

# Sub-Prime Mortgage Market Issues and Concerns

Prepared for

Paul Comstock Partners



*Guiding Portfolio Strategies*

**MCDONNELL INVESTMENT**  
MANAGEMENT, LLC

1515 West 22nd Street, 11th Fl. ♦ Oak Brook, IL ♦ 60523 ♦ (630) 684-8600

**August 2007**

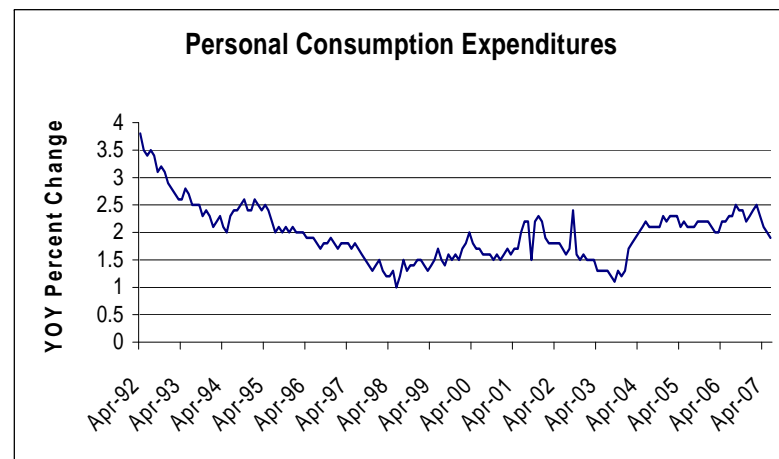
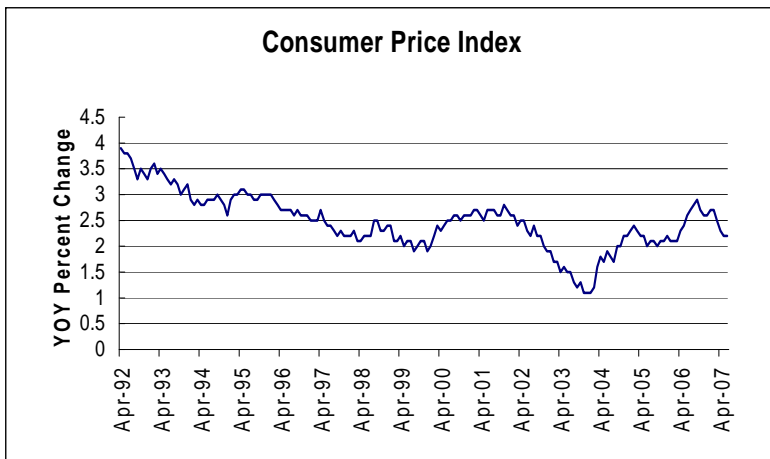
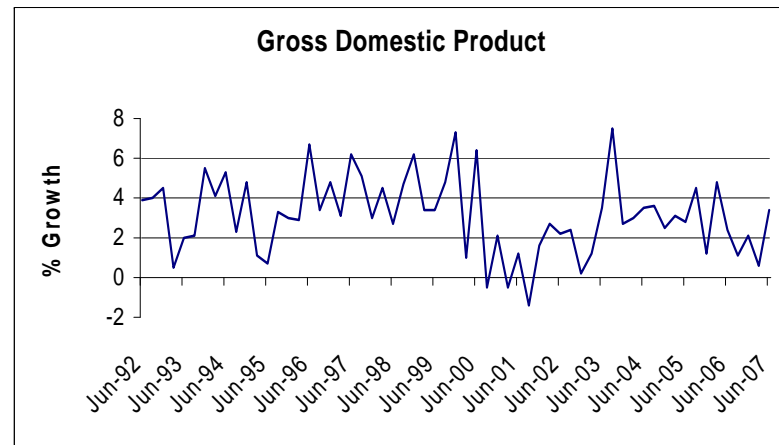
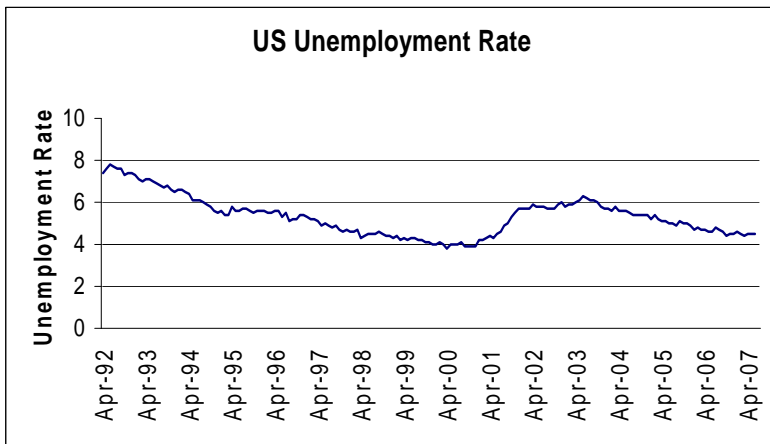
**I. General Economic and Housing Market Overview**

**II. Sub-Prime Market Review**

**III. Notes and Disclosures**

# **I. General Economic and Housing Market Overview**

# U.S. Economic Overview

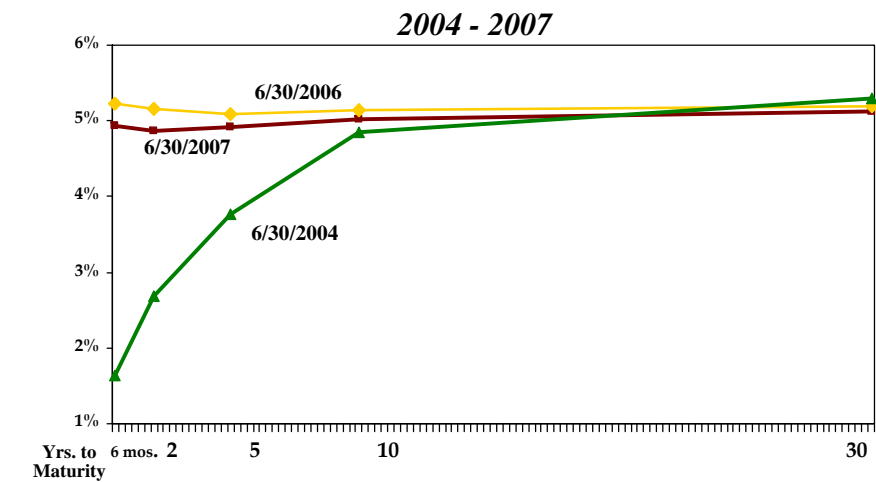
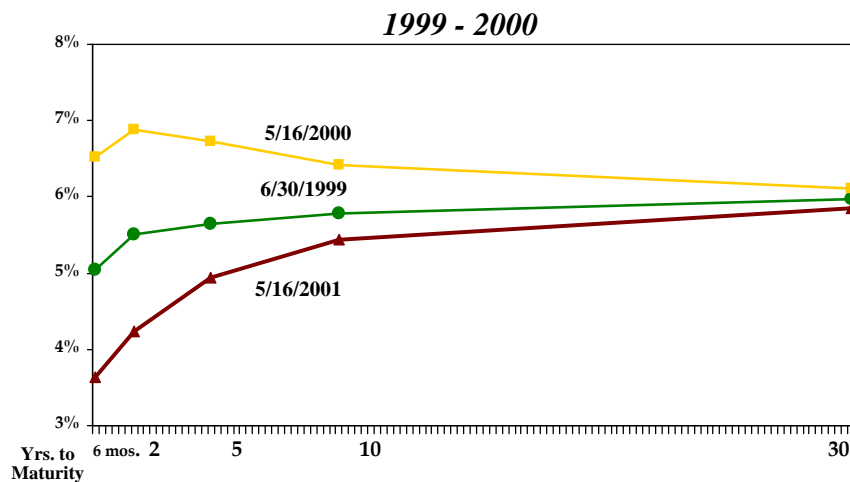
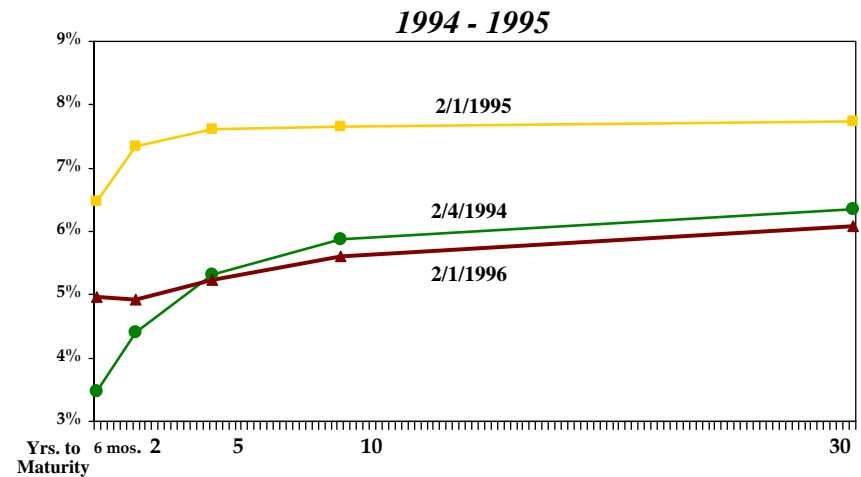
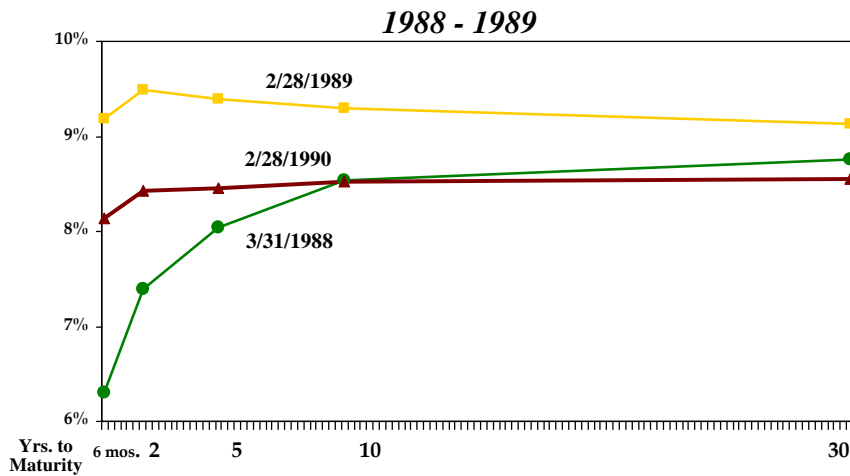


