous. Can we have a  
18 clear record of what "it" is?

19 MS. DEAN: Sure.

20 BY MS. DEAN:

21 Q At any time prior to your departure from the  
22 company, did you ever come to be concerned about the  
23 percentage of the pay option loan portfolio that was  
24 negatively amortizing?

25 A It was something that was monitored. When you say

1 "concern," I did not view it as an item that presented a  
2 significant credit risk to the company.

3 BY MR. WYNN:

4 Q Were there any times that you thought presented a  
5 significant credit risk to the company in 2004 or 2005?

6 A That's a pretty broad question in the sense that we  
7 operated many activities and we looked at and monitored risk  
8 and investments. I didn't have a significant concern that we  
9 weren't managing the investments or the credit risk of the  
10 company.

11 Q For some point in time, people in Credit Risk  
12 Management reported to you; is that right?

13 A Yes.

14 Q You were responsible for the area of Credit Risk  
15 Management? Is that also right?

16 A They reported up to me.

17 Q The question again is at any time between 2004 and  
18 2005, did you come to believe that any particular items or  
19 circumstances presented any credit to the company?

20 MR. CALDWELL: Asked and answered.

21 THE WITNESS: The company by its nature being a  
22 lender had credit risk. It's unfair of you to ask me if  
23 there's anything that I thought presented credit risk because  
24 we were in the business of investing, and investing has by  
25 its nature credit risk. So, I don't even know how to begin

1 to answer the question.

2 BY MR. WYNN:

3 Q What did you view as a chief credit risk facing the  
4 company in 2004 and 2005?

5 MR. CALDWELL: Over broad.

6 THE WITNESS: There were many areas of credit risk,  
7 credit risk on positions that we held in the Street with  
8 trades. There was credit risk relative to the ability for  
9 MIs to make payment on claims. There's credit risk  
10 surrounding residuals that the company held on its balance  
11 sheet. There is counterparty risk with various entities that  
12 the company was engaged in doing business with. There was  
13 just a wide variety of things that fall under the umbrella of  
14 credit risk. Obviously, there's a concern when you're  
15 operating a financial corporation for these issues, and we  
16 had activities and departments and professionals that were  
17 involved in managing and assessing areas of risk.

18 Q You listed some things that were credit risks to  
19 the company. Are those the items that you considered the  
20 chief credit risks --

21 A I'm giving you off the top of my head what are, you  
22 know, the variety of items of credit risk. If I was sitting  
23 down and writing up a report, it would be obviously much more  
24 extensive than I can pull off the top of my head, you know,

25 years later.

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1 BY MS. DEAN:

2 Q I think I can cut through this. Were there any  
3 areas of credit risk in either 2004 or 2005 that you did not  
4 believe were being appropriately managed by the company?

5 A No.

6 MR. CALDWELL: Can we take a short break?

7 MS. DEAN: Sure. Off the record.

8 (A brief recess was taken.)

9 MS. DEAN: Back on the record.

10 BY MR. WYNN:

11 Q Mr. Kurland, did you view the expansion of  
12 underwriting guidelines as a credit risk?

13 MR. CALDWELL: Ambiguous.

14 THE WITNESS: It is basically like a risk based  
15 price. You know, when you look at credit risk, it's what are  
16 you earning versus the risk that you're taking, and I think  
17 expanded programs increase risk. Not all those loans are  
18 held on the balance sheet of the company. It's not something  
19 you can answer in a yes or no way.

20 BY MR. WYNN:

21 Q Just to be clear, my question was did you view the

22 expansion of underwriting guidelines at Countrywide as a  
23 credit risk, and your response, the last part of it, was you  
24 can't answer that?

25 A I can't answer that in a yes or no fashion because

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1 first of all, certain loans aren't held on the balance sheet  
2 of the company. They are securitized and sold, and they  
3 don't -- the risk isn't retained by the company. The  
4 expansion of the products doesn't necessarily mean that  
5 there's greater credit risk for the company. This is not a  
6 yes or no answer the way that you're phrasing it.

7 Q Do you view the expansion of underwriting  
8 guidelines at Countrywide as a credit risk in and of itself,  
9 irrespective of how loans are securitized or held in the  
10 bank, just in and of itself, underwriting guidelines are  
11 expanding, does that constitute a credit risk in your mind?

12 MR. CALDWELL: Objection; ambiguous and asked and  
13 answered.

14 THE WITNESS: I think expansion of guidelines or  
15 some guidelines can produce higher levels of credit risk,  
16 albeit you have to evaluate that in the context of what  
17 you're getting paid for that credit.

18 BY MR. WYNN:

19 Q Do you recall during your tenure at the company in

20 the 2004 to 2005 time period if you took any steps to address  
21 the additional credit risk presented by expanded underwriting  
22 guidelines?

23 A My general steps would have been to sell the  
24 mortgage product into the secondary market or to try to  
25 market the residual pieces that resulted from the

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1 securitizations.

2 Q Can you recall any other steps that you took to  
3 address the credit risk presented by expanding guidelines?

4 A Other than also making sure that we were paid  
5 appropriately in terms of pricing. We didn't extend the  
6 credit risk without there being a risk reward involved.

7 Q Do you recall proposing any requests for  
8 guidelines' extension?

9 MR. CALDWELL: Ambiguous.

10 THE WITNESS: You know, I'm sure there are cases  
11 where I presented programs. I don't right now remember a  
12 specific one. There is some time I cut off income, no asset  
13 loans.

14 BY MR. WYNN:

15 Q You mentioned risk based pricing a couple of  
times.

16 Can you explain what that is, please?

17           A     Risk based pricing would be as in any loan, that  
18     the risk associated with the loan, whether you're marketing  
19     it or holding it, there's a higher interest rate attributable  
20     to loans that have higher risk characteristics.

21           Q     Are you aware of any limitations upon risk based  
22     pricing?

23           A     I'm sorry.  What?

24           Q     Are you aware of any limitations upon using risk  
25     based pricing?

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1           MR. CALDWELL:  I'm going to object, ambiguous and  
2     also object that it's seeking a legal conclusion.  Go ahead.  
3     You can answer.

4           THE WITNESS:  I think that all markets operate  
5     basically off a risk based pricing model, and that's why  
6     there are variations between a prime credit quality loan, the  
7     interest rate on a prime credit quality loan and a subprime.  
8     That's an example of risk based pricing.

9           BY MR. WYNN:

10          Q     My question was were you aware of any limitations  
11     on the concept of risk based pricing --

12          MR. CALDWELL:  Same objections.

13          THE WITNESS:  I'm not really even sure what the



14 question means actually.

15 BY MR. WYNN:

16 Q You have told me and others in the company have  
17 told me that risk based pricing is something where a loan  
18 that has higher risk attributes has higher pricing, a higher  
19 interest rate, in order to compensate for the additional  
20 credit risk taken on; is that correct?

21 A Yes.

22 Q Are you aware of any limitations on the ability of  
23 risk based pricing to adequately compensate the company for  
24 the additional risk it takes on for --

25 MR. CALDWELL: Same objection; ambiguous.

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1 THE WITNESS: They're models. Models have  
2 limitations in the sense that they can be proven to be wrong  
3 or right, but they're models. They're not crystal balls that  
4 predict the future.

5 BY MR. WYNN:

6 Q Are you aware of anyone in Credit Risk Management  
7 ever telling you that there were limitations on the ability  
8 of risk based pricing to adequately compensate the company  
9 for the additional credit risk it was taking on?

10 A I don't recall.

11 BY MS. DEAN:

12 Q If we could turn back to Exhibit 840, I wanted to  
13 ask you about a couple of statements on the first page of the  
14 document. If you look at the very bottom of the first page,  
15 there's an e-mail there from Mr. Mozilo to Carlos Garcia  
16 dated August 2, 2005. Do you see that?

17 A Yes.

18 Q You were carbon copied on that e-mail. Mr. Mozilo  
19 makes the comment that "We should not be making any pay  
20 options to investors anywhere." Did Mr. Mozilo ever express  
21 that belief to you outside of the context of this e-mail?

22 A I don't recall it.

23 Q When you received this e-mail in August of 2005,  
24 would you have agreed with Mr. Mozilo's perception that the  
25 bank should not be making pay option loans to non-owner

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1 occupiers?

2 A I don't know what I would have thought at that  
3 point in time.

4 Q Did you ever come to the conclusion that the bank  
5 should not make pay option ARM loans to non-owner occupiers?

6 A I don't know. I don't recall.

7 Q As you sit here today, do you have an opinion about  
8 it?

9           A     For example, if someone had a non-owner occupied  
10 loan and they were putting 50 percent down on that loan, that  
11 would probably be a very good loan to me on an investor  
12 property, so the problem with these type of comments is they  
13 are not put into the context of all of the different  
14 characteristics that go into -- non-owner occupied loans are  
15 not evil by themselves.

16           Q     You wouldn't necessarily have agreed with Mr.  
17 Mozilo's comment?

18           A     I don't know that I would or wouldn't have agreed  
19 with what he was saying. You asked me what my opinion was  
20 today. I'm trying to give you an example of where I think it  
21 would be perfectly fine.

22           Q     There would be certain circumstances where you  
23 would think it was appropriate to make a loan --

24           A     I'm telling you as of today. I can't tell you  
25 August 2, 2005 really what I was feeling or thinking when I

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1 looked at this.

2           Q     Last question about this document is the e-mail at  
3 the top of the first page, Mr. Mozilo writes in the last  
4 sentence of that e-mail that by placing pay option ARM loans  
5 into the bank, we have no idea what economic and reputational  
6 losses we will suffer.

7 MR. CALDWELL: Misstates the document.

8 BY MS. DEAN:

9 Q The document is about pay option ARM loans and he's  
10 saying by placing them at the bank, we have no idea what  
11 economic and reputational losses we will suffer. Do you see  
12 that?

13 A I do see that. I'm trying to interpret what it is  
14 that he's talking about. The title is "Bank Assets." I'm  
15 trying to find the reference to pay options in this.

16 Q Let's look at the bottom of the page. He writes on  
17 August 2 that he "Does not think we should be making pay  
18 options to investors." Carlos Garcia responds "That  
19 direction will be implemented pending an analysis." Mr.  
20 Sambol weighs in and says that "We should double check to  
21 make sure that we're not causing an issue in the secondary  
22 market by cherry picking particular loans." Mr. Mozilo  
23 responds "By placing even at 50 percent into the bank, we  
24 have no idea what economic and reputational losses we will  
25 suffer." Do you think he was changing the subject from pay

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1 option ARM loans to something else?

2 MR. CALDWELL: Calls for speculation.

3 THE WITNESS: I wasn't sure. Reading up your

4 chain, it would be -- which I don't know -- this would be  
5 non-owner occupied pay option, to take your chain of thought.

