MANAGEMENT DISCUSSION SECTION

Operator: Welcome to E*TRADE Financial Corporation's First Quarter 2007 Earnings Conference Call. [Operator Instructions] I've been asked to begin this call with the following Safe Harbor Statement: During this conference call the company will be sharing with you certain projections or other forward-looking statements regarding future events or its future performance.

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This call will present information as of April 18, 2007. Please note that E*TRADE Financial disclaims any duty to update any forward-looking statements made in the presentation.

In this call E*TRADE Financial may also discuss some non-GAAP financial measures in talking about its performance. These measures will be reconciled to GAAP either during the course of this call or in the Company's press release which can be found at its website at www.etrade.com.

This call is being recorded. Replays of this call will be available via phone, webcast and podcast beginning at approximately 7 PM Eastern time today through 11 PM Eastern time on Wednesday, May 2. The call is being webcast live at www.etrade.com. No other recordings or copies of this call are authorized or may be relied upon.

I'll now turn the call over to Mitchell Caplan, Chief Executive Officer of E*TRADE Financial Corporation, who is joined by Jarrett Lilien, President and Chief Operating Officer, and Robert Simmons, Chief Financial Officer. Mr. Caplan?

Mitchell H. Caplan, Chief Executive Officer

Good evening and thank you for joining us for our first quarter conference call. In February, we held our fifth consecutive Analyst Day. During the course of that event and in describing our strategy to build a long-term franchise, one of the consistent themes was the importance of optionality both for our customers and ultimately for our shareholders. By offering an integrated value-based suite of financial solutions to our customers, we empower them to maximize their wealth and optimize their financial futures across changing macroeconomic environments. By operating a global integrated financial services business, we offer our shareholders a unique franchise capable of delivering growth in a variety of economic environments and capable of creating value through consolidation. We have and will continue to offer this optionality through a unique combination of integration, innovation, scale and efficiency coupled with a conservative philosophy toward the management of our global balance sheet.

Our first quarter results illustrate the power of our unique blend of optionality, conservative management and our commitment to long-term growth and creating maximum shareholder value. A second theme of our Analyst Day was the importance of our target segment customers and our ability to grow that base. We described how these target segment customers drive over 75% of our total revenues. If we succeed in growing our base of target accounts, we succeed. Period.

I am pleased to report that during the first quarter, we achieved record quarterly organic growth in overall accounts and, more importantly, continued a solid 20% annualized growth rate in our target segment off of a growing base. We also delivered 12% annualized total customer asset growth on net new client asset inflows of $2.9 billion, achieving 2 new milestones. First, total client assets topped $200 billion and second, end of period assets per customer reached almost $58,000, all in a flat equities market.

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Further, we delivered the strongest increase in customer cash and deposits in a single quarter, with growth of $2.4 billion, surpassing last quarter's record of $2 billion. Our successes not only drove records in customer metrics, they also drove record total net revenues of $645 million for the company. On the bottom line, we delivered net income of $169 million, or $0.39 per share, up 18% over the year ago period. Included in the $0.39 per share this quarter was $0.04 of non-operating income; $0.03 of this was the result of the sale of investment in E*TRADE Australia. Our strategy in our international operations has been to ultimately own 100% or sell the investment. During the quarter, an Australian bank offered to buy E*TRADE Australia, making 100% ownership unlikely and boosting the share value beyond our return targets.

Given the run-up in the stock price, we sold our stake in the company. Further, we realized the benefit of approximately $0.01 per share in equity earnings from our holdings of Investsmart in India and other equity investments. We are pleased with how our strategic ownership in Investsmart is benefiting us today and positions us to monetize future growth opportunities in that emerging market. The economics associated with this non-operating income can now be redeployed to fuel further growth across the business or into share repurchases that create additional value to shareholders. Accordingly, today we announced a new authorization from our Board of Directors for an additional $250 million of share repurchase.

While we are pleased with our first quarter results and the positive trends we are seeing within our account base, both the macroeconomic environment and the behavior of the retail investor has changed since we issued our guidance in December. The global equities market has demonstrated continued choppiness leading to decreases in retail customer trading and investing activity. Against this, customers have chosen to migrate to our cash solutions as an alternative to the equity markets. The success of our Complete Savings Account product is a testament to the power of offering customers a choice in products to strengthen and broaden relationships in any environment.

While offering value on rate impacts interest rate spread, we continued to generate growth in net interest income as a result of a positive rate volume trade-off. Further, these investing customers who are migrating to the cash accounts, particularly those within our target segment, continue to engage in other products. In fact this past quarter, 83% of new deposit account balances belonged to customers who either had an existing investing account or opened a new investing relationship, demonstrating a solid cross-sell trend.

Equally as important, 79% of existing investing customers who opened new deposit accounts during the quarter increased their assets quarter over quarter, and nearly half of them increased their assets by 20% or more, all driving record asset levels. Again, a benefit of optionality both for the customer and for the long-term franchise. As the data shows, we are building deeper and stronger relationships with our customers by offering the right products at the right time. Once engagement trends improve to more normal levels, we expect to realize the full economic benefit of this growing base of high-quality customers.

With much having been reported about rising delinquencies and default rates among subprime asset portfolios, we also recognize that we are operating in a changing credit environment. Given our historic and continued strict discipline with respect to credit, we believe that the risk to our balance sheet is significantly mitigated compared to financial institutions with a more traditional mix of assets. We recognize that we are not immune to the current environment, and we are anticipating upward trends in delinquencies and charge-offs in our portfolio versus last year levels and even versus our assumptions when we gave guidance in December.

To set some context, in 2006 we booked $45 million in provision for loan losses. Embedded in our guidance for 2007 last December, we forecasted an increase in our provisions of 51% to $68

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million, or to approximately $17 million per quarter, based both on the growth and the seasoning of our portfolio.

In the first quarter, we recorded $21 million of provision, an extra $4 million or a $0.005 per share against earnings. We believe that this is the result of what is happening in the broader credit environment. If you annualize these trends, it translates into an additional $0.02 per share provision expense for 2007 over and above what was imbedded in our original guidance. Exercising prudence and for guidance purposes, we are assuming provision expense of $96 million for the year, or quarterly provision expenses of approximately $25 million for the balance of the year. This translates into $0.04 per share of headwind to our original earnings guidance for the year. This number represents a 2% reduction to the midpoint of our original guidance and is relatively contained given the benefits of the credit quality of our portfolio.

