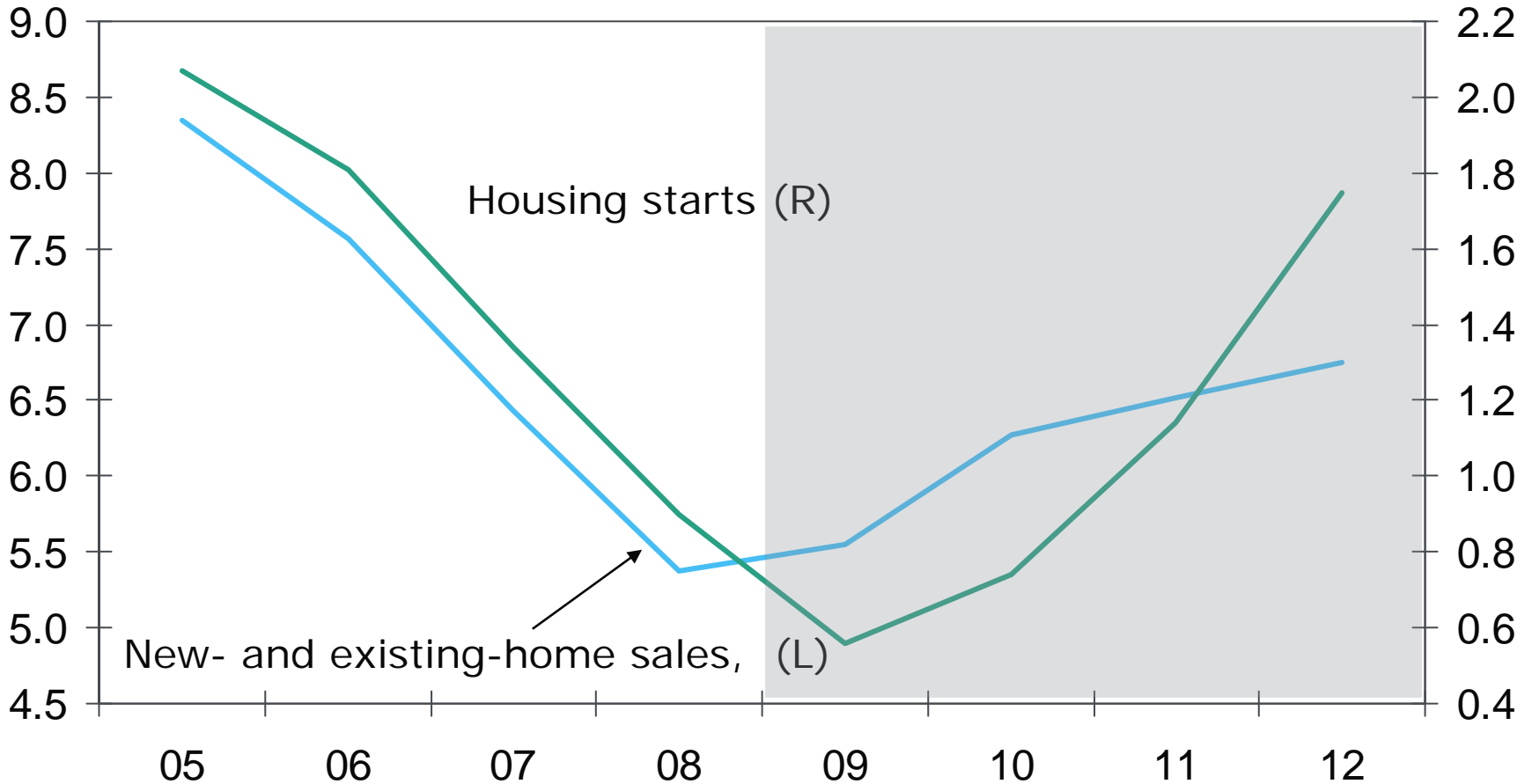


2010: Housing Recuperates

CELIA CHEN, SENIOR DIRECTOR

Sales and Homebuilding on the Way Back Up...