Please refer to the Notes and Disclosures for additional information, at the end of this report.

# Maturity Structure

## Yield Curve Changes in Pre and Post Fed Tightening Periods\*

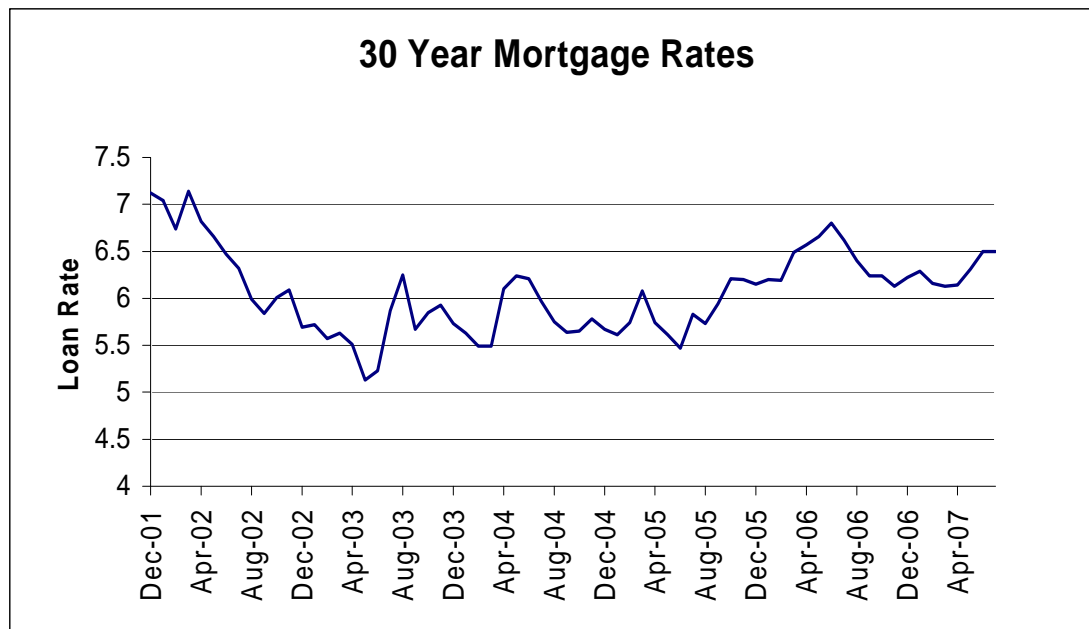
One year after tightening ends, the average yield decline for 2-year and 10-year Treasuries was 200bps and 130bps, respectively. During the past year, the yield decline for 2-year and 10-year Treasuries is a more modest 30bps and 11bps, respectively.



For illustrative purposes only, to discuss impact on yield curve before, during and after the selected Fed tightening periods from March 1988 through June 2007. Past performance is not necessarily indicative of future results. Please refer to the Notes and Disclosures for additional information, at the end of this report.

Source: Bloomberg

## 30-Year Fixed Mortgage Rates



**30 Year Fixed Mortgage Rates have been in an upward trend since 2003**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

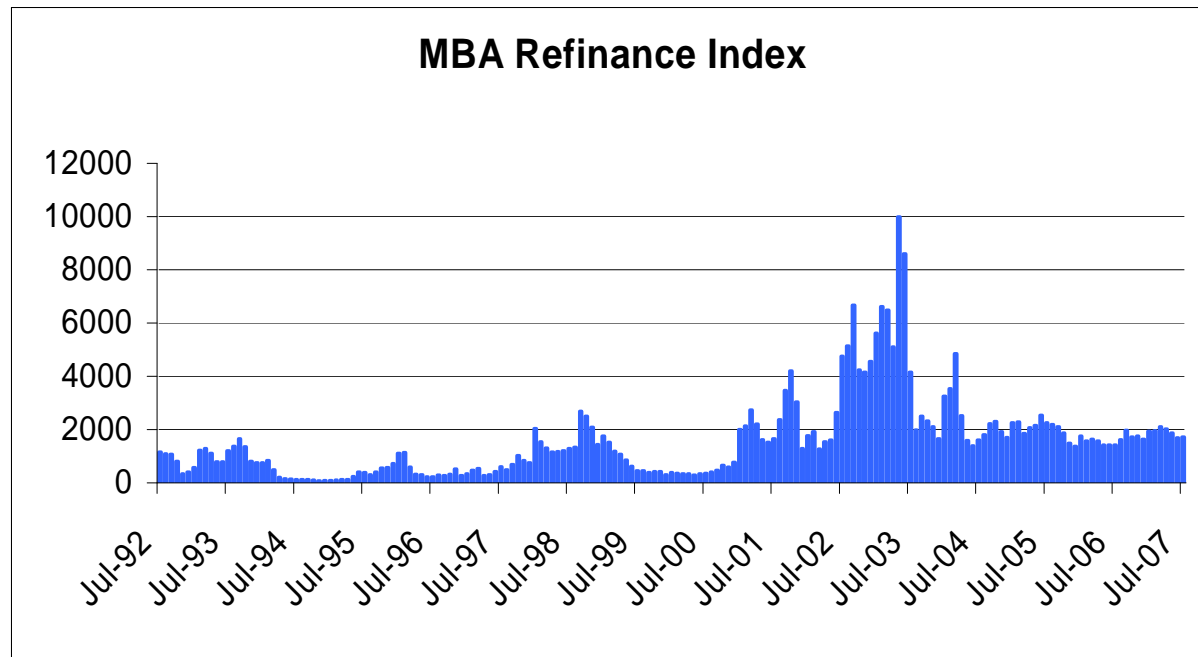
## One Month LIBOR Interest Rates



**LIBOR rates have increased by 4.25% since June 2003. Generally, Adjustable Rate Mortgages (ARM's) float off of this rate.**

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# The Mortgage Bankers Association Mortgage Refinance Index