Looking across our $37 billion loan portfolio, over 26 billion is in 1 to 4 family mortgages and home equity products, 7 billion is margin debt from our investing customers and the remainder is legacy consumer loans that are in runoff mode. Across the entire mortgage portfolio, our dollar weighted average FICO score remains at a solid 735. The average loan to value ratio is 73% and the average debt to income ratio is 35%, all numbers consistent with this time last year.

In our 1 to 4 family first lien portfolio, the average FICO is 738, LTVs average 68% and DTI averages 34%. As we continue to grow our mortgage portfolio throughout this year, growth will tend to be more heavily weighted 70% in 1 to 4 family first lien products meeting that criteria. In second lien product, the average FICO is 732, LTVs average 79% with an average DTI of 36%. Specifically, with respect to subprime loans based on the standard industry definition of borrowers with FICO scores of 620 or below, we hold approximately $50 million of balances or less than 0.2% of our $29 billion whole loan portfolio, a diminimus amount.

Turning now to all-pay loans, our portfolio consists of those which are almost exclusively documentation-related and not credit-related. This portfolio is backed by loans with average LTVs of 69%, which also confirms that these borrowers had significant assets with which to make down payments. That portion of the all-pay portfolio where the FICO is below 700, LTVs are higher than this 69% and DTI is above 40, is approximately $167 million or a little over 0.5% of our $29 billion whole loan portfolio, again a diminimus amount.

In the aggregate, our all-pay portfolio continues to perform as we originally modeled for the year. Regardless of asset type, we remain firmly committed to the same highly risk averse credit philosophy the bank has employed for the last 18 years.

Without question, like everyone else in the financial services sector, we are facing an environment that is different from the one anticipated even just a few months ago. As a result, we believe it is appropriate at this time to reset expectations for the year, recognizing that we will revisit our guidance again should customer engagement levels improve or credit dynamics not prove to be as we currently anticipate and are projecting today. Rob will provide the full details of our revised guidance a little later in the call.

To be clear, while we are lowering expectations for 2007 because of market conditions being worse than expected, we also believe it is important to remain committed to our long-term strategic vision for the business. By maintaining our strict expense discipline, and being mindful of returns on investment in accordance with our stated goals, we will drive our future success and maintain the strategic optionality of our franchise.

Now to provide further details on the success of our operations, and the growth trends we are experiencing, I'd like to turn the call over to Jarrett.

R. Jarrett Lilien, President and Chief Operating Officer

Thanks, Mitch. Without question, the first quarter was characterized by economic uncertainty as the equities markets peaked and tumbled, the real estate markets continued to soften, and the sub-prime mortgage sector went into what some refer to as a meltdown. With all of this noise, we focused on our commitment to financial discipline, innovation and service in order to drive growth in our target client segment, and we are succeeding.

The investments we have made in marketing, operations and service are paying off in terms of strong organic account growth, particularly within our target segment. In the quarter, total net new accounts increased by a record 119,000, led by record gross new accounts of 350,000. Target segment accounts grew at an annualized rate of 20% this quarter. Our increased investment in marketing during the first quarter has also generated a record pipeline of unsegmented accounts that will be segmented in the second quarter.

Recent trends suggest that approximately 37% of pipeline accounts could move into our target segment after their 90-day seasoning period. Applying this factor to the pipeline, we are positioned well for continued strong target segment growth in Q2. Despite the strong account growth we generated in the quarter, overall retail investor activity turned out to be a bit weaker than we had expected coming into the year. Nonetheless, total DART volume in the quarter was 170,000, up 9% sequentially, but down 6% year over year.

Continued strong results from our International clients served to offset some of the weakness in the U.S., and provided greater stability to our transaction volumes versus our U.S.-centric competitors.

Along with the growth in Trading, International assets have more than doubled since the beginning of 2005, growing almost 53% in the last twelve months. We hope to further accelerate this growth in International client assets through our European banking initiatives. We expect to receive approval for our UK Charter this quarter, and will begin to launch cash management products throughout Europe in the second half of the year.

We were also very pleased with the performance of our systems, service, operations and products in the first quarter. On February 27, along with the 400-point decline in the Dow Jones Industrial Average, many including E*TRADE experienced record trading activity. Market systems were stress tested, and E*TRADE excelled. As measured by third party vendors, our customers experienced delays measured in milliseconds during these peak volumes while customers at some competitors and several of the large banks experienced system delays of up to several minutes. Time matters in volatile markets, and once again our operations had a chance to demonstrate some of the tangible benefits of the services we provide.

Aside from February 27, retail investors traded less than we expected, but engagement across our cash management products was very strong. Through our integrated offering of investing and banking products, we were able to generate growth and broaden client relationships as their needs changed. As Mitch stated, during the quarter total customer cash and deposits grew a record $2.4 billion. We grew total client cash balances by this record level even as our customers were net buyers during the quarter, moving $1.9 billion of cash into equities.

Another interesting data point was the record transaction volumes we saw through our Quick Transfer feature. This tool allows customers to transfer money into and out of E*TRADE from other financial institutions free of charge. Each month in the quarter brought a new record to Quick Transfer usage, and in March we completed 400,000 transactions in a single month for the first time. March also set a record of over $0.5 billion dollars of net cash in-flows with over 25% of those net in-flows coming in from traditional banks offering free trading such as Bank of America and Wells Fargo. We believe this continues to speak to the appeal of our value proposition through

different economic environments. Given these trends we are proving that growth in accounts and assets is significantly less dependent on equity market activity than in the past.

A key contributor to our cash growth story over the past 2 quarters has also been our new Complete Savings Account. We launched this product late in the fourth quarter, and it has proven to be highly effective in driving increased engagement from existing customers as well as accounting for measurable new investing customer growth. Today 75% of all CSA accounts are held by customers that also have an investing or trading relationship with us. Even more encouraging is that a significant number of these customers went on to open additional cash management-related accounts after opening a CSA account.

As we anticipate similar behavior, this bodes well for our new Max-Rate Checking product, a transaction account that offers premium cash management features and a yield over 8 times the national average for balances over $5,000 but has a favorable cost of funds for our balance sheet. Products such as the CSA and Max-Rate Checking clearly demonstrate our unique ability to offer high value through innovative cash management solutions given the distinct efficiencies of our global balance sheet and integrated low-cost infrastructure.

Through this strong engagement with our cash products, we were able to grow the balance sheet in the first quarter and make further improvements in our mix of assets and liabilities. Average enterprise interest earning assets increased by $3 billion or about 7% sequentially.

We continued to grow the balance sheet with high quality mortgage home loans while our consumer loan portfolio continued to roll off as expected. Loans as a percent of interest earning assets increased to 66% from 65% in the fourth quarter, moving us towards our stated goal of 70%.