6 BY MS. DEAN:

7 Q Let's assume that is what he was referring to.  
8 Would you have agreed with the statement that by placing non-  
9 owner occupied pay option ARM loans into the bank,  
10 Countrywide would have been unable to predict the economic  
11 and reputational losses it would suffer?

12 MR. CALDWELL: You're talking about what he would  
13 have agreed with in August 2005, counsel?

14 MS. DEAN: Yes.

15 THE WITNESS: Again, I'm not really capable of  
16 going back and thinking or recalling what I would have  
17 thought if this was accurate or true.

18 BY MS. DEAN:

19 Q If you had agreed with him, would you have taken  
20 some steps to make changes with respect to what the bank was  
21 doing with respect to the held for investment portfolio?

22 MR. CALDWELL: Calls for speculation and complete  
23 hypothetical.

24 MS. DEAN: It's foundational.

25 THE WITNESS: If I would have agreed that something

1 would damage the reputation of the bank or I thought

2 something would damage the bank, would I take action? Yes.

3 BY MS. DEAN:

4 Q After receiving this August 2, 2005 e-mail  
5 discussing the advisability of retaining pay option ARM loans  
6 made to non-owner occupiers, did you in fact take any steps  
7 to change the bank's policies with respect to those loans?

8 A I don't recall what the policy changes might have  
9 been.

10 Q I'm handing you now what was previously marked as  
11 Exhibit 215. Exhibit 215 is a multiple page e-mail, Bates  
12 stamped JPM321 through 322. The e-mail at the top of the  
13 first page is from John McMurray to Jeff Lederman dated  
14 September 7, 2007, and the "Re" line is "Bank SISA Program."  
15 I'll give you a moment to look it over. I wanted to ask you  
16 if you actually recall receiving the e-mail that is  
17 immediately below that from Mr. McMurray dated August 31,  
18 2005.

19 A Okay.

20 Q Mr. Kurland, have you had an opportunity to review  
21 Exhibit 215?

22 A Yes.

23 Q Do you believe that you received that portion of  
24 the document that starts with Mr. McMurray's e-mail to you  
25 and Nick Krsnich dated August 31, 2005?

1 A Yes.

2 Q Can you tell me what a "SISA Program" is?

3 A SISA would be stated income/stated asset loan.

4 Q Do you recall Mr. McMurray telling you that he was  
5 not comfortable with the bank wanting to expand guidelines  
6 with respect to pay option ARM loans to include reduced  
7 documentation standards?

8 A I don't recall it.

9 Q Do you recall making a decision one way or the  
10 other with respect to the bank's request to expand this  
11 particular underwriting guideline?

12 A Could you repeat that?

13 Q Without going into much detail, it looks like Mr.  
14 Garcia was asking Mr. McMurray for his input with respect to  
15 expanding underwriting guidelines to reduced documentation on  
16 pay option loans. Mr. McMurray wrote to you saying he was  
17 uncomfortable about it. Do you recall making a decision one  
18 way or the other about whether this particular guideline  
19 change should be implemented?

20 A First of all, I don't recall that, ever making that  
21 decision, and there's a separate Credit Committee of the  
22 bank.

23 Q Why would Mr. McMurray have been asking you -- why  
24 would Mr. McMurray have been writing to you on this  
25 particular subject?

1 MR. CALDWELL: Calls for speculation.

2 THE WITNESS: I think to try to keep me in the  
3 loop. I would speculate that he's sending me this to keep me  
4 in the loop on the issues.

5 BY MS. DEAN:

6 Q I think you've already testified earlier today that  
7 there were instances where you were asked to resolve  
8 conflicts between Production and Credit Risk with respect to  
9 the underwriting guidelines; isn't that true?

10 A Yes. I don't know, number one, this represents a  
11 conflict. This is asking for information, your opinion. It  
12 would be a formal process that something was presented to me  
13 as an exception.

14 Q You think if this were an instance where you were  
15 being called upon to make a decision, there would be a more  
16 formal document provided beyond this e-mail?

17 A If it was a conflict.

18 Q One of the reasons Mr. McMurray provides to Mr.  
19 Garcia as support for not expanding the guideline is on page  
20 two of Exhibit 215. If you look at item number three, he  
21 indicates that documentation is one of the most dominant  
22 variables for predicting default. He concludes less



23 documentation equals more default. Do you see that?

24 A Yes.

25 Q As a general principle, all things being equal,

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1 would you agree that lower documentation is a predictor for  
2 increased default rates?

3 MR. CALDWELL: Over broad.

4 THE WITNESS: I think all things being equal, you  
5 know --

6 MR. CALDWELL: Ambiguous as to time. Go ahead.

7 BY MS. DEAN:

8 Q Let me ask it differently. If you take two loans,  
9 each with the same FICO score, the same loan to value, the  
10 same debt to income ratio for the borrower, and the only  
11 thing that is different, same loan amount, the only thing  
12 that is different is the amount of documentation, would you  
13 say that the lower documentation loan is more likely to  
14 experience default than the full documentation loan?

15 MR. CALDWELL: You're asking for his opinion today?

16 MS. DEAN: Yes, let's ask for his opinion today.

17 THE WITNESS: Today, I think there has been an  
18 evolving view of how reliable, for example, a FICO score is,  
19 so I think there's a considerable adjustment that has taken  
20 place in terms of how much significance or difference in

21 performance results from varying levels of documentation.  
22 With regard to going back to 2005, I think that there were  
23 variations in terms of how one expected a loan with  
24 documentation, for example, with a high FICO, low LTV, that  
25 documentation would have resulted in less credit issues or

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1 potential's, but it has changed vastly, I think, from how  
2 people felt about it, how underwriters felt about it in 2005  
3 versus, you know, at the end of 2008.

4 BY MS. DEAN:

5 Q When you received Exhibit 215 from Mr. McMurray,  
6 would you have agreed with his conclusion that lower  
7 documentation is a predictor of higher default?

8 A I think I would have agreed that loans that have  
9 greater levels of documentation are likely to show or have a  
10 lower expectation of default, although in many cases, it was  
11 very small.

12 Q What was very small?

13 A The variation on performance.

14 Q One of the things Mr. McMurray observes in his e-  
15 mail to Mr. Garcia is that as of the date that he wrote it in  
16 August 2005, 75 percent of the pay option loans being  
17 originated at the bank were already reduced documentation.

18 Were you aware of that statistic in August 2005?

19 A I was aware of a high percentage. I don't know  
20 what the exact percentage would be. I recall that a high  
21 percentage of the loans were lower documentation loans.

22 BY MR. WYNN:

23 Q Were you aware that the pay option ARMs were  
24 essentially a reduced documentation program?

25 MR. CALDWELL: Objection; ambiguous, over broad.

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1 THE WITNESS: There are many pay option ARMs that  
2 were produced on low documentation, whether that's synonymous  
3 with pay option, is that what you're asking me?

4 BY MR. WYNN:

5 Q Just to give you clarity on the question, in  
6 testimony from others, such as Carlos Garcia, he mentioned  
7 that pay options have always been considered a reduced  
8 documentation program. The pay option programs were emulated  
9 to WaMu and to a lesser extent to World Savings, but they  
10 were all reduced documentation programs, and internally at  
11 Countrywide, the pay option program was always known to be  
12 within the Alt A category of prime. With that foundation,  
13 were you aware in 2005 that the pay option program was a  
14 reduced documentation program?

15 MR. CALDWELL: I'm going to object to assuming

16 facts and ambiguous.

17 THE WITNESS: I'll try to clarify for you again my  
18 perception of the program, that many pay option ARMs were  
19 produced on low documentation programs. It's not synonymous  
20 to me with pay option.

21 BY MR. WYNN:

22 Q Would you consider pay option ARMs to be an Alt A  
23 product?

24 A Some were Alt A and others, they were full  
25 documentation pay option ARMs.

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1 Q Do you know what percentage of pay options that  
2 Countrywide originated were on a full documentation basis?

3 A I think that it varied over time.

4 Q In 2005, for instance?

5 A I don't recall specifics.

6 Q Do you think it was ever over 15 percent?

7 A I'm sorry. What?

8 Q To your knowledge, was the percentage of pay  
9 options underwritten by Countrywide ever above 15 percent on  
10 a full doc basis?

11 MR. CALDWELL: Ambiguous.

12 THE WITNESS: I said I didn't recall and I don't.

13 BY MR. WYNN:

14 Q Have you ever seen observational studies while you  
15 were at Countrywide that showed a relationship between a  
16 reduced documentation and default, the relationship being the  
17 less documentation you have, the higher amount of default?

18 A Do I recall seeing a study specific to that?

19 Q Right. I'll ask it again. Do you recall ever  
20 seeing studies that were put together by people in Credit  
21 Risk Management, such as John McMurray, that showed a  
22 relationship between less documentation and probability of  
23 serious delinquency and default, the relationship being the  
24 less documentation you had, the higher likelihood of default?

25 A I don't recall a specific report to that issue.

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1 John produced a variety of reports and score cards that  
2 captured the characteristic of default probability versus  
3 underwriting characteristics. That could have been one of  
4 them, but I do recall John making these presentations. I  
5 can't tell you that it was specific to that issue.

6 BY MS. DEAN:

7 Q You were generally speaking aware of the credit  
8 risk profile of the loans that Countrywide Bank was holding  
9 for investment in the 2005 time period; correct?

10 MR. CALDWELL: Over broad; ambiguous.

11 THE WITNESS: I'm aware of the portfolio that they  
12 held. I was aware of characteristics about the portfolio.

13 BY MS. DEAN:

14 Q Just so we're clear, the characteristics of which  
15 you would have been aware, you would have been aware that a  
16 certain percentage of them were based on reduced  
17 documentation; correct? I know you don't know the percentage  
18 as you sit here today, but in 2005, you were receiving  
19 regular reports that would have given you that information;  
20 is that correct?

21 A I don't recall. I have a general recollection of  
22 their portfolio and what we thought was the high grade nature  
23 of that portfolio. I really can't tell you that I recall  
24 what the specific underwriting types of the loans were.

25 Q What do you recall about the nature of the bank's

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1 held for investment portfolio as you sit here today?

2 A They had a combination of loans, some were pay  
3 options, some of the loans were home equity lines of credit.  
4 I think they had some level of hybrid ARMs as well.  
5 Generally, a portfolio that was variable interest rate in  
6 nature.

7 Q I think you said, and I don't remember the exact

8 words, but I think you said you thought that the portfolio  
9 held for investment was generally speaking of high credit  
10 quality. Is that the words you used?

11 A Its performance was very good and it was generally  
12 considered prime quality.

13 BY MR. WYNN:

14 Q What does "prime quality" mean?

15 A I think prime would be loans generally that had a  
16 FICO score that at that time was considered to be fine, when  
17 judged, if you were looking at an overall portfolio, did it  
18 have -- I can't remember the exact numbers right now, but I  
19 think 620 and above would be something that was considered  
20 prime. That number varied over time in terms of what the  
21 market considered prime.