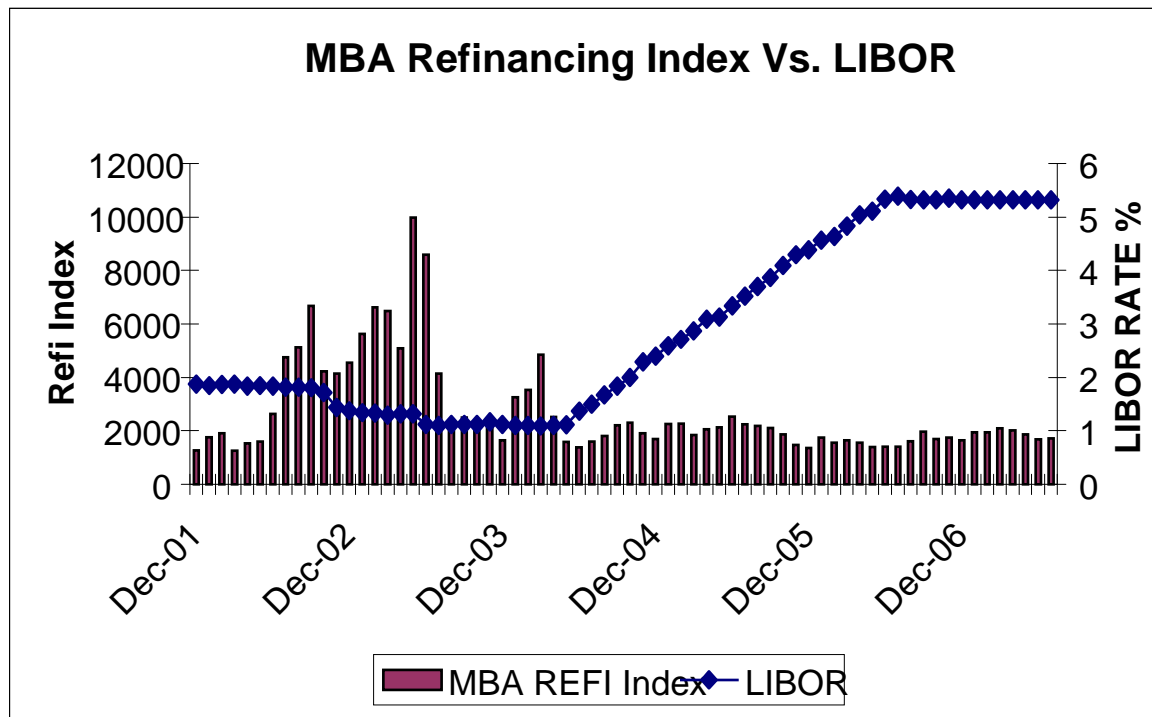


**Mortgage Refinancing reached peak levels in 2003, and have since fallen substantially.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*



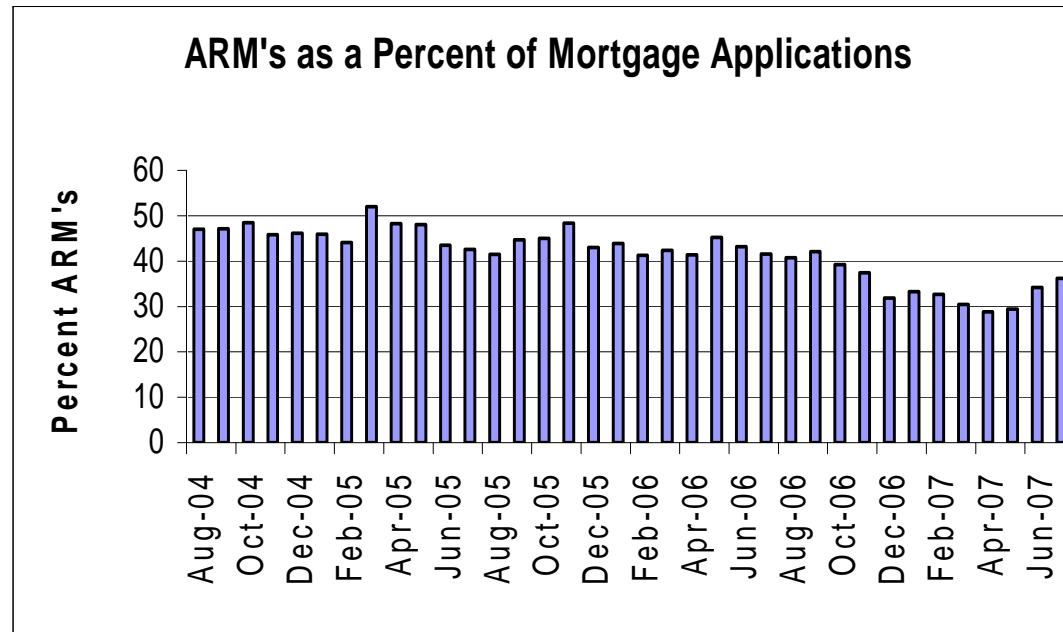
## The Mortgage Refinance Index vs. LIBOR



**There is a high correlation between LIBOR Rates and the number of Homeowners refinancing.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

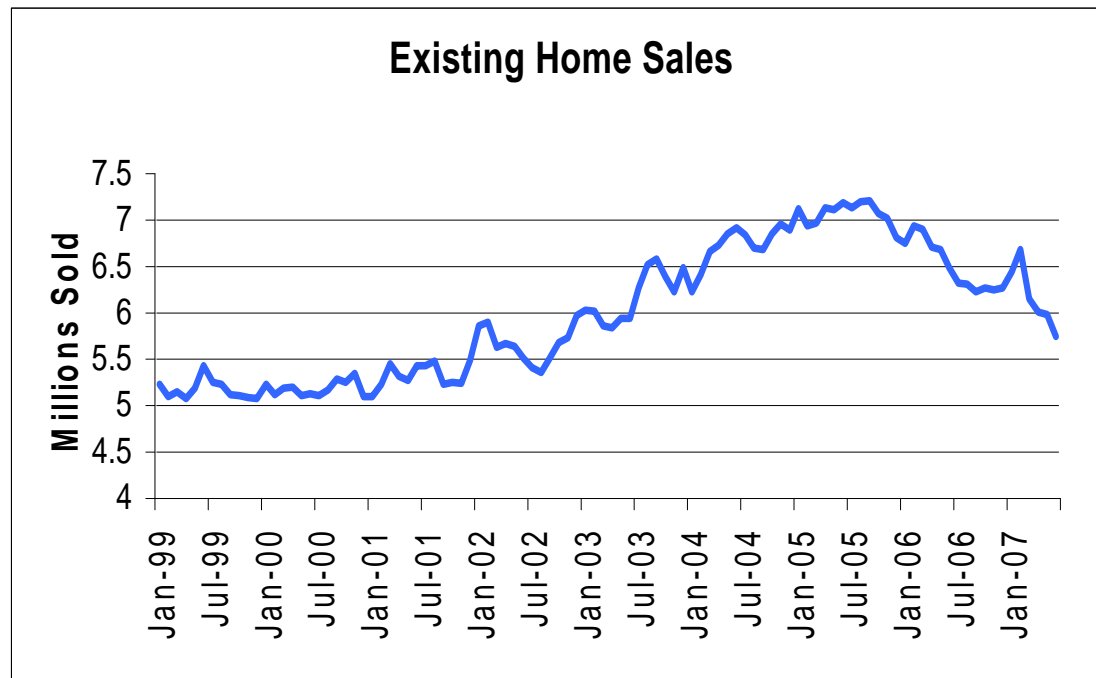
## Adjustable Rate Mortgages as a Percentage of Mortgage Applications



**Adjustable Rate Mortgages (ARMs) are a significant percentage of all mortgage loans.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