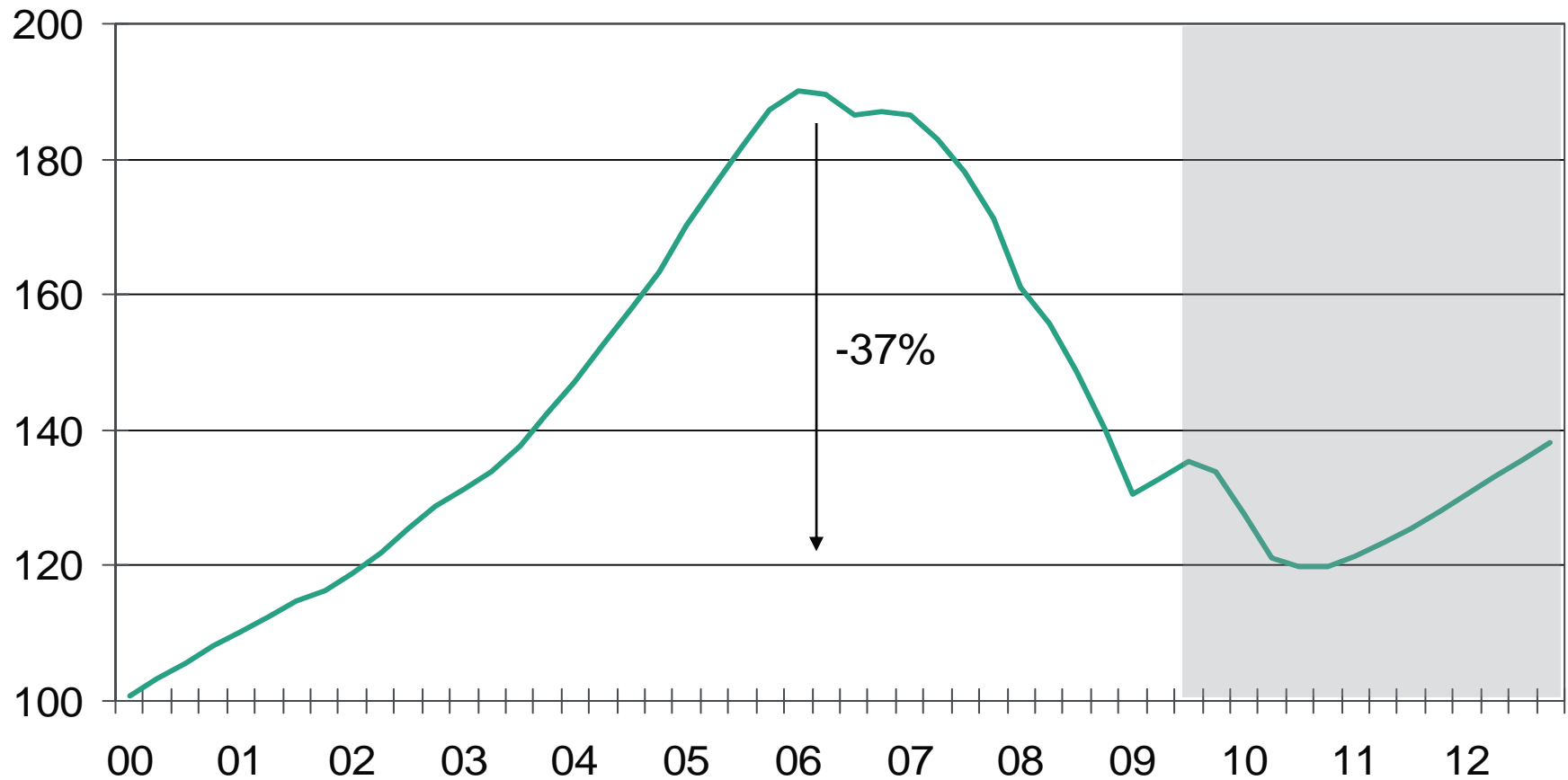
mil SAAR



Sources: NAR, Census, Moody's Economy.com

...But More House Price Declines Are Coming...