On the liability side we also made progress as a result of the continued growth in customer cash; deposits as a percentage of interest bearing liabilities increased to 62.1% from 61.6% in the fourth quarter, keeping us on track toward our goal of 70%. Net interest spread came in near the high end of our expected range at 274 basis points, down 11 basis points from the fourth quarter. This was the result of a 3 basis point decline in asset yields and an 80 basis point increase in liability costs, driven as expected by the strong growth in CSA.

So, despite how the overall market environment plays out, we remain focused and committed to doing things we can control to drive growth in our target customer segment. Bumpy markets typically inhibit account growth, but we are succeeding nonetheless and this is evidence of the transformation of our model and value proposition. While customers may engage with us a bit differently than anticipated even a few months ago, continued quality account growth is what will set us up for future growth once normalized market conditions return and we remain focused on this effort. With that I'll turn the call over to Rob for more of the financial details for the quarter.

Robert J. Simmons, Chief Financial Officer

Okay, thanks Jarrett. During the quarter we remained focused on execution, driving top-line growth while both investing for the future and managing expenses. Demonstrating the advantage of multiple points of engagement in cyclical markets, first quarter total net revenue increased $16 million, or 3% sequentially, to a record $645 million. Commission revenue was up 7% over last quarter, with retail commissions representing 19% of total net revenue. Net interest income after provision increased 2% sequentially. The increase in net interest income was the result of a larger balance sheet supported by our strong organic cash growth as we continued to invest in first-lien mortgage assets with strong credit characteristics. Fees and service charges declined 8% over last quarter, returning to a more normalized run rate, driven primarily by fees earned from corporate reorganizations in Q4.

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Principal transactions were up 19% over last quarter, driven primarily by an increase in market-making revenues from higher trading volumes and slightly higher revenue capture rates. Gain on sales and other revenues are largely flat with Q4. Turning to expenses, we continued to exercise prudent control and deliver efficiency across our operations. Total operating expenses excluding corporate interest, were up $18.6 million, or 5% sequentially, to $374 million. Included in this increase was our investment of $15 million in additional advertising spent. While we expect to continue to invest in marketing this year, we will continue to prudently allocate the marketing spend across our suite of products, consistent with market opportunity. Compensation and benefits came in at 19% of revenue this quarter consistent with our target. Comp expense is up 5.9%, driven primarily by payroll taxes, seasonally always higher in Q1 as we enter a new tax year and employees haven't reached their withholding caps.

Clearing and servicing is up 6.6% this quarter, consistent with higher DART volumes and larger loan balances. Depreciation is up by 1.7 million from Q4, driven by new equipment and lease holds coming on line and software amortization expense. Occupancy is up by 1 million, driven primarily by a new enterprise backup site in Virginia. Worthy of note is the fact that excluding the investment we made in marketing and service this quarter versus Q4, the cost of operating the business held relatively flat while total net revenue increased. This demonstrates the scale and efficiency in our operating infrastructure. Operating margin was a solid 42%. Excluding the $15 million incremental increase in marketing spend, operating margin expanded to 44% from 43% in the prior quarter.

I want to note certain changes we made to the format of our financial statements for 2007. Over the last couple of years, the income statement line item, other revenue, has become quite large. The growth in this line item has been driven primarily by order flow income and other fee-like revenues that have grown organically as well as from the Harris and Brown acquisitions. As a result, we are moving the fee-like items formerly in other revenue up to the fees and service charges line item. The moved items include things like payment for order flow, foreign exchange margin revenue, 12b-1 fees, fixed income product revenues and management fee revenue. For ease of reconciliation, we have included re-presented income statements for the past 2 years on our Investor Relations website.

First quarter market volatility once again provided a window for us to opportunistically continue our share repurchase program. During the quarter, we purchased in the open market approximately $23 million of stock, or about 1 million shares, at an average price of 22.35 per share. After this purchase activity including our new $250 million repurchase plan announced today, our total outstanding repurchase authorization is $284 million. Our debt-to-equity ratio ending Q1 was 29%, down from 30% last quarter on continued strong cash flow and retained earnings. We continue to look to deploy our capital against the projects with the best returns.

With respect to our outlook for the remainder of the year. Today we are revising our 2007 earnings guidance to reflect the changes in both retail behavior and economic conditions since we originally established guidance in December. Our new estimated EPS range of $1.55 to $1.75 lowers the mid point of our original range of $1.72 by $0.07, or 4% to $1.65 and widens the range by a $0.05 based on increased market uncertainty. As Jarrett and Mitch noted earlier, our investments are generating meaningful returns in excess of our stated goals specifically in the form of high quality account growth, yet the general behavior of retail investors is playing out differently than we had originally expected.

The $0.07 reduction of the mid-point of our guidance range is the net effect of the following items: first a $0.06 reduction from lower expectations around DART activity of 15,000 for the year. Our original guidance of 170,000 to 200,000 DARTs for the year is now 155,000 to 185,000. Second, a $0.04 reduction from higher provision as previously discussed. Third, a $0.02 reduction from other volume related earnings for a total of $0.12. Then partially offsetting these reductions we are now factoring in a previously unexpected $0.05 of below the line gains for the year, $0.03 of which were recognized in the first quarter and $0.02 for the remainder of the year, which gets you to your total

of $0.07. Expected operating margin for the year is 45%, with a tax rate of 34 to 37%. Given the results we are seeing throughout the rest of the business we are maintaining our original ranges for the other key drivers that we outlined in December.

In conclusion we are pleased with the Company's performance through the changing market conditions. We remain focused on building an integrated global franchise to deliver superior shareholder value over the long term. And with that we would like to open the call to questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question is coming from William Tanona of Goldman Sachs. Please go ahead.

<Q – William Tanona>: Hey, good evening guys.

<A – Mitchell Caplan>: Hi, Bill.

<Q – William Tanona>: Just, the net new assets obviously was a pretty good number for you. It's the first time that we've got to take a look at that figure. Obviously you didn't report what it was in past quarters and I wonder if you could kind of just give us a sense of what is that or how good of a number that is relative to what you have seen in the past? And also can you kind of help define what is included in that net new assets figure. Is it the interest in dividends as well as kind of distributions from mutual funds as well as what you might see in corporate services. Just give us a sense as to what that net new asset figure comprises?