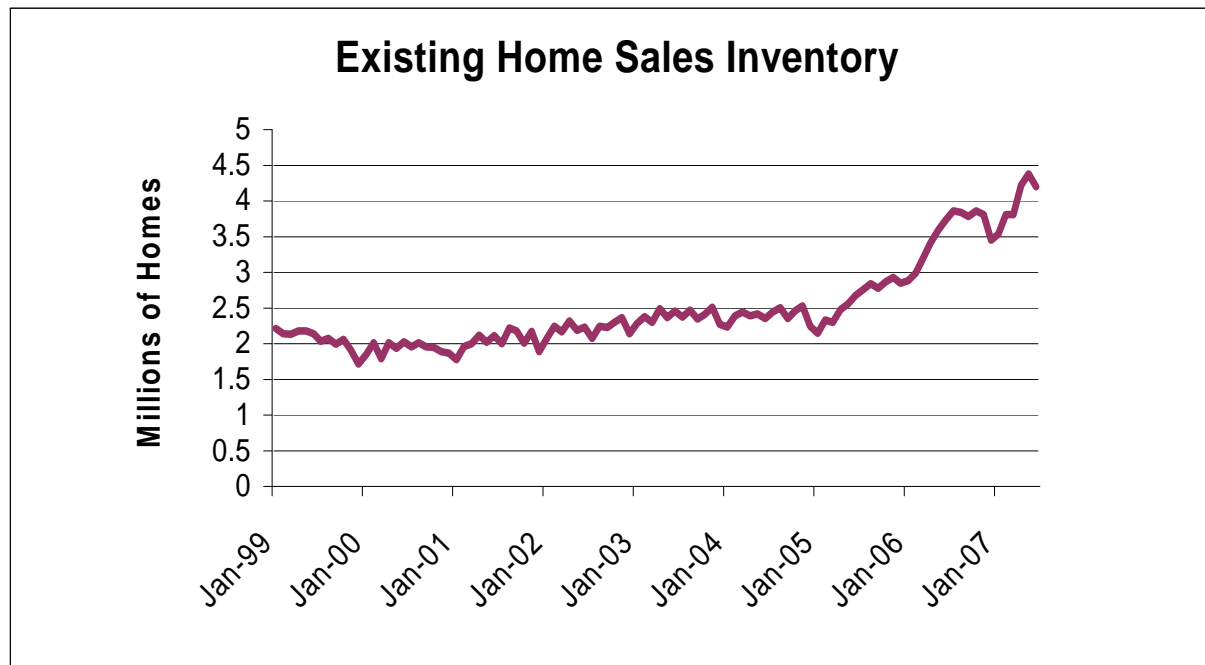
## Existing Home Sales



**Existing Home Sales have fallen since their peak in 2005.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

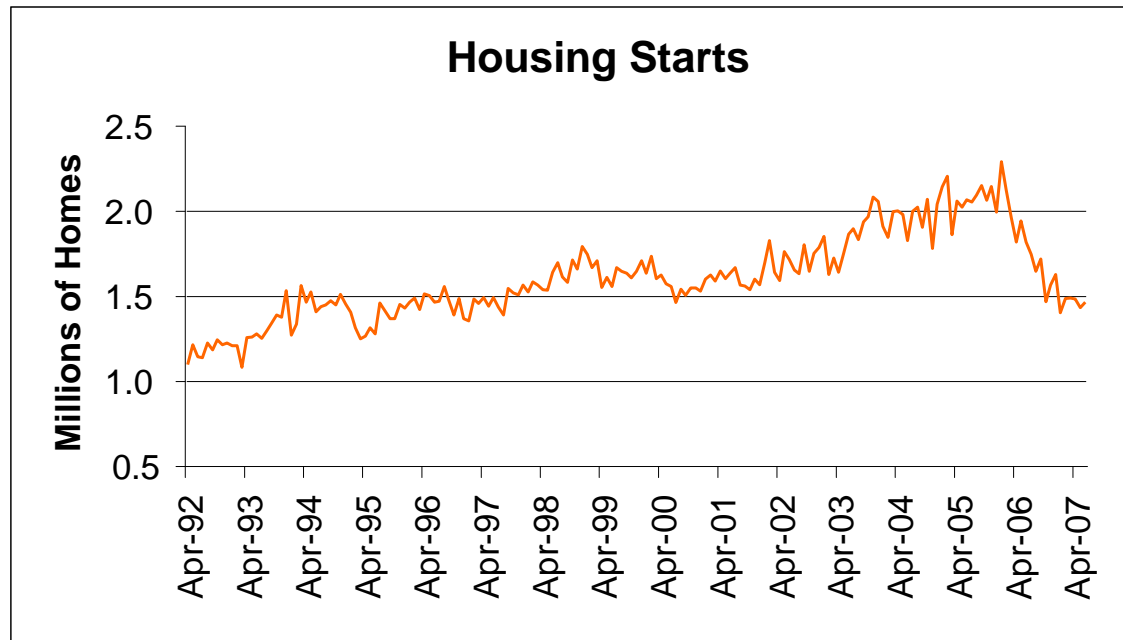
## Existing Home Sales Inventory



**Existing Home Sales Inventory has risen dramatically since January 2005.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

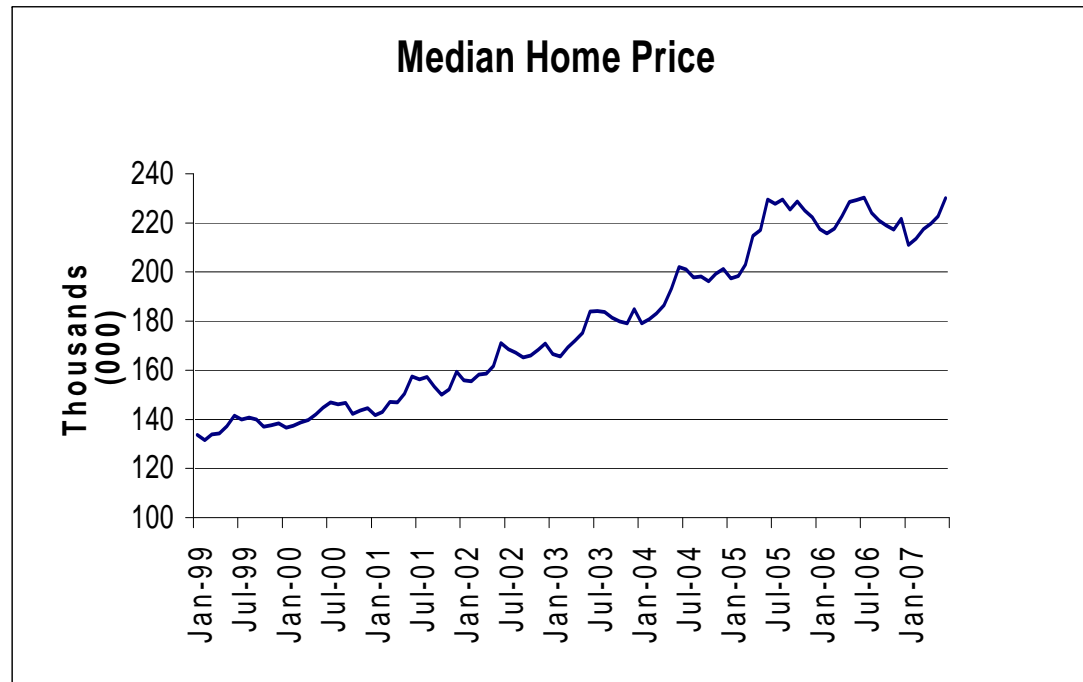
# Housing Starts



**Housing Starts have fallen since their peak in January 2006.**

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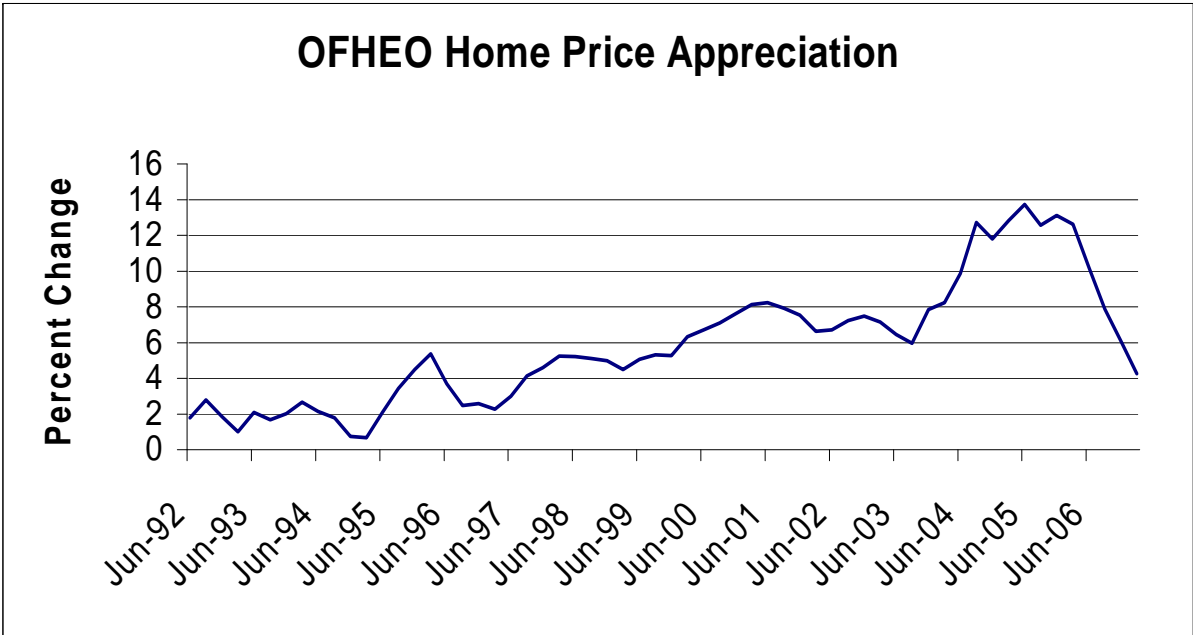
## Median Home Price