22 Q When you say "prime quality," what does that mean?  
23 High quality? Medium quality? Low quality?

24 A Good quality.

25 Q Good in terms of what?

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1 A Its repayment expectations.

2 BY MS. DEAN:

3 Q Was the primary driver of whether a particular loan  
4 would be considered prime versus non-prime the FICO score of  
5 the borrower?

6           A     It's one of the items that you would use, I think,  
7     in determining whether a loan is of prime quality.

8           Q     What are the other characteristics?

9           A     Payment history on your previous mortgage would  
10    influence whether a loan was considered. I'm sure there are  
11    many characteristics. I'm not an underwriting expert.

12          Q     There are lots of characteristics of a loan. Some  
13    of them are features of the loan program itself and some  
14    relate to the creditworthiness of the borrower. In  
15    describing a loan as prime quality, would you be looking just  
16    at the credit risk characteristics of the borrower or were  
17    there features of the loan that could also be a determinant  
18    of whether it was prime or non-prime?

19          A     I think the basic was someone trying to sort  
20    through and determine whether a loan was prime or not, you're  
21    looking at the creditworthiness of the borrower, but there  
22    are other factors that could take a loan out of the prime  
23    category. The underlying property could be non-prime  
24    property, mixed use property, for example, probably wouldn't  
25    be considered prime.

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1                   BY MR. WYNN:

2           Q     There are several factors aside from the credit



3 characteristics of the borrower that bear upon the issue of  
4 how a loan will perform; is that right?

5 A That's right.

6 Q To your knowledge, in the company's SEC filings,  
7 is that talking specifically about credit characteristics of  
8 the borrower or other things as well?

9 MR. CALDWELL: Over broad.

10 THE WITNESS: I'm not certain of all of the factors  
11 that go into it, but I would say it heavily weighs to the  
12 credit quality of the borrower.

13 BY MR. WYNN:

14 Q Those things such as documentation and loan product  
15 also bear upon the issue of how a loan will perform, the  
16 likelihood of going into a default or serious delinquency; is  
17 that correct?

18 MR. CALDWELL: Objection; compound, over broad,  
19 asked and answered.

20 THE WITNESS: Can you repeat that? I apologize.

21 BY MR. WYNN:

22 Q Sure. In addition to the credit characteristics of  
23 a borrower, there are certain things like characteristics of  
24 the loan program and characteristics such as documentation  
25 that bear upon the likelihood that a loan will go into

1 serious delinquency or a default; is that correct?

2 MR. CALDWELL: Same objection.

3 THE WITNESS: There are a variety of factors, I  
4 think, as you're suggesting, that play into how loans will  
5 perform, when you're modeling what performance of those loans  
6 could be.

7 BY MR. WYNN:

8 Q Is one of those characteristics documentation?

9 MR. CALDWELL: Objection; asked and answered.

10 THE WITNESS: It's one of the characteristics of  
11 many that are considered.

12 BY MR. WYNN:

13 Q How about the loan program itself, like a pay  
14 option ARM, does that have any bearing upon the likelihood of  
15 the loan going into a serious delinquency or default?

16 MR. CALDWELL: Calls for speculation and incomplete  
17 hypothetical; ambiguous as to time.

18 THE WITNESS: I think it changes over time, you  
19 know. If you go back to 2005, a loan program like pay option  
20 is considered different than it is today in terms of is that  
21 a good product or a non-prime product. That is a change. I  
22 would ask, you know, specific to a period of time, how loans  
23 are considered to perform, I think, modeling and forecasting  
24 of loan performance changes as you have more information  
25 about performance.

1 BY MR. WYNN:

2 Q Have you ever had occasion to look at Countrywide's  
3 technical manual?

4 MR. CALDWELL: I'm sorry. I didn't hear you,  
5 counsel.

6 BY MR. WYNN:

7 Q Have you ever looked at Countrywide's technical  
8 manual?

9 A I think there might be many technical manual's at  
10 Countrywide. I'm not clear as to what you're asking me  
11 about.

12 Q To my knowledge, there are three technical manual's  
13 at Countrywide. There is one for subprime products. There  
14 is one for Government products, and there is one for all  
15 other products. Have you ever seen the last one I mentioned,  
16 the one for all other products? Have you ever seen the last  
17 one I mentioned, the one for products not being subprime or  
18 Government?

19 A I don't think so; not that I recall.

20 Q In that manual that I mentioned, there is a chart  
21 that maybe I'll show you later in the day, but it just lists  
22 certain loan characteristics and their effect upon likelihood  
23 of default or serious delinquency. Pay option is listed as a  
24 product that significantly increases the likelihood of

25 default or serious delinquency. Were you aware of that?

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1 A I'm not aware of that. I don't know what period of  
2 time you're referring to and that technical manual that I  
3 have never seen or I don't think I've ever seen.

4 Q Do you know why in the context of how the term  
5 "prime" is used in Countrywide's SEC filings factors such as  
6 loan product and documentation was not incorporated into what  
7 "prime" means?

8 MR. CALDWELL: Objection; assumes facts.

9 THE WITNESS: I don't know.

10 BY MS. DEAN:

11 Q Mr. Kurland, I'm handing you now what has been  
12 previously marked as Exhibit 195. For the record, it is a  
13 copy of the 10-Q for Countrywide Financial Corporation for  
14 the period ended June 30, 2005. Have you ever seen Exhibit  
15 195 before?

16 A Probably.

17 Q Did you have any role in its preparation?

18 A Similar to what I told you about the previous 10.

19 Q You would have been presented with a draft that you  
20 reviewed; is that correct?

21 A Most likely.

22 Q And then upon completion of your review, would you  
23 have certified the contents of the document?

24 A I don't know that I would certify it, but I signed  
25 the 10-Qs.

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1 Q If you take a look at page 80 of 81, which is page  
2 76 of the actual original document, there's an indication  
3 there that Stanford Kurland signed this particular 10-Q as  
4 president and chief operating officer. Is that the signature  
5 you're referring to?

6 A Yes.

7 Q Did you have any understanding as to what the  
8 purpose was of your signing the 10-Q at the time that you  
9 signed it with respect to the June 2005 10-Q?

10 A As part of the filing, it required that I sign it.

11 Q Did you believe that the contents of the document  
12 were true and correct as of the date that you signed it?

13 A Yes.

14 Q In connection with your review of the 10-Q for the  
15 period ended June 30, 2005, did you have any conversations  
16 with anyone at Countrywide about whether there should be  
17 additional disclosure with respect to credit risk in the  
18 document?

19 A I don't recall that.

20 Q Did you have any discussion with anyone at  
21 Countrywide about whether the percentage of loans being  
22 originated on a reduced documentation basis should be  
23 disclosed in the 10-Q for June 30, 2005?

24 A I don't recall that.

25 Q Did you have any conversations with anyone at

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1 Countrywide about whether the percentage of loans being  
2 originated on the stated income basis should be disclosed in  
3 the 10-Q for the period ended June 30, 2005?

4 A I don't recall.

5 Q Did you have any conversations with anyone at  
6 Countrywide about whether the percentage of Alt A loans being  
7 originated by Countrywide should be disclosed in its 10-Q for  
8 the period ended June 30, 2005?

9 A I don't recall.

10 Q Did you have any conversations with anyone at  
11 Countrywide about whether the percentage of loans originated  
12 at a combined loan to value of 95 percent or greater should  
13 be disclosed in the 10-Q for period ended June 30, 2005?

14 A I don't recall.

15 Q Did you have any discussions with anyone at  
16 Countrywide about whether the percentage of loans originated

17 by Countrywide with piggyback second's should be disclosed in  
18 the 10-Q for the period ended June 30, 2005?

19 A I don't recall.

20 Q When you say you don't recall, you don't recall  
21 having the conversation or you just don't remember one way or  
22 the other?

23 A It's the same thing to me.

24 Q The conversation could have happened, you just  
25 don't remember?

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1 A That's correct.

2 Q In the context of preparing the 10-Q for the period  
3 ended June 30, 2005, did you have any conversation with  
4 anyone at Countrywide about whether the percentage of loans  
5 being originated at Countrywide with layered risk  
6 characteristics should be disclosed?

7 A I don't recall.

8 Q If you turn to page 30 of Exhibit 195, which is  
9 page 34 of 81 if you're using the numbering scheme at the top  
10 of the page --

11 A I'm sorry. Which page again?

12 Q 34 of 81. The bottom half of the page contains a  
13 discussion about loan production, and there are some  
14 disclosures here that did not appear in the prior Qs,

15 specifically disclosures about the pay option loans that were  
16 being originated at Countrywide. Did you participate in any  
17 discussions in connection with the preparation of this  
18 particular 10-Q about the disclosures with respect to pay  
19 option ARM loans contained at the bottom of page 30?

20 A I don't recall.

21 Q Could you turn to page 39 of the document, 43 of 81  
22 at the top of the page? There is a further discussion of the  
23 pay option loans at Countrywide, and this one has to do with  
24 the held for investment portfolio at the bank. There's a  
25 table at the bottom of the page that indicates the total

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1 value of the pay option portfolio, the dollar amount of  
2 accumulated negative amortization, and the dollar amount of  
3 loans that have accumulated negative amortization. Did you  
4 have any discussion with anyone at Countrywide about  
5 including this particular disclosure in the 10-Q for the  
6 period ended June 30, 2005?

7 A I don't remember.

8 Q Do you recall reviewing this particular disclosure?

9 A Not really.

10 Q I am now handing you what has previously been  
11 marked Exhibit 196, a copy of the Form 10-Q for the period



12 ended September 30, 2005. Have you ever seen Exhibit 196  
13 before?

14 A I assume so.

15 Q Did you have any role in its preparation?

16 A The same role I had in the other preparations.

17 Q You would have reviewed it and then signed it after  
18 your review?

19 A Yes.

20 Q In connection with the preparation of the 10-Q for  
21 the period ended September 30, 2005, did you ever have any  
22 discussion with anyone at Countrywide about whether there  
23 should be additional disclosure with respect to credit risk?

24 A I don't recall.

25 Q In connection with the preparation of the Form 10-Q

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1 for the period ended September 30, 2005, did you have any  
2 discussion with anyone at Countrywide about whether the  
3 percentage of loans originated by Countrywide based on  
4 reduced documentation should be disclosed?

5 A I don't recall.

6 Q In connection with the preparation of the 10-Q for  
7 the period ended September 30, 2005, did you have any  
8 conversations with anyone at Countrywide about whether the  
9 percentage of loans based upon stated income should be

10 disclosed?

11 A I don't recall.

12 Q In connection with the preparation of the 10-Q for  
13 the period ended September 30, 2005, did you have any  
14 discussion with anyone at Countrywide about whether the  
15 percentage of Alt A loans originated at Countrywide should be  
16 disclosed?