<A – Mitchell Caplan>: We're happy to do it. So as you pointed out we are pretty pleased. Assets for the first time ever for us crossed 200 billion and if you look at it we are seeing a nice annualized growth rate across the board in assets. And then we've been talking about that for quite some time. We've been also promising to really deliver this net new asset in-flow number. So it is 2.9 billion. We stated last quarter on the phone that that quarter it was about $1 billion. That was about the number. So it's up nicely from last quarter, about 3 times as great. And again I think it's going to the testament around the value of these kind of customers that we are getting. So I mean as Jarrett pointed out, we're seeing pretty strong growth rates, whatever it is about 12% growth rate in just overall customers. First time we have seen that in a while and continuing to see 20% or a little better in the target segment and they are bringing the right kind of assets. There's a lot of stuff we took you through around Analyst Day.

To your point, the way in which we think about net asset in-flows is it is in fact all the new assets in total that are coming into the system. So what it doesn't include by way of example is if somebody has a cash balance and that cash balance goes to buy equities. As Jarrett said this quarter we had close to $1.9 billion of net buying by our customers. So where they took cash that was in the system, moved it over. It wouldn't include if people were selling and moving back into cash. So this is coming in the form of new overall cash, securities, mutual funds, fixed income. It's all the traditional products that you would see that we're getting brought into the system.

<Q – William Tanona>: But does that include the interest and dividends that are paid, or is it just net money coming in from clients?

<A – Mitchell Caplan>: No, it does include interest and dividends that are getting paid to the clients during the course of the quarter, so it's new money. What it doesn't include, to be clear, is any market movement appreciation or depreciation, so it's totally independent of any market impact.

<Q – William Tanona>: Great, helpful. And then could you just give us some more color around the uptick in the charge-offs in the quarter? Obviously you constantly talk about the portfolio and the FICO scores, and the LTVs clearly a healthy portfolio, but I would be surprised to see that big of an uptick quarter-over-quarter, despite what's going on in the subprime world, considering how little of a subprime business you guys have. So kind of a sense as to what you're seeing out there...

<A – Mitchell Caplan>: Happy to do it. So as I said, last year we had charge-offs, as you saw, of about 45 billion. We assumed, as I said in the prepared remarks...what, 45 million, sorry, 45 million. Good point. This quarter as we were really building the guidance for this year, don't forget we have had pretty consistent growth in the balance sheet. So under any circumstances, not

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withstanding the fact that we have stayed completely disciplined about focusing on what we call prime and really super-prime borrowers, you're going to see an increase in charge-offs, just as a result of an increasing balance sheet size. We also assume that as the balance sheet, which has been growing, continues to season, you would see an uptick. So as we were modeling for this year, last year and then gave guidance in December, we had always assumed that it would go up to the 68 million, or about 17 million a quarter. So in our model, we had always presumed that that was going to be the case, having nothing to do with a more difficult credit environment in any meaningful way, but simply as a result of both size of the balance sheet and seasoning of the balance sheet.

The incremental difference this quarter that we saw of the 17, that we would have expected, to about 21, we believe is a result of what's happening in the overall credit market, which is the discussion about what's happening in subprime, what's happening in Alt-A and to the extent that more importantly any of that is sort of bleeding up into the general prime and super-prime markets.

Our view, I guess, going forward is -- and we were trying to be prudent about this -- is that as you looked forward for the rest of this year, we could simply have said all right, we saw a $4 million unexpected increase. If you annualize that, it would have been somewhere in the neighborhood of 16 million or $0.02, but we believe, given what we're seeing and what we're trying to prepare for is sort of the worst case scenario, absent an absolute mortgage meltdown, that you see loss severity trends in the small percentage of our portfolio that we discussed, literally increasing by 50%, that that's what would drive the increase of the $28 million.

It may not come out to bear, but I guess in our mind, given everything we're seeing, we're better off being prudent around discussing this, and then putting context around the size of the overall balance sheet and being clear for the first time ever that when you look at what the market is concerned about in either sub-prime or Alt-A, one of them is less than 0.2% of the overall whole loan balances, and the other one is less than a 0.5%. So I feel pretty good when I recognize that over 99% of our whole loan portfolio is in fact in those products which have traditionally not been impacted in markets like this.

<Q – William Tanona>: Great, thanks for the color.

<A – Mitchell Caplan>: Absolutely.

Operator: Okay, your next question is coming from Rich Repetto of Sandler O'Neill. Please go ahead.

<Q – Richard Repetto>: I'm sorry, can you hear me Mitch?

<A – Mitchell Caplan>: Absolutely. Hey Rich.

<Q – Richard Repetto>: Yes, just to follow up more on the credit situation, Mitch. I understand you're trying to stay ahead of the curve, but can you give a color on what you see now? Where are the non-performers? Where are the charge-offs right now? Is it from the HELOC – the HELOC portfolio is about half of the loan – can you give any more color on what you are seeing right now? I know you're worried about the bleed up, but what's...

<A – Mitchell Caplan>: Happy to do it. So when you look at the consumer loan portfolio, actually what we're seeing is the opposite; it continues to roll off and the delinquency pipeline, as we look at it right now for the consumer loan, was literally cut in half from Q4 to Q1. So ultimately, I guess our focus has to be principally on the mortgage loan portfolio and we're looking at it – it's not really being driven by HELOC – we're looking at it across the board; the impact that you're seeing is going to be driven both in first liens and in HELOC and it's going to be in that part of the portfolio where you believe there is a confluence of events – meaning you may have lower FICO scores;

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you may have a higher LTV; and you may have a little bit more DTI debt to income. So ultimately you could be in a place where you have a borrower who typically became a bit over-leveraged; traditionally would say "I'm a high FICO borrower, I've owned multiple products" and as a result of that, traditionally he's been able to have a whole host of other resources to be able to go to refinance that product. That's why you've seen refinance fees as high they are or prepayment fees as high as they are.

Ultimately given what happened in this past quarter in the credit market, there was really a – effectively – a pulling of credit. So as a result of that it was much more difficult for customers who were sort of on the edge to be able to go out and refinance so they were more likely to turn over. So it's not that we really see it in any one area; it's just that's the behavior. That happens to be, as we've pointed out, a very, very small percentage of our overall portfolio – less than 1% – and when we have moved forward and said, okay let's take our severity ratios and literally increase them by 50%, what we come up with is up to this $28 million or the additional $0.04. So hopefully that gives you some color.

<Q – Richard Repetto>: Okay yes and I can follow up more offline. I guess my follow-up question, Mitch, would be it appears you've been effective in this target segment even in the weaker market conditions. Your peer yesterday announced 100 million in investment spending and I guess a lot of the same client facing, client touching initiatives that you tested last year and invested as well, but you're more willing to sort of talk about the revenue side of it. And I guess I'm ultimately coming to a question consolidation. If you're both moving to a model that is tied to asset gathering, a higher quality customer and so forth – has your views or anything happened in the market, any of these – what we're experiencing now – changed the situation in regards to outlook for consolidation?