**Median Home Prices have been steady for approximately 2 Years, but Home Price appreciation has slowed down dramatically over the past 18 months as shown on page 15.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

# Home Price Appreciation: Year-Over-Year



**Home Price Appreciation was positive through the first quarter 2007, but is now falling rapidly.**

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## Home Price Changes by Region: 2001 through 2007

### OFHEO Home Price Index

	<u>2001 - 2007</u>
<b>USA</b>	63.50%
<b>Pacific</b>	103.90%
<b>Mountain</b>	65.70%
<b>West North Central</b>	40.60%
<b>West South Central</b>	34.30%
<b>East North Central</b>	30.70%
<b>East South Central</b>	34.10%
<b>New England</b>	67.20%
<b>Mid-Atlantic</b>	78.30%
<b>South Atlantic</b>	77.00%

**Home Price Appreciation has been positive over the past six years.**

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## Home Price Changes by Metropolitan Statistical Area Quarter-Over-Quarter Changes

<u>Metropolitan Statistical Area</u>	<u>National Ranking</u>	<u>1 Year</u>	<u>Quarter</u>	<u>5 Year</u>
Punta Gorda, Florida	285	-4.57%	-3.81%	94.81%
Sacramento-Arden-Arcade-Roseville, California	284	-4.41%	-1.99%	80.42%
Modesto, California	283	-4.38%	-3.37%	95.91%
Merced, California	282	-4.19%	-2.91%	10.42%
Reno-Sparks, Nevada	281	-3.97%	-1.28%	88.88%
Stockton, California	280	-3.97%	-2.62%	87.21%
Santa Barbara-Santa Maria-Goleta, California	279	-3.92%	-0.96%	84.47%
Santa-Rosa-Petaluma	278	-3.63%	-0.96%	60.60%
Yuba City, California	277	-3.20%	-0.83%	102.62%
San Luis Obispo-Paso Robles, California	276	-3.15%	-0.21%	74.42%
Bay City, Michigan	275	-3.12%	-1.10%	15.06%
Salinas, California	274	-3.12%	-2.43%	89.14%
Detroit-Litvonia-Dearborn, Michigan	273	-2.99%	-0.52%	8.55%
Santa Cruz-Watsonville, California	272	-2.43%	-0.88%	55.30%
Flint, Michigan	271	-2.28%	-0.81%	10.50%
Cape Coral, Fort Myers, Florida	270	-2.17%	-1.97%	108.07%
West Palm Beach-Boca Raton-Boyton Beach, Florida	269	-2.16%	-2.27%	112.33%
Oxnard-Thousand Oaks-Ventura, California	268	-2.08%	-2.11%	96.31%
Palm Bay-Melbourne-Titusville, Florida	267	-2.07%	-2.29%	105.40%
San Diego-Carlsbad-San Marcos, California	266	-1.93%	-1.12%	83.48%

**Home Price Appreciation has gone negative in many Metropolitan Statistical Areas.**

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

## **II. Sub-Prime Market Review**

## Approximate Mortgage Market Size

	<u>Loan Type</u>	<u>Approximate Percent of Market</u>	<u>Approximate Dollar Value of Market (Billions)</u>
<b>Non-Conforming</b>	<b>Sub-Prime Mortgage Market:</b>	15%	851
	<b>Alt-A - Alt-B:</b>	10%	567
	<b>Jumbo:</b>	7%	397
<b>Conforming</b>	<b>Agency Securities (GNMA, FNMA, FHLMC)</b>	68%	<u>3,870</u>
	<b>Total Mortgage Backed Market</b>		<b>5,672</b> (Trillion)

**Although Agency Qualifying mortgages are 2/3 of this market, Sub-Prime and Alt-A are now 25%.**

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## Mortgage Market Borrower Characteristics

<u>Loan Category</u>	<u>FICO Score</u>	<u>Wage Documentaion</u>	<u>Borrower Rating</u>	<u>Approximate Loan Size</u>
<b>Jumbo</b>	740 & Above	Full	A	\$417,000 and above
<b>Agency</b> (GNMA, FNMA, FHLMC)	Approximately 710	Full	A	Up to \$417,000
<b>Alt-A</b>	690 - 740	Partial	B/C	Average \$190,000
<b>Alt-B</b>	660 - 690	Limited - None	B/C	Average \$190,000
<b>Sub-Prime</b>	660 and Lower	Limited - None	B/C	Average \$190,000

**General characteristics that may vary from borrower to borrower.**

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## General Guidelines for Mortgage Brokers to Rate Customers

<u>New Century Rating</u>	<u>Late Payments</u>	<u>Maximum LTV Owner Occupied @ Purchase</u>	<u>Default/Foreclosure</u>
A+	No 30 Day Late/12 Months	100%	None / 36 Months
A	One 30 Day Late/12 Months	100%	None / 36 Months
A -	Two 30 Day Late/12 Months	95%	None / 36 Months
B+	Three 30 Day Late/12 Months	90%	None / 24 Months
B	One 60 Day Late/12 Months	90%	None / 18 Months
C	Four 60 Day Late/12 Months	70%	None / 12 Months

**Over the past two years, many of these guidelines were overlooked in underwriting a home loan.**

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# Mortgage Loan Structures

## Agency Mortgages

### Fixed Rate

<u>Term</u>	<u>Rate Type</u>
15	Fixed
20	Fixed
30	Fixed
7 Year Balloon	Fixed

Principal & Interest Fixed for a specified period.

### Floating Rate

<u>Term</u>	<u>Rate Type</u>	<u>Loan Rate Resets</u>	<u>Reset Definition</u>
<b>3/27*</b>	<b>Fixed/Floating</b>	<b>5/2/5</b>	<b>First:</b> Up to 5% at the end of the initial fixed rate period.
5/25	Fixed/Floating	5/2/5	<b>Annual:</b> 2% in each year thereafter.
7/23	Fixed/Floating	5/2/5	<b>Life:</b> 5% maximum reset.
10/20	Fixed/Floating	5/2/5	

## Sub-Prime, ALT-A & Jumbo Loans

<u>Term</u>	<u>Rate Type</u>	<u>Loan Rate Resets</u>	<u>Reset Definition</u>
<b>2/28</b>	<b>Fixed/Floating</b>	<b>6/2/6</b>	<b>First:</b> Up to 6% at the end of the initial fixed rate period.
3/27	Fixed/Floating	6/2/6	<b>Annual:</b> 2% in each year thereafter.
5/25	Fixed/Floating	6/2/6	<b>Life:</b> 6% maximum reset.
30 Year	Fixed		
15 Year	Fixed		

\*3/27 Term refers to 3 years of a fixed rate mortgage term then the interest rate adjusts annually to changes in LIBOR for 27 years.