17 A I don't recall.

18 Q In connection with the preparation of the Form 10-Q  
19 for the period ended September 30, 2005, did you have any  
20 discussion with anyone at Countrywide about whether the  
21 percentage of loans originated of combined LTVs of 95 percent  
22 or greater should be disclosed?

23 A I don't recall.

24 Q In connection with the preparation of the Form 10-Q  
25 for the period ended September 30, 2005, did you have any

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1 discussion with anyone at Countrywide about whether the  
2 percentage of loans originated as piggyback second's should  
3 be disclosed?

4 A I don't recall.

5 Q In connection with the preparation of the Form 10-Q  
6 for the period ended September 30, 2005, did you have any

7 discussion with anyone at Countrywide about whether the  
8 percentage of loans being originated at Countrywide with  
9 layered risk characteristics should be disclosed?

10 A I don't recall.

11 MR. CALDWELL: Before we go to the next one, can we  
12 take a short break?

13 MS. DEAN: Sure. Off the record.

14 (A brief recess was taken.)

15 MS. DEAN: Back on the record.

16 BY MS. DEAN:

17 Q Mr. Kurland, I'm handing you now what has been  
18 previously marked as Exhibit 197, which is a copy of the Form  
19 10-Q for the period ended December 31, 2005.

20 MR. WYNN: 10-K.

21 BY MS. DEAN:

22 Q Sorry, 10-K for the period ended December 31,  
2005.

23 Have you ever seen Exhibit 197 before?

24 A Yes.

25 Q Did you have any role in its preparation?

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1 A As I described earlier to you, there was a process  
2 that the company went through in the preparation of the Qs  
3 and Ks, whereby the Financial Reporting Group would draft up

4 the document and they would go through changes that were made  
5 to the document, and I would have a chance to peruse and read  
6 the document in that context.

7 Q Did you also sign the 10-K for year end December  
8 31, 2005?

9 A Yes.

10 Q At the time that you signed it, did you believe  
11 that the document was true and correct?

12 A Yes.

13 Q In connection with the preparation of the Form 10-K  
14 for the period ended December 31, 2005, did you ever have any  
15 discussions with anyone at Countrywide about whether there  
16 should be additional disclosure with respect to credit risk?

17 A I don't recall.

18 Q In connection with the preparation of the Form 10-K  
19 for the period ended December 31, 2005, did you ever have any  
20 discussion with anyone at Countrywide about whether there  
21 should be additional disclosure with respect to the  
22 percentage of loans being originated based on reduced  
23 documentation?

24 A I don't recall.

25 Q In connection with the preparation of the Form 10-K

1 for the period ended December 31, 2005, did you ever have any

2 discussion with anyone at Countrywide about whether there  
3 should be additional disclosure with respect to the  
4 percentage of loans being originated based on stated income?

5 A I don't recall.

6 Q In connection with the preparation of the Form 10-K  
7 for the period ended December 31, 2005, did you ever have any  
8 discussion with anyone at Countrywide about whether there  
9 should be additional disclosure about the percentage of Alt A  
10 loans being originated by the company?

11 A I don't recall.

12 Q In connection with the preparation of the Form 10-K  
13 for the period ended December 31, 2005, did you ever have any  
14 discussion with anyone at Countrywide about whether the  
15 percentage of loans being originated at combined loans to  
16 value of 95 percent or greater should be disclosed?

17 A I don't recall.

18 Q In connection with the preparation of the Form 10-K  
19 for the period ended December 31, 2005, did you ever have any  
20 discussion with anyone at Countrywide about whether there  
21 should be additional disclosure about the percentage of loans  
22 being originated with piggyback second's?

23 A I don't recall.

24 Q In connection with the preparation of the Form 10-K  
25 for the period ended December 31, 2005, did you ever have any

1 discussion with anyone at Countrywide about whether there  
2 should be additional disclosure about the percentage of loans  
3 being originated by the company with layered risk  
4 characteristics?

5 A I don't recall.

6 Q If you turn to page two of Exhibit 197, which is  
7 actually page 6 of 225 --

8 A What page?

9 Q 6 of 225 on the top. There is a discussion here of  
10 loan production and there's a breakdown just below the first  
11 paragraph of types of loans. Do you see that?

12 A Yes.

13 Q There are four basic loan types identified here,  
14 prime, prime home equity, non-prime and commercial real  
15 estate. Did you have any role in drafting this section of  
16 the Form 10-K?

17 A I don't believe so.

18 Q If I were looking to discover the percentage of  
19 loans that Countrywide made based upon -- strike that. If I  
20 were looking to see the percentage of loans that Countrywide  
21 originated that were Alt A, do you know which of these four  
22 categories that would fall in for purposes of this Form 10-K?

23 A I believe it would be in the prime loan.

24 Q What is that belief based upon?

25 A Alt A loans were loans that were considered prime

1 mortgages. That's what I recall.

2 Q If you look at page 12 of Exhibit 197, there is a  
3 table here that breaks out some statistics for the owned  
4 servicing portfolio at periods ending from December 31, 2001  
5 through 2005. Did you have occasion to review this page in  
6 connection with your review of the 10-K for the period ended  
7 December 31, 2005?

8 A The entire document was presented, and this is  
9 included in there.

10 Q You would have read it?

11 A It would have been part of that process that I  
12 described earlier.

13 Q The process you described was one wherein the SEC  
14 reporting group would present the document and point out any  
15 changes. Was it your practice only to review those portions  
16 of the document that had changes or did you review the  
17 entirety of the document?

18 A You know, typically I would flip through the  
19 document and obviously pay attention to those areas that I  
20 was being directed to. I don't recall whether I specifically  
21 stopped on this page to evaluate anything in particular, but  
22 it was part of the full document that was presented.

23 Q One of the statistics that's presented here is the  
24 percentage of delinquent mortgage loans. It's actually  
25 presented two different ways, both by type of loan and also

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1 by duration of the delinquency, so part of the table says  
2 delinquent mortgage loans at 30, 60, or 90 days or more, and  
3 below that is delinquent loans, and then it's conventional,  
4 non-prime, prime home equity and Government. Do you see  
5 those?

6 A Yes, I do.

7 Q Were you aware of the delinquency trend in the non-  
8 prime mortgages at Countrywide at year end 2005?

9 A Yes.

10 Q Was Countrywide taking any steps to address the  
11 increase in delinquencies in the non-prime portfolio that's  
12 identified here on page eight of Exhibit 197?

13 A By "steps," we had a Servicing Division that had  
14 collection activities.

15 Q Was there any discussion about contracting  
16 underwriting guidelines in the subprime area as a way of  
17 addressing the increase in delinquencies that Countrywide was  
18 observing at year end 2005?

19 A I don't recall.

20 Q At the bottom of this page, page eight, there is a



21 table that identifies geographic concentrations of loans  
22 originated by Countrywide, and it looks like 30 percent of  
23 Countrywide's originations or actually 30 percent of the  
24 servicing portfolio at year end, December 31, 2005, was  
25 located in California. Do you see that?

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1 A Yes.

2 Q Do you recall any discussions internally at  
3 Countrywide about the need to be more geographically diverse  
4 with respect to the loans in the servicing portfolio at year  
5 end 2005?

6 A I don't recall that.

7 Q Did you have any role in setting the allowance for  
8 loan losses at year end 2005?

9 A I don't believe so.

10 BY MR. WYNN:

11 Q Did you attend meetings where loan losses for 2005  
12 were discussed?

13 A I don't recall if I participated in meetings on  
14 loan loss reserves.

15 BY MS. DEAN:

16 Q Would you turn to page 45 of 225? It's page 41 of  
17 the document. Under the heading "Loan Production," there are

18 some disclosures here with respect to the pay option  
19 portfolio, and there's a new disclosure that didn't appear in  
20 any of the prior Qs which describes the initial loan quality  
21 of the pay option loan portfolio. It's the last sentence on  
22 page 41. Do you know how that disclosure came to be added to  
23 the 10-K?

24 A No. I should say I don't recall what the  
25 circumstances were.

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1 Q You don't remember having any discussions about it  
2 one way or the other?

3 A Right.

4 Q The disclosure here indicates that the average  
5 original FICO scores in the portfolio are 720 and the average  
6 original loan to value and combined loan to value are 75  
7 percent and 78 percent, respectively. Do you know if those  
8 statistics relate specifically to the bank's pay options held  
9 for investment portfolio or are those origination statistics?

10 A I'm not certain what it's representing.

11 Q If you turn to pages 60 and 61 of 225, this is a  
12 discussion of the bank's held for portfolio investment --  
13 held for investment portfolio -- sorry. There is some  
14 disclosure here with respect to the pay option portfolio held  
15 for investment at the bank. Specifically, what I wanted to

16 ask you about is the table that is on page 61. It is page 57  
17 of the document and page 61 of 225. There's a line that's  
18 been -- there's actually three lines that have been added to  
19 this table that did not appear in the prior Q. It is the  
20 last three lines of the table. One is original combined loan  
21 to value. The other is -- I take it back. There's four  
22 lines here that are new. Original loan to value, original  
23 combined loan to value, average original FICO score, and  
24 delinquencies. Do you see those?

25 A Yes.

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1 Q Did you participate in any discussion about the  
2 inclusion of these additional items of disclosure with  
3 respect to the pay option portfolio at year end 2005?

4 A I don't recall specific meetings or discussions on  
5 this.

6 Q If you look at the delinquency line, it looks like  
7 at year end 2004, the delinquency percentage was .08 percent,  
8 and at year end 2005, Countrywide was reporting a delinquency  
9 percentage of .22 percent. Would that increase in  
10 delinquencies have been significant at year end 2005?

11 A The level of delinquency would not have been  
12 considered significant.

13 Q Right, I know it's low in actual terms, but would  
14 the fact that the trend was going from .08 to .22, would that  
15 have been considered significant?

16 A I don't think so.

17 Q On a pay option loan, to the extent a borrower is  
18 making less than the interest only payment, such that  
19 principal and interest are accruing to the loan, was  
20 Countrywide recording the uncollected interest as income?

21 A Yes.

22 Q That would have shown up in capitalized interest on  
23 the statement of cash flows?

24 A I'm not sure what the line item is.

25 Q Regardless of what it was called, you do know that

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1 they were actually accruing the uncollected interest;  
2 correct?

3 A Yes.

4 Q Once a loan went into non-accrual status, did  
5 Countrywide -- was it Countrywide's accounting policy to  
6 reverse the interest that it had previously accrued?

7 A I don't know the specific accounting policy.

8 Q Let's switch subjects a little bit. I wanted to  
9 talk about your departure from Countrywide. Prior to March  
10 of 2006, had it been your expectation that you were

11 eventually going to take over the position of chief executive  
12 officer at Countrywide?