<A – Mitchell Caplan>: Absolutely. I mean, I think that – a couple of points – one is, we've talked about this for quite some time. And I read everything that gets written pretty much in the marketplace about this, and I think there are a couple of points that are pretty consistent in theme. One is there is very little doubt when you look at the business models, certainly in the U.S. around the principal players, there is definitely a convergence of model. There's just no doubt about it. And where a year or 2 years or 3 years ago you might have been in a place where you said I have a particular model focusing on a strategy that looks like this, and a competitor has a different model focusing on a different point of execution, whether it was monoline, whatever it may be. There is definitely a convergence of models.

There is no doubt, and I think anybody in this space, and certainly I guess when you're talking about TD/Ameritrade, without a doubt Joe's done an excellent job of doing acquisitions over the years. He's integrated, and he's created value. I believe that we have done a good job of doing acquisitions and integrating, certainly across a whole host of companies and in the space with Harris and Brown. And so there's very little doubt that each of us -- or even Schwab or Fidelity -- recognize the power in consolidation and the economics around it. So what may traditionally have been a barrier, which was understanding the direction that you wanted to go in and strategically and being bought up on the same page, I think a lot of those have come down.

And so as a result of it -- I mean I think I've been saying for a while, and I believe this -- that we were still in the early innings of consolidation domestically and internationally. The one thing that's sort of wonderful, and I guess we've always talked about this, is sometimes bumpy markets make for great partners because you get to a place where people recognize you are trying to do the same thing. You recognize the importance of the strategy. You understand the investments that need to be made. And so the power of scale is meaningfully powerful. I mean it's really important. And I would guess over the long term certainly when you get into periods like this, it increases the value of being opportunistic and looking for ways in which you can create long-term shareholder value through consolidation or otherwise.

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I don't know if that gives you an answer, but it's certainly our view. I think we've been very clear that -- you know, we thought that was early innings and when consolidation occurred, we would like to participate.

<Q – Richard Repetto>: I think you've probably said everything you could reasonably say.

<A – Mitchell Caplan>: Yes. I think it makes -- and I would suspect that if you talked to Chuck [Charles Schwab] or Bob Reynolds [Fidelity Investments] or Joe [Joe Moglia, TD/Ameritrade] or anybody else, they'd all say the same thing. There is a clear recognition in the value.

<Q – Richard Repetto>: Well, yes. I could go on. I'll stick to the rules in the follow-up, but well said. Thanks.

Operator: Your next question comes from Matt Snowling of Friedman, Billings, Ramsey. Please go ahead.

<Q – Matt Snowling>: Thanks. Mitch, can you help us think about how the more recent consumer portfolio sees it in terms of peak charge-offs? Is it a quarter or 2 down the road? Or is it a year or 2 down the road?

<A – Mitchell Caplan>: I'd say it's probably within this year. And the reason that's the case as you know, Matt, is that given -- you know, our focus on trying to grow our core origination business, and we have been more successful. And by the way, our origination business focuses really exclusively on sort of super-prime because it's our own customers. But for better or worse, a lot of the growth has still been in the form of acquisitions rather than origination. In those acquisitions, we typically buy seasoned product. That seasoned product is usually 18, 19, 20 months of seasoning. So my guess is that we think about the risk embedded in this. We see it really coming through the -- that if there is a risk, it's going to come through this year, and then that all things being equal and not seeing an overall meltdown in the mortgage market moving up into the sort of super prime space, which given what we're seeing, we think is unlikely.

<Q – Matt Snowling>: How are you thinking about the tradeoff between buying back stock at these levels and really growing the balance sheet? If my math's is correct, you're basically using all your capital to support the balance sheet growth.

<A – Mitchell Caplan>: It's actually a great question. So we may originally, I think your point is well taken, when we gave guidance we would have presumed that a lot of the growth, a lot of the cash that was being generated in the original '07 guidance was being used to support the balance sheet. So first of all, we now have new information. At the time, quite frankly, in December, we thought there was as much likelihood that we might want to try to buy 100% of Australia as sell off our position. We didn't know that E*TRADE Korea would be successfully going public, I mean I can go on E*TRADE Japan otherwise. So it's pretty clear that now we're in a place where we can buy back stock as a result of the cash that's been generated as a result of the sales. And not only is it the gain, it's also the recoup of our basic, of our investment, so the cash amount's actually greater and allows us to have an opportunity to go out and aggressively purchase back our shares if we think there's value creation in doing that and obviously we sought the approval of our Board and we announced it today.

As well, I think your point is extremely well taken, which is, if we think about our balance sheet, one of the issues is, we have consistently wanted to move away from what would be viewed as wholesale funding and mortgage backed securities. So by example, you'll see average MBS quarter over quarter was only up a couple hundred million dollars and a lot of the growth in mortgage backed securities which occurred in Q1 were simply a fully hedged out MBS as a placeholder for putting clearing under the bank and replacing it with other assets like margin balances. So finally I get to be succinct. It wouldn't be surprising if we believed it was the right

thing to do to slow the growth of the balance sheet, particularly around MBS and around wholesale borrowing and use that freed-up capital to both optimize earnings and use the capital to add on to other cash flow to buyback our stock.

<Q – Matt Snowling>: One quick question while I still have you. The gain on sale from the loan securities, I think the 17 million this quarter.

<A – Mitchell Caplan>: Yes?

<Q – Matt Snowling>: Does that have any Alt-A product involved?

<A – Mitchell Caplan>: No, it doesn't.

<Q – Matt Snowling>: And typically not?

<A – Mitchell Caplan>: And typically not. It's just usually quite frankly I think as we've guided we said that we expected that number to range anywhere on the institutional side 5 to 15 million and that retail would run anywhere around sort of in the neighborhood of 2, 3, 4, 5 million, 6 million. And that it's going down actually on the retail side because the goal is to originate and hold on balance sheet as opposed to sell in the secondary market. So on the institutional side, it's traditionally just sales of securities that Dennis ultimately uses to be put on balance sheet as a placeholder. He typically hedges them out and then sells them when he replaces them with other traditional whole loan assets.

<Q – Matt Snowling>: Okay. Thanks.

Operator: Okay our next question is coming from Mike Vinciquerra of BMO Capital Markets. Please go ahead. Mike, your line is live. Please go ahead.

<Q – Michael Vinciquerra>: Hello? Can you hear me?

<A – Mitchell Caplan>: Hey Mike.