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## One Month LIBOR Interest Rates



**LIBOR rates have increased by 4.25% since June 2003. Generally, Adjustable Rate Mortgages (ARM's) float off of this rate.**

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# Adjustable Rate Mortgages: Reset Risk in Mortgage Payment

## Mortgage Loan Assumptions:

Loan Size: \$200,000

Mortgage Type: 2/28

	<u>Interest Rate</u>	<u>Payment</u>	<u>Change in Payment at Reset</u>	<u>Annual Increase in Mortgage Payment</u>
<u>Mortgage at Purchase</u>	7.00%	1330		
<u>Mortgage at Reset</u>				
	8.00%	1,467	137	1,644
	9.00%	1,609	279	3,348
	10.00%	1,755	425	5,100
<b>4% Increase in Borrowing Rate</b>	<b>11.00%</b>	<b>1,904</b>	<b>574</b>	<b>6,888</b>
	12.00%	2,057	727	8,724
	13.00%	2,212	882	10,584

**LIBOR has increased by 4.25% over the past 3 years.**

*For illustration and discussion purposes only, based on assumptions as referenced above. Please refer to the Notes and Disclosures for additional information, at the end of this report.*



## Adjustable Rate Mortgages Reset Risk vs. Income Growth of a Home Owner

**Assumptions:**

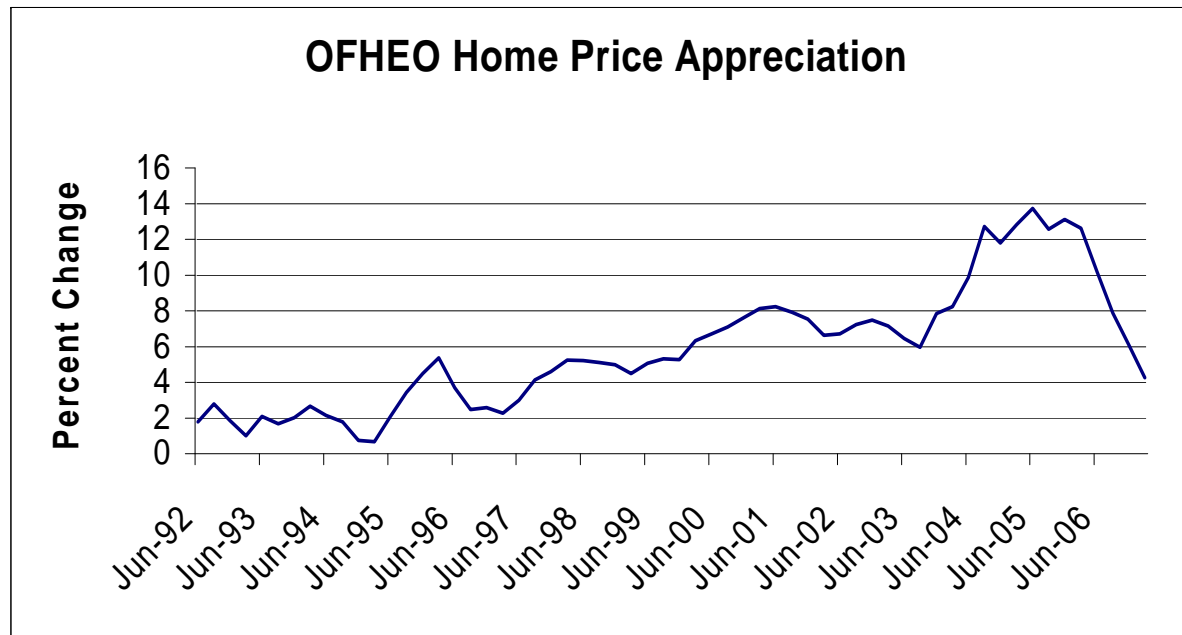
**Household Income:** \$75,000  
**Taxes:** 15.00%  
**Reset on Loan:** Year 2

<u>Annual Income</u>	<u>Annual Wage Increase</u>	<u>Annual Income Year 1</u>	<u>After Tax Increase in Income</u>	<u>Annual Income Year 2</u>	<u>Cummulative After Tax Total Increase in Income</u>	<u>Annual Income Year 3</u>	<u>Cummulative After Tax Total Increase in Income</u>	<u>Annual Income Year 4</u>	<u>Cummulative After Tax Total Increase in Income</u>
75,000	1.00%	75,750	638	76,508	1,281	77,273	1,932	78,045	2,589
	2.00%	76,500	1,275	78,030	2,576	79,591	3,902	81,182	5,255
	3.00%	77,250	1,913	79,568	3,882	81,955	5,911	84,413	8,001
	4.00%	78,000	2,550	81,120	5,202	84,365	7,960	87,739	10,828
	5.00%	78,750	3,188	82,688	6,534	86,822	10,049	91,163	13,739

**If the mortgage loan rate increases by 4% (assumed LIBOR rate) at the first reset date, this home owner can not keep up with the new, higher mortgage rates even if their income increases annually by 5%.**

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## Adjustable Rate Mortgages: Reset Risk Home Price Appreciation: Year-Over-Year



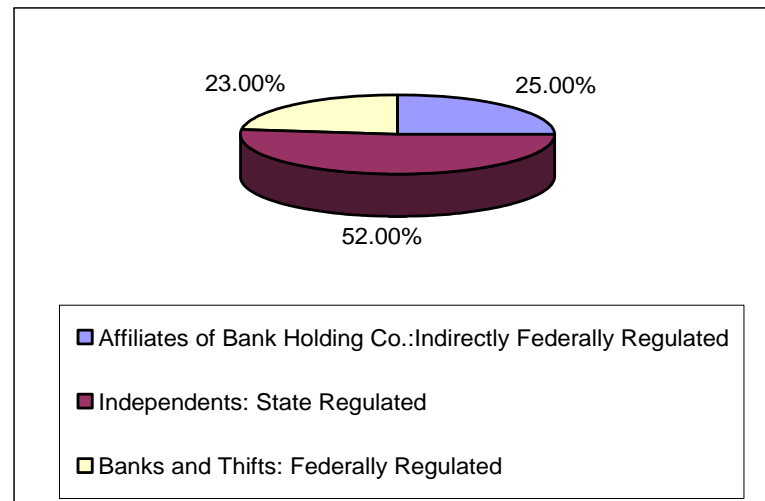
**From 2003 through 2005, Homeowners that could not afford the new monthly mortgage payments after the first reset could refinance through Home Price Appreciation – Equity-Take-Out.**

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# An Overview of the Sub-Prime, Alt-A and Alt-B Market Weakness

## Mortgage Originators

- a) Most Sub-Prime originators started lending in the late 1990's.
- b) Attracted borrowers with Adjustable Rate Mortgages/no mortgage insurance.
- c) Oversight:



**The Sub-Prime originators took advantage of weak state regulations and oversight.**

- d) Very little linkage to underwriting risk as these firms reduced sub-prime exposure by selling off home loans to investors via securitization.
- e) Increased loans issued to increase fee based income to show investors balance sheet growth.

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# An Overview of Sub-Prime, Alt-A and Alt-B Market Weakness

## Poor Underwriting Quality

- a) High percentage of first time purchasers;
- b) Second Liens/high percentage of LTV's over 90%;
- c) No documentation/income verification;
- d) Below market introductory rates;
- e) In 2001, market switched from a "fixed" to an "adjustable" rate; interest rate reset risk for borrower;
- f) Many loans originated were "Option ARM's":
  - 1. Interest Only
  - 2. Principal only
  - 3. Principal & Interest
  - 4. Skip Payment
- g) No escrow for property taxes.
- h) No money down borrowers (Investor Properties) looking for a quick real estate profit;

*(This is a small portion of the overall market)*

***Anyone of these deficiencies is a concern. Multiple deficiencies is a problem.***

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# **An Overview of Sub-Prime, Alt-A and Alt-B Market Weakness**

## **Economic Complications**

- a) Higher interest rates from 2003 lows increase borrower's interest rate reset risk.**
- b) Home price appreciation declines from year-over-year double digit increases reduces a borrower's opportunity to refinance.**
- c) Increases in unsold Home Inventory makes it difficult to find market clearing prices.**
- d) Tighter loan originator underwriting standards in 2007 make it more difficult for an impaired borrower to refinance.**

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## Selected 2006 Sub-Prime Home Equity Loan Issues