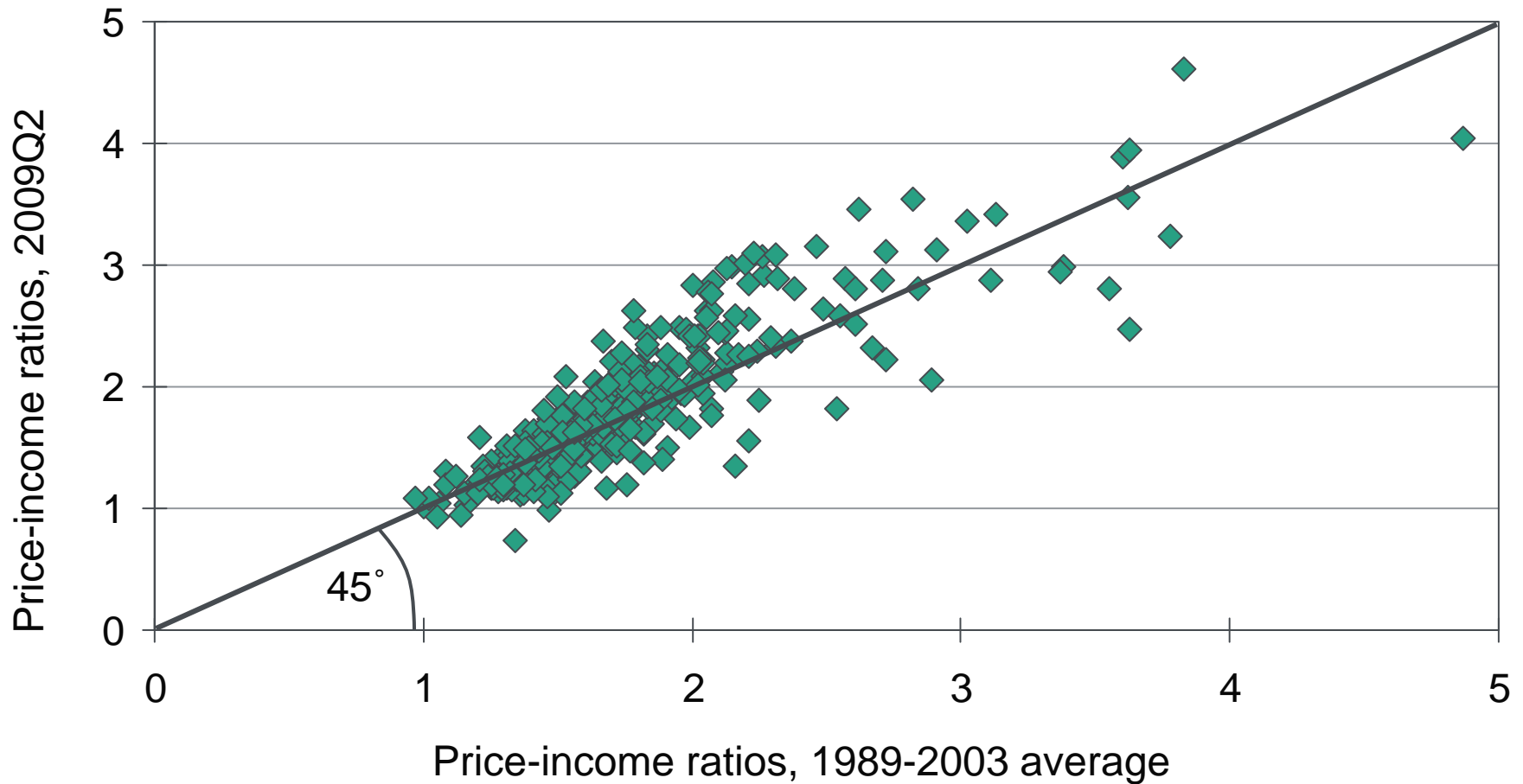
Case Shiller[®] Home Price Index: 2000Q1=100



Sources: Fiserv, Moody's Economy.com

Valuation Is Less of a Problem...