13 A Yes.

14 Q At some point, did that expectation change?

15 A Yes.

16 Q Why did that expectation change?

17 A Are you asking about a specific point in time?

18 Q I'm just trying to get a general foundation here.

19 At some point you became aware you were not going to become  
20 CEO; correct?

21 A Correct.

22 Q What is your understanding of why that change came  
23 about?

24 MR. CALDWELL: Calls for speculation.

25 MS. DEAN: I asked for his understanding.

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1 THE WITNESS: There was a falling out or  
2 disagreement that I had with Angelo Mozilo that resulted in,  
3 you know, considerable disruption in our relationship, our  
4 working relationship. It became evident at some point in  
5 time that it was a terrible situation and you know,  
6 ultimately it resulted in my leaving.

7 BY MS. DEAN:

8 Q What was the falling out about?

9 A From my perspective, that I was asked to present a  
10 breakdown of duties or activities after the change, after the  
11 succession, what Angelo Mozilo would do in his ongoing role  
12 as chairman or whatever the role that was being considered,  
13 and the activities of the CEO. I communicated that to him,  
14 and at some point in time after receiving that communication,  
15 he became -- he was very angry about my concepts for his  
16 role.

17 Q Let me show you what has been marked as Exhibit  
18 841.

19 (SEC Exhibit No. 841 was marked for  
20 identification.)

21 BY MS. DEAN:

22 Q For the record, this is a multiple page e-mail  
23 Bates stamped CFC2007A81458 through 512. The e-mail at the  
24 top of the first page is actually an e-mail from Stan Kurland  
25 to Chris Caldwell, but it forwards an e-mail that you wrote

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1 to Mr. Mozilo on November 26, 2005. It is not my intention  
2 to inquire as your communication with your counsel, with Mr.  
3 Caldwell. I just want to focus on the portion of the e-mail  
4 below that, which is the e-mail that you wrote to Mr.

Mozilo.

5 Is this the --

6 MR. CALDWELL: I know there was a discussion  
7 yesterday concerning the very top portion of this first page,  
8 and we reached an agreement that I'm going to let you  
9 question the witness about the portion of the document other  
10 than the very top, which we believe is an attorney/client  
11 communication, with the understanding that allowing the  
12 document to be marked and the questioning on the other  
13 portion of the document will not -- that the SEC will not  
14 take the position that allowing that question is a waiver of  
15 the attorney/client privilege by Mr. Kurland with respect to  
16 this document or any other document.

17 MS. DEAN: That's fine. That is our agreement,  
18 although I would say that's slightly broader. We are not  
19 going to take the position that simply by virtue of the fact  
20 that we have the forward from Mr. Kurland to you that that  
21 somehow is a waiver of any further communications the two of  
22 you may have had with respect to this particular document.  
23 To the extent that we have other e-mails where the same  
24 situation applies, where it is simply a forward from Mr.  
25 Kurland to yourself, the SEC is not going to take the

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1 position that our possession of those documents somehow  
2 waives the privilege with respect to any communications the

3 two of you may have about the documents.

4 MR. CALDWELL: Thank you. Just so the record is  
5 clear on this, we didn't produce the document. You got it  
6 from, I presume, Countrywide, based on the Bates labeling.  
7 It is our position, my position as Mr. Kurland's counsel,  
8 that Countrywide doesn't have the ability or authority to  
9 waive that privilege on Mr. Kurland's behalf, but I know  
10 that's not an issue either. I just want to make the record  
11 clear.

12 MS. DEAN: Again, just for the record, we're not  
13 taking a position with respect to that and we're not taking a  
14 position with respect to that for purposes of this particular  
15 proceeding, since we have agreed we will just question him  
16 about the portion of the document that was the original  
17 document between himself and Mr. Mozilo.

18 BY MS. DEAN:

19 Q With that all out of the way, Mr. Kurland, is  
20 Exhibit 841, at least the portion of it from yourself to Mr.  
21 Mozilo dated November 26, 2005, the document that you  
22 referenced in your prior answer where you said you provided  
23 him with your thoughts about the transition?

24 A Yes.

25 Q Was there something specific about your ideas about



1 the transition that Mr. Mozilo objected to?

2 MR. CALDWELL: Calls for speculation.

3 MS. DEAN: I'm asking what Mr. Mozilo told him.

4 THE WITNESS: One objection that he had had to do  
5 with his role in communicating to investors or to the public  
6 post his retirement as CEO. I wanted to control that, and he  
7 found that to be insulting.

8 BY MS. DEAN:

9 Q If you turn to page three of this document, the one  
10 that ends in Bates stamp 510, there's a section there headed  
11 "The Role of the Non-Executive Chairman." At the point in  
12 time that you drafted this particular e-mail, was the idea  
13 that Mr. Mozilo would stay on as a chairman of the Board --  
14 that he would be the non-executive chairman?

15 A Yes.

16 Q This discussion in the document is actually your  
17 thoughts about what Mr. Mozilo's continuing role in the  
18 company should be?

19 A Yes.

20 Q If you look at the paragraph immediately below the  
21 bullet points, the one that starts "It is essential," you  
22 wrote that you thought that at the point of transition, all  
23 responsibility and authority for directing and communicating  
24 the positions and activities of the company should be ceded  
25 to your control. Do you see that?

1           A     Yes.

2           Q     Is that the provision that you said Mr. Mozilo  
3 found insulting?

4           A     Yes.

5           Q     Was there anything else about your proposal with  
6 respect to the transition that Mr. Mozilo told you he  
7 objected to?

8           A     Give me a second to look through this, and maybe it  
9 will trigger recall. There's a discussion here about ongoing  
10 office space and use of company resources. You know, I meant  
11 to clarify that he should have an ongoing office and space,  
12 and he construed this that I was trying to take control and  
13 throw him out of the office, when it was in fact the Board  
14 members that were coming to me and asking do you want him out  
15 of the building type of questioning. I wanted to make it  
16 clear that he would have these resources, but if it was a  
17 concern to the Board, that he might otherwise be influencing  
18 employees in a way that wasn't allowing me to control the  
19 operations, that I would have the ability to make changes in  
20 the future. That was my intent, to resolve this in a back  
21 and forth that was taking place with the Board members,  
22 creating an issue over his office space.

23          Q     Were there specific Board members who had

24 approached you on that subject?

25 A Yes, there were. I don't know if I'm going to get

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1 it completely accurate, but there were Board members that  
2 approached me on it and they were making an issue of it, and  
3 I communicated that to him, and in drafting this, I was  
4 trying to make certain that he understood that I didn't want  
5 him to leave the space, but it was misconstrued by him, and  
6 that was one of the items of irritation in this  
7 communication.

8 Q Do you remember who the Board members were who  
9 approached you about his continuing use of Countrywide  
10 resources and office space?

11 A I can give you the recall to the best of my  
12 ability. You know, I believe it was raised to me by Mike  
13 Dougherty, by Bob Donato, and Harley Snyder.

14 Q Was there anything else in this document that Mr.  
15 Mozilo objected to?

16 MR. CALDWELL: That he told him he objected to?

17 MS. DEAN: Right.

18 THE WITNESS: Give me a second. A minor issue over  
19 the timing of the announcement. I don't think that was an  
20 overwhelming issue but I think he wanted to postpone the  
21 announcement. At the point that I distributed this to him,

22 there wasn't any objection to the fact that I wanted to make  
23 some organizational changes. I think that became the subject  
24 of additional issues later on.

25 BY MS. DEAN:

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1 Q Let me ask you about the organizational change that  
2 you proposed on the page that ends in Bates stamp number  
3 4511. You suggest that certain officers would report  
4 directly to you as CEO. How was that different than the  
5 existing organizational structure? Were the persons  
6 identified by bullet points on page 4511 not currently  
7 reporting to the CEO in the November 2005 time period?

8 A I think that they were.

9 Q Let me ask it slightly differently. In November of  
10 2005, you were president and COO. Were any of those officers  
11 reporting to you in your capacity as president and COO in  
12 November 2005?

13 A I believe so.

14 Q The change here would have been they would have  
15 continued to report to you as CEO rather than reporting to  
16 the president and COO?

17 A Yes.

18 Q Would that have been true for everyone who is

19 identified there or were there some exceptions to that?

20 A I think what is significant about the  
21 organizational structure is that I was not suggesting that in  
22 my being CEO that I would have a structure similar to what he  
23 had, which was me reporting to him and then Dave Sambol  
24 having all of these activities report to him. I think that's  
25 the significance of what I'm communicating.

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1 Q Would you say prior to sending this e-mail that the  
2 way the organizational structure worked at Countrywide is  
3 that the officers identified on page 4511 reported to you as  
4 chief operating officer and then you in turn reported to Mr.  
5 Mozilo?

6 A I think with perhaps the exception that the chief  
7 legal officer, I believe, may have reported directly, that it  
8 switched over time, but that was kind of the basic structure.

9 Q Would you characterize your role in November of  
10 2005 as a filter between Mr. Mozilo and the operating  
11 divisions of the company?

12 A No.

13 Q Did Mr. Mozilo play an active role with respect to  
14 decision making in the various divisions of the company prior  
15 to your November 2005 e-mail?

16 MR. CALDWELL: Objection; ambiguous and over broad.

17 THE WITNESS: Did he play an active role in the  
18 company's activities. When we start getting into the depth  
19 of the operational issues, he wasn't, you know, active in the  
20 sense or the way that I participated. He had general  
21 oversight. He had access to all of the executives of the  
22 company, and he participated, but not -- obviously, you know,  
23 it's a huge company. He wasn't directing the areas of  
24 Finance or Secondary Marketing or Risk Management at detailed  
25 levels.

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1 BY MS. DEAN:

2 Q I've handed you know what has been marked as  
3 Exhibit 842.

4 (SEC Exhibit No. 842 was marked for  
5 identification.)

6 BY MS. DEAN:

7 Q This is a multiple page e-mail string, Bates  
8 stamped CFC2007A814513 through 514. The e-mail at the top of  
9 the first page is again from Stan Kurland to Chris Caldwell,  
10 but I want to focus specifically on the portion of the e-mail  
11 below that, which is an e-mail from Angelo Mozilo to yourself  
12 dated November 21, 2005.

13 MR. CALDWELL: Counsel, I don't want to repeat it

14 each time. I understand we have the same agreement with  
15 respect to all these documents.

16 MS. DEAN: We do.

17 MR. CALDWELL: Thank you.

18 BY MS. DEAN:

19 Q Did you receive Mr. Mozilo's November 21, 2005 e-  
20 mail that has now been marked as Exhibit 842?

21 A I believe that I did.

22 (Witness conferring with counsel.)

23 BY MS. DEAN:

24 Q Just so the record is clear, you just had a  
25 consultation with your counsel. Again, I don't want to

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1 inquire about the nature of your communications with your  
2 counsel, but do you have a belief that Mr. Mozilo's e-mail to  
3 you, which has been marked as 842, was in response to a  
4 discussion you may have had with him about his public  
5 appearances on behalf of Countrywide during the transition  
6 process to your becoming CEO?