<Q – Michael Vinciquerra>: Sorry. I've got you on speaker because for some reason, my handset's not working. Can you hear me okay now?

<A – Mitchell Caplan>: Absolutely.

<Q – Michael Vinciquerra>: Okay, I'll make it short here. Can you provide a little more detail? You're having great success in your international markets. Can you provide any breakdown for us between what's going on in Canada and what's going on kind of ex-North America, just kind of getting a sense for your true global expansion and what's going on particularly in your European operation?

<A – Mitchell Caplan>: Let me say that we're not going to give a complete breakdown just because it's too soon to really start breaking out all of International.

<Q – Michael Vinciquerra>: Understood.

<A – Mitchell Caplan>: As International gets larger we will. I'd say that Canada is a significant part of the whole, but the fastest growth areas are at this point in Europe and the emerging markets. So by way of example, one of the nice things about the emerging markets is we'll get to a place soon, I hope, where we own enough of India that it runs through a different line item and not in the equity investments. But you will continue hopefully to see success there as India grows and benefits from what they're doing, and that for the moment is running through that equity line item.

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You will continue to see other benefits in Europe and in Asia. The growth rates actually in Europe and Asia are higher at this point across the board in most every single metric that we look at, but again coming off of a lower base because Canada's always been a bigger part of it. But together they're all working in unison to deliver the sort of experience that we're seeing. I think Jarrett talked to it. You see it in the DART numbers, you've seen it in the growth in cash balances, even asset balances were up this quarter, I think in the net asset inflows that we talked about of somewhere in the neighborhood of 2.9 billion, 600 million of it were Internationally related, so you are seeing International really begin to contribute to the overall story.

<Q – Michael Vinciquerra>: Can you build on that then with just your talk about the cash management products you were going to roll out next quarter, what exactly are you going to start with? Is it going to be a Complete Savings Account, and what products do you plan to offer in the second half of the year?

<A – Mitchell Caplan>: Yes I'm happy to do it, so one of the things that we actually have already rolled out is a cash management product in Canada. Now we've done it without having a banking license, so we've done it in a way in which we effectively have tried to create a synthetic offering, because it's a little difficult for us to get a banking license in Canada as we speak right now. We're looking at what we may want to do there. But we did offer a product. It looks like a traditional -- it looks a little like the CSA product in the U.S. and Canada. In Europe, I think Nick's [Nicholas Utton] view as he's done research is it'll start with more traditional-looking transaction accounts. Those seem to be the ones that are more interesting given what we've seen in the competitive marketplace when you look at ING and others, and then as we see success there we may create things like CSA and Max-Rate Checking.

<Q – Michael Vinciquerra>: Great thank you very much, and just ending, with my change of firms is to note that I'm in one of your accounts in the pipeline for the quarter and I hope to make a positive contribution to your metrics myself.

<A – Mitchell Caplan>: Excellent.

<Q – Mike Vinciquerra>: Thanks guys.

<A – Mitchell Caplan>: Thanks a lot.

Operator: Thank you, your next question is coming from Richard Herr with KBW. Please go ahead.

<Q – Richard Herr>: Hi, good afternoon.

<A – Mitchell Caplan>: Hey Rich.

<Q – Richard Herr>: Hi. I guess maybe, let's talk a little bit about allowances here. It looks like the -- I just want to get a sense of the allowance for loan losses relative to total loans. It looks like it continues to trickle down here, you did about 23 basis points now, down from 33 basis points in the year-ago quarter. Is it just the mix shift in the loan base that makes you feel comfortable running at those levels or is something else here?

<A – Mitchell Caplan>: No, it's exactly that. So in other words from a year ago to now we have dramatically decreased consumer and also within mortgage we have dramatically increased first liens compared to HELOCs, and again that's what we intend to do this year, so as we look forward throughout the rest of the next three quarters I think you'd expect to see of the growth that will occur, 70% of it will be in first lien balances.

<Q – Richard Herr>: Okay, and on the charge offs here, just looking at the quarterly progression, it seems to be the case that you've always kind of run 6.5 to 8 million or so in the consumer, in terms of charge-offs per quarter. But now the mortgage is really where we saw the big jump, and you had about 2.5 million of charge-offs in Q1 '06. And I guess throughout 2006, you kind of trickled higher but it looks like, quarter on quarter, you doubled your charge-offs in mortgages. Where exactly was – and I think the question's already been asked, but where exactly did this come from? Any particular regions? Any kind of color would help.

<A – Mitchell Caplan>: We've looked at it every conceivable way. We didn't see it concentrated by region, by any – there was nothing out there that really showed it. And I would say that, basically, of the increase, the most significant part of the increase was a function of simply size in balance sheet growth, and seasoning of balance sheet growth. So it's as expected for us. That was the $17 million that we're trying to talk about. The 4 million seems to be that part of the portfolio where you are absolutely seeing loss severity be worse in the area where, as a result of, I guess, either this combination of DTI, LTV and FICO, you theoretically could be in a place where you see that's a more difficult time for them to refinance.

And so that was fundamentally 4 million. So again, I mean, I think one way to think about it for us is you're right, you're seeing it tick up. That said, we'll probably run – we typically run about half of the industry. So when you look at charge-offs for us, versus the overall thrift industry, we're basically about half. Our guess is that, as you run through Q1 and other institutions start reporting, even though we ticked up, so did everybody else, and we'll also be running at about half.

<Q – Richard Herr>: Okay. And just one last question on the guidance. Rob, I noticed that you included gains in the guidance, of $0.05 cents as an offset. Should we be thinking about that for -I mean, I know when you gave out guidance there was no talk of any kind of corporate gains. Should we be including that in our numbers? Do you think that, would that be consistent – it would certainly be consistent with last year. I'm just kind of curious how to think about modeling that.

<A – Robert Simmons>: Yes, you're right, we didn't include any gains in last year's assumption, or in the assumption originally around guidance for 2007. So effectively, you can think of it as that we first increased our number by the $0.05 of gains that are now we expect to realize in 2007, and then back off the $0.12 – or the net $0.07 – which is from midpoint to midpoint, the original guidance versus the new guidance.

<A – Mitchell Caplan>: And Richard, I think the one way to think about this is, to be direct, when we gave guidance in December, internally at that moment in time it asked – and I mean, we have been asked by many people about our equity ownership in E*Trade Australia, at that point E*Trade Korea was not public, E*Trade Japan, and a couple other small holdings that we have. I think we've always said that we believed if we couldn't own it and make a meaningful control and contribution, that ultimately we were better off taking the cash and redeploying it in our business. Whether to buy back stock or put it into some other product, to be able to grow and succeed.