### Sorted by 90 Day + Foreclosures + Repossessions

Security Description	General Borrower Characteristics					ARM& Interest Only Loans			Delinquencies, Foreclosures & Repossessions					Purchase Equity Take-Out & Refinancing			Loan Purpose: Owner Occup Vacations & Investment			Geographic Dispersion					
	FICO	LTV	> 80	Lim Doc	Orig Loan Size (000)	ARMs at Issue	IO ARM	IO ALL	30 Day Del	60 Day Del	90 Day Del	FC	REO	90 Day + FC + REO	Purch	Equity	Refi	Owner Occ	Vaca	Inv	GEO 1	GEO 2	GEO 3	GEO 4	GEO 5
ACE 2006-SD1	539	76	21	48	168	88	11	11	7.95	5.93	24.58	18.40	8.87	51.85	19	73	4	93	1	2	CA 25.7	FL 23.8	NV 6.9	AZ 4.9	TX 3.0
ACE 2006-SD2	555	75	21	58	167	84	17	19	5.70	3.30	22.04	16.83	5.26	44.13	27	67	4	92	2	6	CA 38.2	FL 16.8	NV 6.7	AZ 5.3	NJ 3.7
<b>BSABS 2006-4</b>	<b>552</b>	<b>81</b>	<b>43</b>	<b>28</b>	<b>156</b>	<b>78</b>	<b>7</b>	<b>8</b>	<b>9.68</b>	<b>8.89</b>	<b>9.80</b>	<b>14.76</b>	<b>4.24</b>	<b>28.80</b>	<b>45</b>	<b>46</b>	<b>9</b>	<b>89</b>	<b>3</b>	<b>7</b>	<b>CA 16.6</b>	<b>FL 10.2</b>	<b>TX 6.2</b>	<b>NY 5.0</b>	<b>LA 4.2</b>
TRUMN 2006-1		79	47	31	115	44	10	15	4.13	4.09	4.08	12.44	7.82	24.34	43	42	14	94	0	6	FL 10.7	CA 9.8	TX 8.0	GA 6.6	NY 4.8
MABS 2006-FRE1	630	83	42	52	239	91	13	13	6.17	3.11	3.65	11.22	9.45	24.32	58	31	1	93	1	7	CA 21.7	NY 15.0	FL 11.0	NJ 8.7	MD 8.1
MABS 2006-FRE2	628	77	29	40	203	89	15	15	6.09	3.25	3.70	10.88	7.67	22.25	46	37	1	93	1	6	CA 26.4	FL 10.8	NY 10.2	MD 8.5	IL 6.9
NHELI 2006-FM1	631	77	26	43	209	88	28	28	4.77	1.84	4.89	9.57	6.16	20.62	54	44	2	94	1	5	CA 25.5	FL 11.9	NY 10.4	NJ 7.5	MD 7.0
ACE 2006-HE1	634	82	32	40	203	87	0	0	5.06	2.95	4.60	9.18	6.83	20.61	54	44	2	93	1	5	CA 33.9	FL 9.6	NY 8.8	MD 6.2	NJ 5.0
BSABS 2006-1	618	84	58		204	79	15	20	5.88	3.91	6.45	9.46	4.63	20.54	28	62	11	88	1	11	CA 34.1	NY 8.3	IL 8.1	FL 5.6	GA 4.3
MABS 2006-HE2	622	78	36	65	184	82	15	15	5.22	3.11	2.81	11.19	6.06	20.06	38	56	5	91	1	7	CA 34.8	FL 16.4	MD 5.8	NY 4.4	TX 3.4
ARSI 2006-W3		81	45		200	21	22		3.78	1.95	3.21	10.47	6.15	19.83											
NHELI 2006-HE2	622	80	36	33	190	77	29	33	5.78	3.99	9.63	6.21	3.79	19.63	34	62	4	95	1	4	CA 47.3	FL 7.2	NV 6.0	OH 4.9	AZ 3.9
ARSI 2006-W4		80	40		201		14	15	3.47	2.26	2.77	11.19	5.48	19.44											
ARSI 2006-W5		80	37		201		19	20	3.71	1.90	3.46	10.64	5.18	19.28											
NHELI 2006-HE1	621	77	34	52	192	84	34	36	5.67	3.48	5.39	8.48	5.12	18.99	35	63	2	93	1	7	CA 49.7	FL 9.3	NV 5.1	NJ 3.4	NY 3.1
ACE 2006-HE3	625	81	31	53	175	83	29	30	6.14	3.76	6.00	7.83	4.74	18.57	40	57	4	94	1	6	CA 37.9	FL 13.0	IL 4.7	AZ 3.9	NY 3.6
ACE 2006-HE2	622	82	38	50	175	87	27	27	5.61	3.88	5.65	8.43	4.48	18.56	42	54	4	94	1	5	CA 34.4	FL 13.6	AZ 6.0	IL 5.3	MD 4.8
OOMLT 2006-2		82	44	36	192	85	10	11	5.52	2.31	5.20	10.70	2.63	18.53	34	59	8	93	2	5	CA 28.0	FL 10.2	MA 8.2	NY 7.7	TX 6.3
BSABS 2006-EC2	611	82	49		258	93	25	25	5.46	3.76	5.45	7.67	5.18	18.30	19	73	8	94	1	6	CA 49.5	IL 10.8	NY 6.1	FL 6.1	MD 4.7
IXIS 2006-HE2		78	23	63	203		27	27	4.72	2.83	2.08	10.33	5.83	18.24											
BSABS 2006-HE3	616	82	41		187	87	32	34	5.36	2.80	4.45	8.28	5.49	18.22	33	60	7	91	1	7	CA 32.8	FL 10.1	NY 6.1	NJ 5.9	GA 5.4
ACE 2006-FM2	631	82	34	0	216	83	14	14	6.50	2.85	4.09	10.42	3.44	17.95							XX 100.0	0.0	0.0	0.0	0.0
CMLTI 2006-NC1	621	77	35		202		12	12	6.22	3.43	3.13	10.55	4.19	17.87											
ABSHE 2006-HE4		78	39		183	81	4	6	5.94	3.78	5.01	8.61	4.13	17.75	40	52	8	92	3	4	CA 26.4	NY 10.4	FL 8.5	NJ 6.7	MD 4.2
ABSHE 2006-HE2		80	38		182	83	6	6	4.47	1.40	4.03	8.99	4.57	17.59	43	49	8	89	4	6	CA 32.0	FL 12.1	AZ 5.3	TX 4.9	NY 4.6
CMLTI 2006-HE1	621	79	42		154		30	30	4.95	2.88	4.35	8.82	4.39	17.56											
MLMI 2006-AR1	617	83	49		178	88	11	11	6.41	4.19	3.38	9.31	4.85	17.54	45	51	4	89	1	10	CA 22.4	FL 14.8	IL 7.8	AZ 7.8	NJ 5.4
MLMI 2006-HE3	626	78	34		183	86	22	22	7.41	3.01	4.26	9.57	3.69	17.52	41	54	5	96	0	4	CA 32.9	FL 20.9	IL 5.8	WA 5.1	AZ 3.3
BASIC 2006-1	631	80	27	47	206	86	35	38	4.16	3.27	5.13	7.75	4.44	17.32	40	53	6	91	1	8	CA 37.2	FL 13.0	MN 9.4	IL 7.8	TX 5.7
MLMI 2006-HE4	632	76	28		159	82	24	24	5.69	3.55	4.47	10.35	2.27	17.09	50	47	3	93	1	7	CA 24.2	FL 22.9	IL 5.8	MI 3.6	VA 3.3
ARSI 2006-W2		81	45		198		21	22	3.98	1.55	3.09	8.40	5.42	16.91											

## Potential Security Losses Resulting from Missed Mortgage Payments BSABS 2006 - 4\*

<u>Year</u>	<u>Current 90 Day Deliquent Plus Foreclosure Plus Repossessed Properties</u>	<u>Assumed Percent Default</u>	<u>Assumed Percent Losses on Reposessed Property</u>	<u>Assumed Loss Taken on Mortgage Pool</u>
2005	28.80%	70.00%	30.00%	6.05%
2007	28.80%	70.00%	40.00%	8.06%

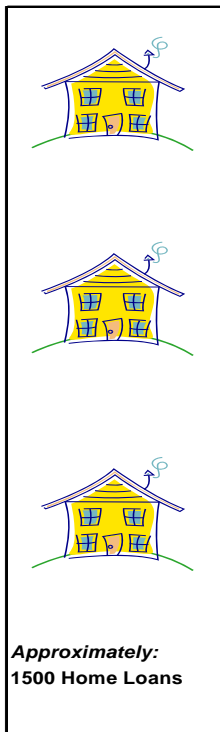
**This is a hypothetical example given the dynamics of a housing market that is unable to clear the inventory of unsold homes.**

*\* For illustration and discussion purposes selected randomly from previous page. Please refer to the Notes and Disclosures for additional information, at the end of this report.*

# Securitization From Sub-Prime Home Loan Underwriting to Collateralized Debt Obligation Issuance

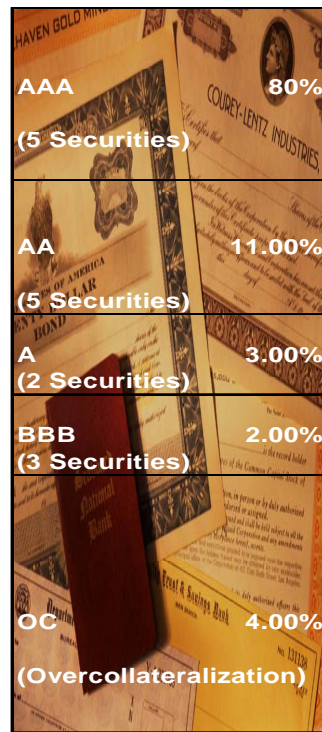
(1) Mortgage Loans are originated.