7 A I remember receiving a memo that contained  
8 information like this as a result of this memo.

9 Q You recall receiving an e-mail or a memo from Mr.  
10 Mozilo that contained information about his speaking  
11 engagements and you recall receiving that in response to your

12 e-mail which has been marked as Exhibit 841; is that right?

13 A Yes, but I'm not certain that this is that memo.

14 Q In fact, Mr. Mozilo's e-mail appears to pre-date  
15 your e-mail to him; correct?

16 A Yes.

17 Q You do recall receiving an e-mail that contained  
18 information along the lines of what's in 841, which is just  
19 his speaking schedule for 2006; is that right?

20 A Yes.

21 Q Did Mr. Mozilo have any other initial response to  
22 your November 26, 2005 e-mail?

23 A I'm sorry.

24 Q At some point, Mr. Mozilo communicated to you that  
25 he was unhappy with your --

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1 A Was that your question? My mind faded. I  
2 apologize.

3 Q It gets late. Let's try again. At some point, Mr.  
4 Mozilo communicated to you that he was unhappy with some of  
5 the items mentioned in your November 26, 2005 e-mail, and you  
6 have identified what the concerns were. Did he communicate  
7 that to you in writing or was that in person?

8 A He definitely communicated it to me in person. I



9 don't know -- I don't recall whether I received anything in  
10 writing.

11 Q Let me ask you this, if you look back at Exhibit  
12 841, the "Re" line on your e-mail to Mr. Mozilo is  
13 "Transition Thoughts - Modified."

14 A Yes.

15 Q Did you send a prior version of your transition  
16 thoughts to Mr. Mozilo before this particular e-mail?

17 A I believe so.

18 Q Let's mark this as Exhibit 843.

19 (SEC Exhibit No. 843 was marked for  
20 identification.)

21 BY MS. DEAN:

22 Q Mr. Kurland, I'm handing you now what has been  
23 marked Exhibit 843. For the record, this is Bates stamped  
24 CFC2007B789666 through 671. Without getting too much into  
25 detail about this particular e-mail, if you look at Mr.

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1 Mozilo's e-mail to you on the first page, the very first line  
2 is "Prior to your memo of November 20," do you think that  
3 your first transition thoughts' e-mail to Mr. Mozilo was  
4 actually dated November 20 as opposed to November 26?

5 A I do. I think there was a memo and a sit down, and  
6 there was some slight revisions to that based on our

7 discussions.

8 Q On November 20, did you have actually a face to  
9 face meeting with Mr. Mozilo?

10 A I did. I don't know if it was November 20. I did  
11 have a face to face.

12 Q Was it in any case before you sent out the e-mail  
13 that the "Re" line is "Transition Thoughts - Modified?"

14 A I believe so.

15 Q You think you wrote him an e-mail on November 20,  
16 and then at some point either between the 20th and the 26th,  
17 you had a face to face meeting with him; is that right?

18 A Yes.

19 Q What prompted you to send a revised version of your  
20 transition thoughts on November 26?

21 A It was likely the result of our dialogue, you know,  
22 in the meeting, and there may have been some changes that  
23 were made to it.

24 Q In the meeting that you would have had with him  
25 after sending out the first e-mail, did he express

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1 unhappiness with your ideas with respect to the transition?

2 A Immediately after?

3 Q I'm just trying to get at why you sent a second e-

4 mail.

5 A You know, I recall, and I don't have a great  
6 recollection of all this, but we had a meeting or had a  
7 dialogue around what were my thoughts, which were very close  
8 to the e-mail on the 26th, that I made some modifications to  
9 it as a result of the meeting and sent that to him.

10 Q Did Mr. Mozilo express unhappiness to you in the  
11 meeting that you had with respect to your plans for the  
12 transition?

13 MR. CALDWELL: You're talking about the first  
14 meeting?

15 MS. DEAN: Yes.

16 THE WITNESS: No.

17 BY MS. DEAN:

18 Q He did not express disagreement with you until you  
19 sent around the memo dated November 26th; is that right?

20 A It was after that and not immediately after.

21 Q If you focus on Exhibit 843, which is the one I  
22 just handed you, the e-mail from Mr. Mozilo to yourself dated  
23 March 4, 2006, on which Michael Dougherty is also copied, was  
24 this the first time that Mr. Mozilo told you that he was not  
25 happy with your plans about the transition or had that

1 happened prior to March 2006?

2 A I need a second to review.

3 Q Sure.

4 MR. CALDWELL: Do you remember the question?

5 BY MS. DEAN:

6 Q The question pending was just with respect to  
7 Exhibit 843, was Mr. Mozilo's March 4, 2006 e-mail to you the  
8 first time he expressed his unhappiness with your November  
9 20th e-mail?

10 A No.

11 Q At some time between November 26, 2005 and March 4,  
12 2006, Mr. Mozilo told you that he was unhappy with your plans  
13 for the transition; is that correct?

14 A Yes.

15 Q Do you know when that was?

16 A I don't know the specific date, but the  
17 relationship was chilling very quickly, you know, by the  
18 first part of December. There were already issues that were  
19 developing and the Board was getting involved as kind of the  
20 memo indicates.

21 Q Did you and Mr. Mozilo have an argument about your  
22 plans for the transaction?

23 A I wouldn't characterize it as an argument. I  
24 presented what I thought was necessary. He became  
25 ultimately, you know, indignant about it. You know,

1 posturing with others as it got back to me to reverse the  
2 succession, and that was in very early 2006.

3 Q You said it got back to you that he wanted to  
4 revise the succession. Who told you that?

5 A I wouldn't say it was exactly the word "revised,"  
6 but you know, he was angry, irritated. It got back to me  
7 that he didn't understand why I would position the succession  
8 as I did, and I heard back from Sambol and from Sandy  
9 Samuels, you know, feedback about this, and he was verbally  
10 maybe before this memo expressing his anger.

11 Q One of the things he says in his March 4th e-mail,  
12 he makes reference to a letter from Michael Dougherty  
13 informing you that the transition matter was now in the hands  
14 of the Board. That's in the second paragraph of his e-mail.

15 A Yes.

16 Q Do you know when Mr. Dougherty -- first of all, did  
17 you get such a letter from Mr. Dougherty?

18 A There was a note that came from Dougherty. I don't  
19 know if it was directly from Dougherty or the Board, that  
20 they basically laid out that the activities of the CEO would  
21 be, you know, basically as normally structured. It was a  
22 very brief note that basically took out the issue of debate  
23 as to what my role would be and what Angelo's role would be.  
24 As I recall, it was in the transition because I remember the  
25 argument is over the CEO's role.

1           Q     Did that letter indicate to you there was going to  
2 be any change with respect to your succeeding Mr. Mozilo? In  
3 other words, was it communicated to you that the Board was  
4 considering not having you succeed Mr. Mozilo?

5           A     I don't believe so.

6           Q     Mr. Mozilo's e-mail to you is actually in response  
7 to one that you wrote to him on March 4, 1006 that's  
8 contained on the second page of this document. You forwarded  
9 to him an e-mail that you had sent to Dave Sambol and Carlos  
10 Garcia with respect to some organizational changes you wanted  
11 to make. Let's start with the e-mail that you wrote to Mr.  
12 Sambol and Mr. Garcia, which is at the bottom of the second  
13 page here.

14          A     Yes.

15          Q     When you wrote to the two of them with respect to  
16 your thoughts about organizational changes, were you  
17 anticipating that they would have objections to your  
18 organizational changes?

19          A     I believed they would have input.

20          Q     Let me ask it a different way. Did you expect your  
21 suggestions were going to be controversial with the two of  
22 them?



21 Garcia on the second page, the one that ends in Bates stamp  
22 662, in the first full paragraph on that page, the one that  
23 starts "As we approach," you wrote to the two of them that  
24 you were attempting to provide appropriate segregation of  
25 duties necessary to engender focus and discipline, but that

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1 do not stifle collaboration and communication. Was the  
2 organizational structure that you were suggesting to them  
3 here significantly different than the previous organizational  
4 structure at Countrywide?

5 A By the way, the formatting on this is not -- it's  
6 not formatting the way it's coming out in print. I think  
7 there are changes from the existing organization.

8 Q If you turn to the page that ends in Bates stamp  
9 number 663, the second full paragraph there, the one that  
10 starts "While these definitions," you write that the  
11 definitions of officer roles and responsibilities that you've  
12 incorporated in this document do not represent a drastic  
13 departure from the definitions Countrywide was currently  
14 using, but they do imply an organizational model that differs  
15 significantly from our current set up. I guess I just want  
16 to know how is the model significantly different than the  
17 existing Countrywide set up?



18           A     I'm having trouble identifying what the subtle  
19 differences are in the memo.

20           Q     Let me draw your attention to the last page of the  
21 document. In the second to last paragraph, you wrote that  
22 you believed that the benefits of the clearly delineated  
23 organization outweigh any individual ambitions or concerns  
24 over power, influence and control. Why did you write that?

25           A     I think that the primary issue, for example, Dave

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1 Sambol had with this organizational structure, was that he  
2 wanted all of these things to report to him. Basically, for  
3 him to do the primary report. His view or the view that I'm  
4 responding to is that this isn't because I'm trying to be  
5 controlling, it's because I believe this is the correct  
6 structure of a company to have a proper influence over the  
7 company.

8           Q     The primary difference between the organizational  
9 structure you were proposing and the existing organizational  
10 structure would have been that certain of the divisions would  
11 no longer have reported to the chief operating officer, they  
12 would have reported directly to the chief executive officer;  
13 is that right?

14           A     Yes, I think that's pretty close. I think there  
15 are some other subtle changes as well, in terms of what

16 Carlos' role was going to be, but the primary, I think, point  
17 of difference of opinion had to do with how Dave Sambol would  
18 report.

19 Q What was your opinion of Dave Sambol's ability to  
20 take over the responsibilities of chief operating officer in  
21 the transition?

22 A I viewed him as being very capable, but the company  
23 needed an organization where the CEO maintained segmentation  
24 amongst the executives, particularly I wanted risk management  
25 initiatives and hedging and secondary marketing activities to

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1 stay out of direct line with production.

2 Q Why did you want to make that change?

3 A I thought that was an important part of an  
4 organizational structure for the company that had grown. It  
5 wasn't so much a change as maintaining very much the type of  
6 segregation that we had where I had kind of risk management  
7 and secondary marketing activities reporting outside of the  
8 chain of the people who were running production, and I was  
9 trying to maintain that as an important discipline. You  
10 know, I didn't feel that the chief operations officer or  
11 operating officer had to oversee the financial operations of  
12 the company or Legal, for that matter. That was kind of the

13 major distinction, I expected the chief operating officer to  
14 deal with those things that were primarily the operational  
15 activities of the company, loan production, loan servicing,  
16 you know, human resources, the day to day operational nuts  
17 and bolts of the company.