And, at the time that we had to ultimately decide where we were going on guidance, we thought there was as reasonable a chance that we might buy Australia as be in a position where we couldn't, and then would sell our position. With respect to Korea, it had not yet gone public, so you didn't have a public market, even though you expected it to happen. So both of those things are, I guess, new pieces of information and data, but consistent with the belief that, ultimately, we wanted to sell everything that we believe we can't control and have make a meaningful difference to our bottom line.

<Q – Richard Herr>: Well, that's certainly helpful. Nice job in a tough quarter guys.

<A – Mitchell Caplan>: Thanks a lot.

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Operator: Your next question is coming from Roger Freeman of Lehman Brothers. Please go ahead.

<Q – Roger Freeman>: Well, hey, good evening.

<A – Mitchell Caplan>: Hey Roger.

<Q – Roger Freeman>: I guess on the asset side of the balance sheet in terms of mortgage-backed securities, do you have much in the way of credit exposure there with...

<A – Mitchell Caplan>: No, 100% of them are AAA.

<Q – Roger Freeman>: All Triple A? Okay. And then I guess can you just comment? You've recently -- sort of a bigger picture question -- you've started offering international equities trading and futures trading. Can you talk about how that's gone in the early days I guess relative to expectations and sort of what you think some of the opportunities are?

<A – Mitchell Caplan>: Again, I mean I would say that relative to expectations we're probably doing the same or better than we had hoped but – you want to go for it?

<A – Jarrett Lilien>: Yes, it's early days. I mean the cross border trading for U.S. accounts is still in the pilot which ends later this quarter but the pilot results have been quite encouraging. And again, the big picture on the cross border trading is not only is that an additional product for our U.S. customers but it's the first big step to really integrating our total global platform and having that true global platform which will help us as we expand internationally as well.

So any way you look at it and it's been very encouraging in the early days, both from a product for customers but also what it's doing for us operationally in helping us bring together our global operations. And on the futures side, same thing; early days, but very positive so far.

<Q – Roger Freeman>: Right.

<A – Mitchell Caplan>: And I would say the other thing is if you look -- you know, Rob talked about how we were thinking about moving some of our revenue from other into fees and services and he talked about FX or exchange and those numbers are actually growing so we're getting the benefit of that as a result.

And the other thing that you might notice is even principal transactions; we did quite well in the quarter. We were up as a result of volume related from our own customers but we were also up volume related because of International. So again, you're beginning to see some of the benefit of trying to become more global in the way we operate and it's running through a couple of the different line items, so early indications are positive.

<Q – Roger Freeman>: Great, that's helpful, thanks. Just real quickly on the average commission rate, picked up $0.01 in the quarter; was that driven by a higher mix of options?

<A – Mitchell Caplan>: It was. Options were up a little bit this quarter. I think we were at about 14.5, 14.7, right in that range, so it was up a little bit. The number of contracts was pretty consistent with the last quarter if I remember correctly, but the actual percentage was up so it helped.

<Q – Roger Freeman>: Got it, okay, thanks.

Operator: Okay, your next question is coming from Howard Chen of Credit Suisse. Please go ahead.

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<Q – Howard Chen>: Hi everyone.

<A – Mitchell Caplan>: Hey Howard.

<Q – Howard Chen>: Thanks for the detailing on the updated earnings guidance. On your thoughts regarding the upward trend in delinquencies and charge-offs we've seen, how much of that 25 million of quarterly provision are you assuming is net charge-offs versus reserve build?

<A – Mitchell Caplan>: I think we'll assume that there will be a reserve build in there but it will be pretty much what you've seen traditionally. Typically I think you've seen reserve builds of anywhere from 500,000 to 1.5 million more a quarter, sort of in that range.

<Q – Howard Chen>: Okay and then I don't know if I'm calculating this right but it looks like NPAs were up about 30% sequential quarter and have moved above 100 million. I realize your loan mix is changing between ganess and the residential mortgage but are you comfortable with the 59% NPA coverage ratio you're at now and what's the bottom threshold to that comfort range?

<A – Mitchell Caplan>: Yes, we are and given the mix shift I think we're pretty comfortable with it. I think given what we've thought through this – you know, about Matt Snowling's question about when we think it's going to peak, seasonality and the seasoning in terms of how long we've owned this stuff, we feel pretty good about it. I'm guessing we're probably where we need to be from a coverage ratio, and it ought to be pretty consistent from this point forward.

But there's very little doubt in my mind. It's sort of consistent with the levels where we were in the past when we had about 90% mortgage. So if you went back historically and looked at our business and our operation, it's pretty consistent with what we've done I guess over the last 18 years. I looked back at the last time we had the mix at the level that we're at now, and I feel pretty good about it.

<Q – Howard Chen>: Okay. That's helpful. And then I think in the recent quarters, Mitch, you've talked of roughly half of your balance sheet loan growth has come organically and half via acquisition. Can you talk about what that mix was roughly this quarter and provide any commentary on how the secondary mortgage market has evolved in recent months given all that we're seeing and hearing?

<A – Mitchell Caplan>: Yes. It's been a much tougher quarter for our mortgage origination business. If I remember correctly, we did about 1 billion -- what did we do this quarter in total? 1.6 billion or something between both of them? No? I don't even have a – 1.7 billion between the two.

<Q – Howard Chen>: Okay. And then finally...

<A – Mitchell Caplan>: In other words, the bottom line is that we were very skewed this past quarter to purchasing -- again, the purchasing was skewed to 1 to 4, and we purchased with seasoning.

<Q – Howard Chen>: Okay. And finally on the revised EPS guidance, Rob. Are you still assuming at the mid point that we have two Fed fund cuts that drive yield curve steepening? Or have you re-evaluated that assumption as well?

<A – Mitchell Caplan>: No. The original guidance was always one Fed.

<Q – Howard Chen>: Right, one. Sorry.

<A – Mitchell Caplan>: One. And we have revised our guidance and assumed nothing.

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<Q – Howard Chen>: Okay. So just to be clear, in the revised EPS guidance at the mid point, that assumes continued yield curve inversion?

<A – Mitchell Caplan>: It does. Or pretty much flat to where we were. That's right. I mean I think if you remember correctly, the mid point was a 25 basis point cut but looking pretty much like we were at the point at which there was some inversion. What you're now seeing is it's flat, up a basis point, something like that. It's gone up 3 or 4 basis points to sort of flattish as I've looked at it over these last couple of weeks. So I'd say the mid point for us is pretty much as expected and what we're seeing now.