Sub-Prime Home Loans Originated by Countrywide, Citibank, Etc.



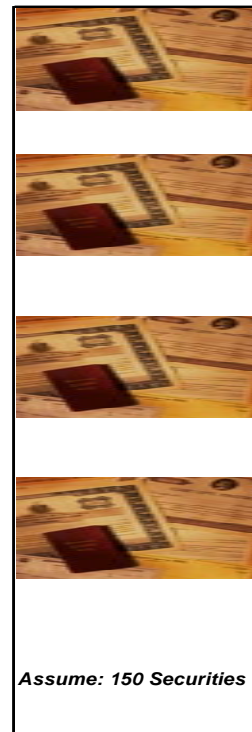
(2) Mortgages Loans are securitized.

Sub-Prime Home Loans Cashflows are "Tranched" in to different Quality Securities



(3) Mortgage Securities are purchased by investment firms.

Multiple Sub-Prime Home Equity Loan Securities Purchased by Money Manager



(4) Cashflows of Multiple Securities Securitized into a : Collateralized Debt Obligation (CDO)

AAA	80.00%
AA	5.00%
A	5.00%
BBB	5.00%
Equity	5.00%

Please refer to the Notes and Disclosures for additional information, at the end of this report.



## Top 10 Sub-Prime Lenders 2006

<u>Company</u>	<u>Loans in 2006 (Billions)</u>	<u>US Market Share</u>	<u>Status</u>
HSBC	\$52.8	8.8%	
New Century	\$51.6	8.6%	<i>In Bankruptcy</i>
Countrywide Financial	\$40.6	6.8%	<i>9% of Mortgage Business</i>
Citi-Mortgage	\$38.0	6.3%	
Freemont	\$32.3	5.4%	<i>Selling Sub-Prime Portfolio</i>
Ameriquest	\$29.5	4.9%	<i>Shut Retail Branches</i>
Option One	\$28.8	4.8%	<i>Being Sold by H&amp;R Block</i>
Wells Fargo	\$27.9	4.6%	<i>Exiting Sub-Prime Business</i>
First Franklyn	\$27.9	4.6%	<i>Sold to Merrill Lynch</i>
Washington Mutual	\$26.6	4.4%	<i>Scaled Back Sub-Prime Originations</i>
<b>Total</b>	<b>\$356.0</b>	<b>59.2%</b>	

**Total Market:** Approximately \$600 Billion Dollars

*Please refer to the Notes and Disclosures for additional information, at the end of this report.*

# Sub-Prime Originators

## Financial Institutions in Bankruptcy or Reorganization

(Sorted by most recent)

**Bankruptcy Filing  
Halting Major Operations  
Firesale Acquisition**

Winstar Mortgage  
 American Home Mortgage / American Brokers Conduit  
 Fieldstone Mortgage Company  
 Nations Home Lending  
 Wells Fargo Alternative Lending Wholesale  
 Entrust Mortgage  
 Flick Mortgage/Mortgage Simple  
 Alliance Bancorp  
 Choice Capital Funding  
 Premier Mortgage Funding  
 Stone Creek Funding  
 FlexPoint Funding (Wholesale)  
 Starpointe Mortgage  
 Unlimited Loan Resources (ULR)  
 Freestand Financial  
 Steward Financial  
 Wells Fargo (Correspondent)  
 Altivus Financial  
 ACT Mortgage  
 Alliance Mortgage Banking Corp (AMBC)  
 Concord Mortgage Wholesale  
 Heartwell Mortgage  
 Aegis Lending, Aegis Home Equity  
 Oak Street Mortgage  
 The Mortgage Warehouse  
 First Street Financial  
 Right-Away Mortgage  
 Heritage Plaza Mortgage  
 Horizon Bank Wholesale Lending Group  
 Lancaster Mortgage Bank (LMB)  
 Bryco (Wholesale)  
 No Red Tape Mortgage  
 The Lending Group (TLG)  
 Pro Funding  
 NetBank Funding  
 Columbia Home Loans, LLC  
 Mortgage Tree Lending  
 Homeland Capital Group  
 Nation One Mortgage  
 Dana Capital Group  
 Millenium Funding Group  
 MILA  
 Home Equity of America  
 Opteum (Wholesale, Conduit)  
 Innovative Mortgage Capital  
 Home Capital, Inc  
 Home Mortgage  
 Homefield Financial  
 First Horizon Wholesale  
 Platinum Capital Group  
 First Source Funding Group (FSFG)  
 Alterna Mortgage  
 Solutions Funding  
 People's Mortgage

**Bankruptcy Filing  
Halting Major Operations  
Firesale Acquisition**

LowerMyPaymentcom  
 Zone Funding  
 First Consolidated (Subprime Wholesale)  
 EquiFirst  
 SouthStar Funding  
 Warehouse USA  
 H&R Block Mortgage  
 Madison Equity Loans  
 HSBC Mortgage Services (correspondent div)  
 Sunset Direct Lending  
 Kellner Mortgage Investments  
 LoanCity  
 CoreStar Financial Group  
 Ameriquest  
 Investaid Corp  
 People's Choice Financial Corp  
 Master Financial  
 Maribella Mortgage  
 FMF Capital LLC  
 New Century Financial Corp  
 Wachovia Mortgage (Correspondent div)  
 Ameritrust Mortgage Company (Subprime Wholesale)  
 Trojan Lending (Wholesale)  
 Fremont General Corporation  
 DomesticBank (Wholesale Lending Division)  
 Franklin Financial (Wholesale Operations)  
 Ivanhoe Mortgage/Central Pacific Mortgage  
 Eagle First Mortgage  
 Coastal Capital  
 Silver State Mortgage  
 ResMAE Mortgage Corporation  
 ECC Capital/Encore Credit  
 Lender's Direct Capital Corporation (wholesale division)  
 Concorde Acceptance  
 DeepGreen Financial  
 Millenium Bankshares (Mortgage Subsidiaries)  
 Summit Mortgage  
 Mandalay Mortgage  
 Rose Mortgage  
 EquiBanc  
 FundingAmerica  
 Popular Financial Holdings  
 Clear Choice Financial/Bay Capital  
 Origen Wholesale Lending  
 SecuredFunding  
 Preferred Advantage  
 MLN  
 Sovereign Bancorp (Wholesale Ops)  
 Harbourton Mortgage Investment Corporation  
 OwnIt Mortgage  
 Sebring Capital Partners  
 Axis Mortgage & Investments  
 Meritage Mortgage  
 Acoustic Home Loans  
 Merit Financial

**Other Lenders that are  
Scaling Back Significantly**

CIT Home Lending  
 FNBA  
 GreenPoint Mortgage  
 All Fund Mortgage  
 Quick Loan Funding  
 Option One  
 Accredited Home Lenders  
 Ocwen Loan Servicing  
 Doral Financial Corp.  
 Evergreen Investment/Carnation Bank  
 Aegis Mortgage Corporation  
 Coast Financial Holdings, Inc.  
 Residential Capital, LLC\*

Please refer to the Notes and Disclosures for additional information, at the end of this report Source: Mortgage Implode-o-meter, Inside Mortgage Finance

### **III. Notes and Disclosures**

## Notes and Disclosures

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