18 Q Had you previously suggested reorganizing the  
19 company along those lines to Mr. Mozilo?

20 A The company had these segmentations as we were  
21 operating, and the purpose of this memo was to begin the  
22 process of everyone understanding what the organization would  
23 look like after the succession. This was being discussed  
24 with primarily Dave Sambol and Carlos Garcia, you know, at  
25 odds over where the bank would report in the chain of

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1 command. I was putting this together as a discussion  
2 document primarily with them and then to go over with Angelo.

3 Q My question was slightly different. I meant prior  
4 to the transition, Finance, for example, was reporting to  
5 you; isn't that right?

6 A Yes.

7 Q It was your belief, at least as of the date that  
8 you wrote this March 2006 e-mail, that it made sense to have  
9 Finance actually report to the CEO as opposed to the COO.  
10 Was that a suggestion that you had ever made to Mr. Mozilo

11 during the time period when you were COO?

12 A No.

13 Q Why not?

14 A The company had evolved over a long period of time  
15 and there were areas of disciplines that I had both the  
16 energy and interest to provide oversight to, and they were  
17 not -- Finance wouldn't be an area that Angelo Mozilo was  
18 skilled to oversee.

19 Q I wanted to focus on your e-mail to Mr. Mozilo,  
20 which is the first page of Exhibit 844. You forwarded an e-  
21 mail that you had sent to Dave Sambol and Carlos Garcia to  
22 Mr. Mozilo and you said you were doing so in preparation for  
23 discussions that Mr. Mozilo was planning to have with Mr.  
24 Sambol and Mr. Garcia about organizational structure. At  
25 some point, did you become aware that Mr. Mozilo was having a

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1 meeting with Mr. Sambol and Mr. Garcia to talk about the  
2 organizational structure at Countrywide?

3 A Yes.

4 Q How did you become aware of that?

5 A He went to head of my staff and commandeered the  
6 draft of the organizational development memo that I had been  
7 working on. Obviously, my staff -- my chief of staff

8 reported it to me. You know, it was my work product that  
9 hadn't been completed. I found out there was this meeting  
10 that was going on.

11 Q You write to Mr. Mozilo that you believe the  
12 personal dynamics between the two of you were a tragedy in  
13 March of 2006. Were the two of you -- in what way were the  
14 personal dynamics between the two of you a tragedy at that  
15 point?

16 A Well, he was basically angry and basically I had  
17 gone through several attempts to clarify and apologize and  
18 convince him that I didn't mean anything disrespectful about  
19 the earlier memo, and it was impossible to restore the  
20 relationship. You know, it was a very icy, non-communicative  
21 relationship that, you know, was evident to me and he made  
22 clear to the other senior people in the company.

23 Q The last line of your e-mail to Mr. Mozilo says  
24 that you wanted to begin a dialogue to resolve your status in  
25 a fair and graceful manner. Was it your intention to resign

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1 in March of 2006?

2 A It wasn't my intention to resign, but I wanted to  
3 work through either an exit or to clarify -- bring an end to  
4 the kind of rift that existed in the company because  
5 basically people weren't paying attention to their duties in

6 the company and moving forward. They were watching the fight  
7 and getting involved in it, and it was very disruptive.

8 Q Ultimately, did you in fact resign or were you  
9 terminated?

10 A I was terminated.

11 Q When did that happen?

12 A In September of 2006.

13 Q Who told you that you were terminated?

14 A I received a letter. I believe it was from the  
15 Board.

16 Q Just turning back quickly to Exhibit 843, I wanted  
17 to ask you about Mr. Mozilo's e-mail to you, the one dated  
18 March 4, 2006. He responds to your e-mail that we just  
19 talked about, in which you say that you want to try to  
20 resolve the issues between the two of you. I wanted to ask  
21 you a couple of things. Again, we have talked about the fact  
22 that there was this November 20th e-mail.

23 A Yes.

24 Q In the middle part of this paragraph, he writes  
25 "Even though you followed up with a more conciliatory memo

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1 subsequent to November 20th," to your knowledge, is he  
2 referring to the November 26th e-mail that has been marked as

3 Exhibit 841?

4 MR. CALDWELL: Calls for speculation.

5 THE WITNESS: I believe that there was -- I don't  
6 know if it's the 26th e-mail or not -- there was a re-draft  
7 of that initial memo that was provided, some additional  
8 thoughts about his retirement and the events that would  
9 surround his retirement, and it was trying to be more  
10 conciliatory.

11 BY MS. DEAN:

12 Q But you don't know if that was the November 26th e-  
13 mail? Do you think it was a different document or the same  
14 document?

15 A Well, I think there's another document that lays  
16 out the transition and some activities that we would have  
17 around his retirement.

18 Q Okay. Another thing I wanted to ask you about on  
19 this document, Mr. Mozilo gives a reason for meeting with Mr.  
20 Garcia and Mr. Sambol. Specifically, he says they are having  
21 serious difficulty in their interrelationships because of  
22 problems emanating from the desire to weave a major part of  
23 CHL's operations under the bank. That is the third full  
24 paragraph in his e-mail. What were these issues that Mr.  
25 Garcia and Mr. Sambol were having with respect to the moving

1 of CHL's operations under the bank?

2 A Under the organization we had, as I recall,  
3 basically the mortgage production initiative that fell under  
4 Dave Sambol. We had the banking initiative where the bank  
5 reported up to Carlos Garcia. I wanted to keep the bank  
6 portfolio segmented from the production operations, so there  
7 was some disagreements over how that would be  
8 coordinated/organized.

9 Q One last question about this document. At the  
10 bottom of the first page, Mr. Mozilo writes "I'm very  
11 sensitive to the challenges we are facing this year." Do you  
12 know what challenges he was referring to there?

13 MR. CALDWELL: Calls for speculation.

14 THE WITNESS: I believe that we had many interest  
15 rate increases, increases to interest rates, that you would  
16 anticipate to result in a reduction in mortgage volume. You  
17 know, that's what I would speculate that comment relates to.

18 BY MS. DEAN:

19 Q In an environment where interest rates were rising,  
20 would that impact loan originations?

21 A Yes.

22 Q It would impact them negatively?

23 A Yes.

24 MR. CALDWELL: Can we go off the record for a  
25 minute?



1 MS. DEAN: Sure. Off the record.

2 (A brief recess was taken.)

3 MS. DEAN: Back on the record.

4 BY MS. DEAN:

5 Q Mr. Kurland, I'm handing you what has been marked  
6 as Exhibit 845.

7 (SEC Exhibit No. 845 was marked for  
8 identification.)

9 BY MS. DEAN:

10 Q For the record, Exhibit 845 is a multiple page e-  
11 mail, Bates stamped CFC2007B789672 through 678. Again, the  
12 first e-mail at the top of the first page is from Stan  
13 Kurland to Chris Caldwell. I don't want to ask you any  
14 questions about your communications with Mr. Caldwell. I did  
15 want to ask about the substance of your forwarded e-mails to  
16 Angelo Mozilo and Michael Dougherty that's dated March 5,  
17 2006. My first question is did you write that e-mail, the  
18 March 5th e-mail that's on the first page of Exhibit 845?

19 A I believe so.

20 Q In the second full paragraph there, there is a  
21 reference to the departure of Mr. Krsnich. It's the first  
22 sentence of the second paragraph.

23 A Yes.

24 Q First, what was Mr. Krsnich's job title?

25           A     He was either the chief investment officer or head

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1     of Secondary.  I don't remember the exact title at the  
2     moment.

3           Q     Do you know why Mr. Krsnich left?

4                     MR. CALDWELL:  Calls for speculation.

5                     THE WITNESS:  The primary, I think, difference that  
6     he had was with Dave Sambol.  They didn't get along.  I think  
7     that as he saw the company in the future, that Dave would  
8     have more authority.  You know, that's why I feel that he  
9     didn't want to stay with the company.

10                    BY MS. DEAN:

11           Q     To your knowledge, was his disagreement with Mr.  
12     Sambol based on an interpersonal conflict or did he have a  
13     disagreement about Mr. Sambol's business strategy with  
14     respect to Countrywide?

15           A     They didn't get along personally.  You know, I  
16     think there was a lack of respect in both directions.

17           Q     Did they actually disagree with respect to issues  
18     related to Mr. Krsnich's job in Secondary Marketing or as  
19     chief investment officer?

20           A     They had, you know, several issues, blow up's, in  
21     probably the last couple of years.  They didn't get along.

22 Q Were the issues that they had specific to any  
23 particular issue at Countrywide?

24 A You know, it was company related. They didn't  
25 have, that I know of, a personal relationship.

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1 Q Did Mr. Krsnich ever express to you the belief that  
2 Mr. Sambol was too aggressive with respect to expanding  
3 underwriting guidelines at Countrywide?

4 A I believe that he did.

5 Q Did you have an opinion about whether or not Mr.  
6 Sambol was too aggressive in that regard?

7 A I viewed him as being aggressive, but I viewed the  
8 organization as it was structured and as I proposed it to be  
9 structured to properly constrain him.

10 Q Mr. Kurland, I'm handing you what has been marked  
11 as Exhibit 846, which for the record is a multiple page e-  
12 mail string, Bates stamped CFC2007B786375 through 381.

13 (SEC Exhibit No. 846 was marked for  
14 identification.)

15 BY MS. DEAN:

16 Q The e-mail at the top of the first page is from  
17 Angelo Mozilo to Michael Dougherty and it's dated March 6,  
18 2006. Below that is an e-mail from Dave Sambol to Angelo  
19 Mozilo forwarding an e-mail from Dave Sambol to Stan

Kurland.

20 Have you previously seen the portion of Exhibit 846 that is  
21 Mr. Sambol's e-mail to you dated March 6, 2006?

22 A I believe that I've seen this.

23 Q Did Mr. Sambol in fact write a response to your e-  
24 mail with respect to the organizational structure in which he  
25 conveyed to you his views with respect to your proposed

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1 organizational changes?

2 A You're talking about this?

3 MR. CALDWELL: For the record, the bottom third or  
4 so of the first page.

5 THE WITNESS: I assume that he did.

6 MR. CALDWELL: If we had a microscope, we might be  
7 able to read it.

8 MS. DEAN: Off the record.

9 (A brief recess was taken.)

10 MS. DEAN: Back on the record.

11 BY MS. DEAN:

12 Q With respect to Mr. Sambol's e-mail to you, which  
13 is dated March 6, 2006, Mr. Sambol in the third paragraph of  
14 that e-mail states that he feels that Secondary Marketing  
15 should be under his oversight. I think that's in accord with  
16 what you testified to earlier, that he wanted to continue

17 having those divisions report to him?