<Q – Howard Chen>: Okay. And then is there any change in your mix in business that drove the change in the tax rate guidance from 37 to 34 to 37?

<A – Mitchell Caplan>: International.

<Q – Howard Chen>: Okay, great. Thanks.

Operator: Thank you. Your next question is coming from Matthew Fischer of Deutsche Bank. Please go ahead.

<Q – Matthew Fischer>: Hi, thanks. Good evening, guys.

<A – Mitchell Caplan>: Hey, Matt.

<Q – Matthew Fischer>: Just, I guess to follow up on that, can you give some color on the revenue contribution from non-U.S. as a percent of total?

<A – Robert Simmons>: That's not something that at this point we break out. We do give you metrics around the DART component of it, which obviously has been...

<Q – Matthew Fischer>: Right. 20%.

<A – Robert Simmons>: Yes. Has been very strong. And the other point as you know is that with respect to retail international, it is largely trading still at this point as we launch our E-banking initiative, we do expect that to change, and we certainly have started to see some nice asset growth there. But the only International breakout we give at this point is around DARTs.

<A – Mitchell Caplan>: I think directionally though a good way to think about this if you're okay with this, Rob, is on Analyst Day we said that we expected last year to be somewhere in the 8 to 10% range and that we wanted it to move to 30%. And so that meant that it had to basically double. So I'd say Q1 continued -- you continued to see improvement in Q1 moving directionally where you want to go to achieving that goal.

And I suspect that as we begin to have International be a more significant part of the overall numbers, both from revenue and earnings, we will start to break it out, but clearly to the extent that you're profitable and becoming more and more meaningfully profitable, there are some benefits to our overall tax rate and you're seeing it as a result of it.

<Q – Matthew Fischer>: Okay and then in terms of the environment, I guess mid-quarter we had the shock in the market, but now the Dow's closing at a new record – what is the lag and when do we start to see the retail investor become more active? And then, on top of that, with 20% of your DARTs being non-U.S., if you could maybe give us a bit of color in terms of the sentiment abroad.

<A – Mitchell Caplan>: Happy to do it. So, as we look out -- I mean part of what we were doing, I think, is being prudent. We looked and said the original range of guidance we were basically in Q1 which was traditionally a stronger quarter coming in right at 170, which is really sort of the low end of the range that we had given in December for all of this year. So we knew that we had yet to go through Q2, which is traditionally a little slower; Q3, in the summer where you clearly see it; and then it kicks back up in Q4. Without a doubt, the strength that you're seeing in the Dow and in all of these market indices is driven institutionally rather than retail; it's much more of an institutional engagement.

My guess is that a big part of that is that there is so much liquidity in the institutional market that has to be put into work that institutions will look for volatility to trade. As we have changed our business model and we've gotten more and more of a customer who is a long-term investor, I think this is happening with everybody in our sector; you have people who are looking less to trade purely on volatility and more to put money to work over the long-term, and so they're picking their spots. Clearly, as we give this guidance, we've had a very strong couple of days these last few days, but you have no belief that that is going to continue. And so, in our minds, we thought that the best thing to do given that we had to take a swag at this and look at going into Q2 into the summer and Q3 and Q4, was reset expectations. You're going to see the numbers monthly. Clearly if things pick up and they get better and you see the engagement, we'll revisit.

<Q – Matthew Fischer>: Okay and last thing: the marketing spend. It seems like looking at the account growth and asset growth, marketing is working. Can you anticipate – and I know you've said in the past you're frontloading those expenses, but they're working – do we see that 15 million in the second quarter – some guidance around that?

<A – Mitchell Caplan>: No, I think we gave the guidance for all of '07 in December in terms of how much more we expected to spend and that we expected to frontload it in Q1. I don't think that we've changed anything about our guidance there.

<Q – Matthew Fischer>: Okay, great.

<A – Mitchell Caplan>: Now I think what did happen, is the marketing spend came in a little light. A part of that is that there is some degree of just efficiency in marketing. So what Nick would tell you is that you do a lot of online – I think he's talked about it before; he talked about it specifically at Analyst Day. He's allocated a bigger and bigger percentage of his budget than he used to historically to online and sometimes you just see efficiencies there because of either break points or click through rates or whatever it may be. So I think we've got some more efficiency and we feel pretty good about the marketing spend. So as we look at the rest of this year, we'll be prudent. I don't think we're giving any different guidance about the overall marketing spend, but what we will do is think about the best way to allocate it based on the opportunity.

<Q – Matthew Fischer>: Okay, great. Thanks guys.

<A – Mitchell Caplan>: Absolutely.

Operator: Okay, your final question is coming from Mike Carrier of UBS. Please, go ahead.

<Q – Michael Carrier>: Just one follow-up question just on the mortgage, on the mortgage side. Given the strong growth just during the quarter, when you talk about just the seasoning, the purchased mortgages, can you just kind of go through the process of what on the originated mortgages what the timeframe would be just relative to the purchased mortgages because that seems where you kind of see the increase just given this year.

<A – Mitchell Caplan>: One more time, Mike. I'm sorry. I'm not exactly following what you are looking for.

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<Q – Michael Carrier>: Just say on the credit quality side on the originated mortgages.

<A – Mitchell Caplan>: Right.

<Q – Michael Carrier>: What you would see as sort of a normal kind of timeframe or path for the charge-offs on that side of the business versus the purchased.

<A – Mitchell Caplan>: Okay. So I don't think that we would see really any meaningful difference. I mean the issue is that on the originated side literally, I mean I shouldn't say 100, 99% of what gets originated is obviously to our current customer base. When you look at average FICO scores, when you look at loan to values, DTIs, they are all extremely, extremely conservative. And so they looked like the 99 plus percent of the overall portfolio whether purchased or originated where you really are protected across the board with respect to underlying credit based on FICO, and LTVs, and DTI's. So no meaningful difference between the two.

<Q – Michael Carrier>: Okay. And just on the growth in the target account during the quarter, do you guys have any breakdown versus the investing versus the savings? Or not that much detail?

<A – Mitchell Caplan>: No.

<Q – Michael Carrier>: Okay. All right. Thanks a lot.

<A – Mitchell Caplan>: Absolutely.

Operator: Thank you. We have reached the allotted time for today's call. I will now turn the call to management for any closing comments.

Mitchell H. Caplan, Chief Executive Officer

All right. Thanks everybody for joining us, and we look forward to the call next quarter.

Operator: Thank you. This concludes today's E*TRADE Financial Corporation's First Quarter 2007 Earnings Conference Call. You may now disconnect your lines at this time and have a wonderful evening.

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