18 A He never had them reporting to him.

19 Q I'm sorry. That he wanted to have them continuing  
20 to report to the COO?

21 A He wanted them to report to him.

22 Q What I wanted to ask you really has to do with the  
23 third sentence in that paragraph that starts on the right-  
24 hand side of the page with the phrase "I believe," and he  
25 wrote that he believes that Secondary Marketing played a

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1 critical role in "Countrywide's unique competitive strategy  
2 (i.e. no brokering, broadest product line, et cetera)." Do  
3 you see that?

4 A Yes.

5 MR. CALDWELL: I'm going to object. I think that  
6 somewhat misstates the document, but obviously, the document  
7 speaks for itself.

8 BY MS. DEAN:

9 Q I just wanted to ask about the "unique competitive  
10 strategy." Would you agree that one aspect of Countrywide's  
11 competitive strategy, at least as of March 2006, was to have  
12 the broadest product line?

13 A I believe the strategy was to have a very broad

14 product line.

15 Q Do you know what Mr. Sambol meant by the phrase "no  
16 brokering" in that context, as part of Countrywide's  
17 competitive strategy?

18 A We didn't broker -- we didn't allow production  
19 divisions to broker loans to other originators.

20 Q One of the other things Mr. Sambol writes in this  
21 paragraph, and it's pretty close to the middle of the  
22 paragraph, starting with the phrase "I have conveyed to you"  
23 on the left-hand side.

24 A In the middle?

25 Q Yes. He wrote that he had conveyed to you at some

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1 point that he believed that Secondary had not evolved  
2 sufficiently with the growing complexities of the business,  
3 and that this had resulted in a variety of issues "ranging  
4 from unnecessary and problematic delays in new product and  
5 new guideline approvals to errors in pricing marks and to  
6 execution related issues." Do you see that?

7 A Yes.

8 Q Had Mr. Sambol in fact previously conveyed to you  
9 that he believed there were unnecessary and problematic  
10 delays in the implementation of new product and new guideline  
11 approvals?

12           A     I think there were -- this isn't something that  
13     hadn't been conveyed, but it was a normal initiative on his  
14     part to complain about anything that he wanted to take  
15     control over, and you know, there are in dissemination of new  
16     products and getting all of the items coordinated -- it's a  
17     considerable task, whether it reports up to one group or not.

18           Q     Did you agree with him that there were "unnecessary  
19     and problematic delays in new product and new guideline  
20     approvals" at Countrywide in March of 2006?

21           A     I think if you look at any organization, you're  
22     going to find some place or room for improvement, and I'm not  
23     suggesting that there wasn't room for improvement. I don't  
24     think these are significant comments.

25           Q     Let me ask you about Exhibit 846 at the top of the

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1     page, the e-mail from Mr. Mozilo to Mr. Dougherty. I know  
2     you haven't actually seen -- I'm assuming you haven't seen  
3     this e-mail before; is that correct?

4           A     Correct.

5           Q     Mr. Mozilo forwarded Mr. Sambol's e-mail to you, to  
6     Mr. Dougherty, and he wrote that he totally agreed with Mr.  
7     Sambol's proposal and that he had been trying to convince you  
8     for months of this structure. Had Mr. Mozilo actually been

9 trying to convince you to adopt the structure advocated by  
10 Mr. Sambol?

11 A No.

12 Q Had you had any communications with Mr. Mozilo  
13 about your proposed organizational structure -- about the  
14 merits of your proposed organizational structure for the  
15 company?

16 MR. CALDWELL: I'm going to object; ambiguous.

17 BY MS. DEAN:

18 Q We have previously seen a communication about the  
19 fact that Mr. Mozilo was having a meeting about  
20 organizational structure. I just wanted to ask if Mr. Mozilo  
21 had actually commented on the proposal itself to you.

22 MR. WILLINGHAM: Mr. Sambol's proposal?

23 MS. DEAN: No, Mr. -- let's try again now that the  
24 record is completely confused.

25 BY MS. DEAN:

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1 Q Did Mr. Mozilo ever communicate any substantive  
2 comments to you with respect to your proposed reorganization  
3 of Countrywide?

4 A I don't believe so.

5 Q Mr. Mozilo refers to Mr. Sambol in this e-mail as  
6 "the key revenue producer" in the company. It's the last



7 phrase of the first paragraph in his e-mail.

8 A Okay.

9 Q Do you know why Mr. Mozilo would have considered  
10 Mr. Sambol to be the key revenue producer in the company in  
11 March of 2006?

12 MR. CALDWELL: Calls for speculation.

13 THE WITNESS: The production divisions reported up  
14 to Dave Sambol, loan origination.

15 BY MS. DEAN:

16 Q Production was the key revenue driver for the  
17 company?

18 A Actually, one of the revenue drivers of the  
19 company.

20 Q Did Secondary Marketing also report to Mr. Sambol  
21 or to you?

22 A Reported directly up to me.

23 Q As between Secondary Marketing and Production,  
24 which of those two generated more revenue for the company in  
25 2006? In March 2006?

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1 A You can't really answer that question. New loan  
2 originations produces revenue from the origination activity  
3 and Secondary Marketing is involved in the securitization and

4 sale and delivery of those products to investors, so they are  
5 linked, but Secondary Marketing isn't a revenue generating  
6 activity.

7 Q Let me hand you what has been marked as Exhibit  
8 847.

9 (SEC Exhibit No. 847 was marked for  
10 identification.)

11 BY MS. DEAN:

12 Q This is a copy of an e-mail string, Bates stamped  
13 CFC2007C811408 through 409. The e-mail at the top of the  
14 first page is from Carlos Garcia to Dave Sambol dated March  
15 12, 2006, and the subject line is "Org Charts." I know  
16 you're not copied on any portion of this e-mail, but I did  
17 want to ask you a couple of questions about it, starting with  
18 the back page. There's an individual identified there named  
19 Arapha Johnson, A-r-a-p-h-a, who sent an e-mail to Angelo  
20 Mozilo. She appears to have transmitted a file with  
21 organizational charts. My first question is do you know who  
22 Arapha Johnson is?

23 A Yeah, she was what I refer to as my chief of staff.

24 Q Did you ask her to forward organizational charts to  
25 Mr. Mozilo?

1 A I don't recall.

2 Q The only other question I really want to ask about  
3 this document is Mr. Garcia wrote to Mr. Sambol on March 12  
4 in response to Mr. Mozilo forwarding him those organizational  
5 charts. He wrote "I propose we organize as follows pending  
6 your assumption of the CFC COO and president title." Was the  
7 assumption in March 2006 that when you became president --  
8 when you became chief executive officer, that Mr. Sambol  
9 would become COO and president of Countrywide?

10 MR. CALDWELL: I'm going to object. Whose  
11 assumption?

12 BY MS. DEAN:

13 Q Did you expect that Mr. Sambol was going to become  
14 COO and president when you became CEO?

15 A Yes.

16 Q At any time before you left Countrywide in  
17 September of 2006, were you aware of a contemplated sale of  
18 part or all of Countrywide to Bank of America?

19 A No.

20 Q At any time before you left Countrywide in  
21 September of 2006, were you aware of a discussion with  
22 respect to whether or not Countrywide should go private?

23 A No.

24 Q Did Mr. Mozilo ever tell you that he believed that  
25 taking the company private would save the company money and

1 permit it to focus on real business issues?

2 A I don't recall that.

3 Q Were you a party to the -- were you aware that at  
4 some point Countrywide decided to transition from a bank to a  
5 thrift?

6 A Yes.

7 Q Can you tell me why Countrywide decided to do that?

8 MR. CALDWELL: Lack of foundation; calls for  
9 speculation.

10 THE WITNESS: It was driven by Angelo. I'm not  
11 certain of all the thinking or rationale behind it.

12 BY MS. DEAN:

13 Q Was it driven by a desire to switch from being  
14 regulated by the Federal Reserve to being regulated by the  
15 Office of Thrift Supervision?

16 MR. CALDWELL: Same objections.

17 THE WITNESS: I believe that was an essential part  
18 of not coming under the Federal Reserve. There was some  
19 duplication of oversight. That was a driving force.

20 MS. DEAN: I think this is as good a place as any  
21 to break for the day.

22 BY MS. DEAN:

23 Q Before we go off the record, we have taken some  
24 breaks today, a lunch break and a couple of other breaks.  
25 During those break periods, did you have any communication,

1 substantive communication, about this investigation with the  
2 staff?

3 A With my staff?

4 Q No, the staff of the Commission.

5 A Oh, no.

6 Q Did we reach any agreements on any of the breaks  
7 that we have taken today?

8 A That we would have a break?

9 Q Other than the fact that we would take a break, did  
10 we reach any off the record agreements?

11 A No.

12 Q Mr. Kurland, before we go off the record, I wanted  
13 to give you an opportunity to clarify any statements you have  
14 made today. Is there anything that you wanted to clarify or  
15 add to the testimony you have given today?

16 A I think the only area that I feel may not have been  
17 properly picked up in the continuing discussions about the  
18 10-Q and my process, you know, I provided a description of  
19 what the kind of normal activities were around the review of  
20 the filings, and I wanted to make sure that when we were  
21 rapidly going through those, that you understand that process  
22 took place for all of the filings that were presented to me,

23 that I went through a review with the professional staff that  
24 had completed the filings, that they went through substantive  
25 changes and dialogue with me, and I reviewed them many times,

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1 and on the quarters, there were not considerable changes. I  
2 wouldn't re-read all of the filings.

3 Q When you say "professional staff," you mean the  
4 staff of the Financial Reporting Group?

5 A The Financial Reporting Group and our Legal  
6 Department.

7 Q Anything else?

8 A I don't think so.

9 MS. DEAN: Counsel, did you want to ask any  
10 clarifying questions?

11 MR. CALDWELL: Can we go off the record for one  
12 moment so I can consult?

13 MS. DEAN: Sure. Off the record.

14 (A brief recess was taken.)

15 MS. DEAN: Let's go back on the record. Counsel,  
16 did you want to ask any clarifying questions?

17 MR. CALDWELL: No, but thank you for the  
18 opportunity.

19 MS. DEAN: Okay. We will go off the record then at  
20 5:27 on October 1, 2008. We will take this up again next

21 Wednesday, the 8th. Off the record.

22 (Whereupon, at 5:27 p.m., the examination was  
23 recessed, to reconvene on October 8, 2008.)

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1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: COUNTRYWIDE FINANCIAL CORPORATION

4 Witness: Stanford Lee Kurland

5 File Number: LA-03370-A

6 Date: Wednesday, October 1, 2008

7 Location: Los Angeles, California

8

9

10 This is to certify that I, Laurie Andrews, (the  
11 undersigned), do hereby swear and affirm that the attached  
12 proceedings before the U.S. Securities and Exchange  
13 Commission were held according to the record and that this is  
14 the original, complete, true and accurate transcript that has  
15 been compared to the reporting or recording accomplished at  
16 the hearing.

17

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21 (Proofreader's Name)

(Date)

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