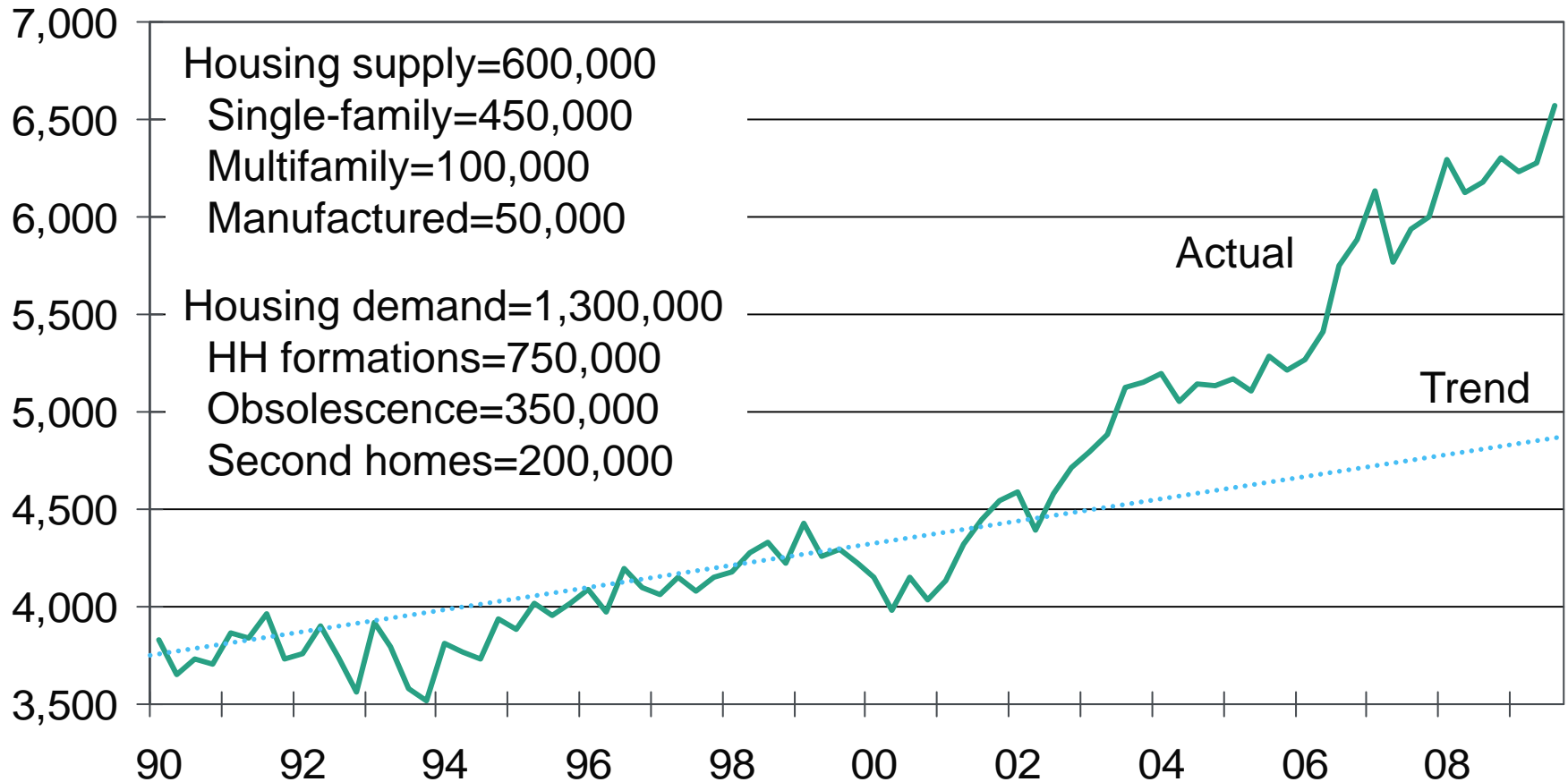
Case-Shiller® price-to-household income ratios, by metro area



Sources: Fiserv, FHFA, Moody's Economy.com

A Surfeit of Housing Inventory...

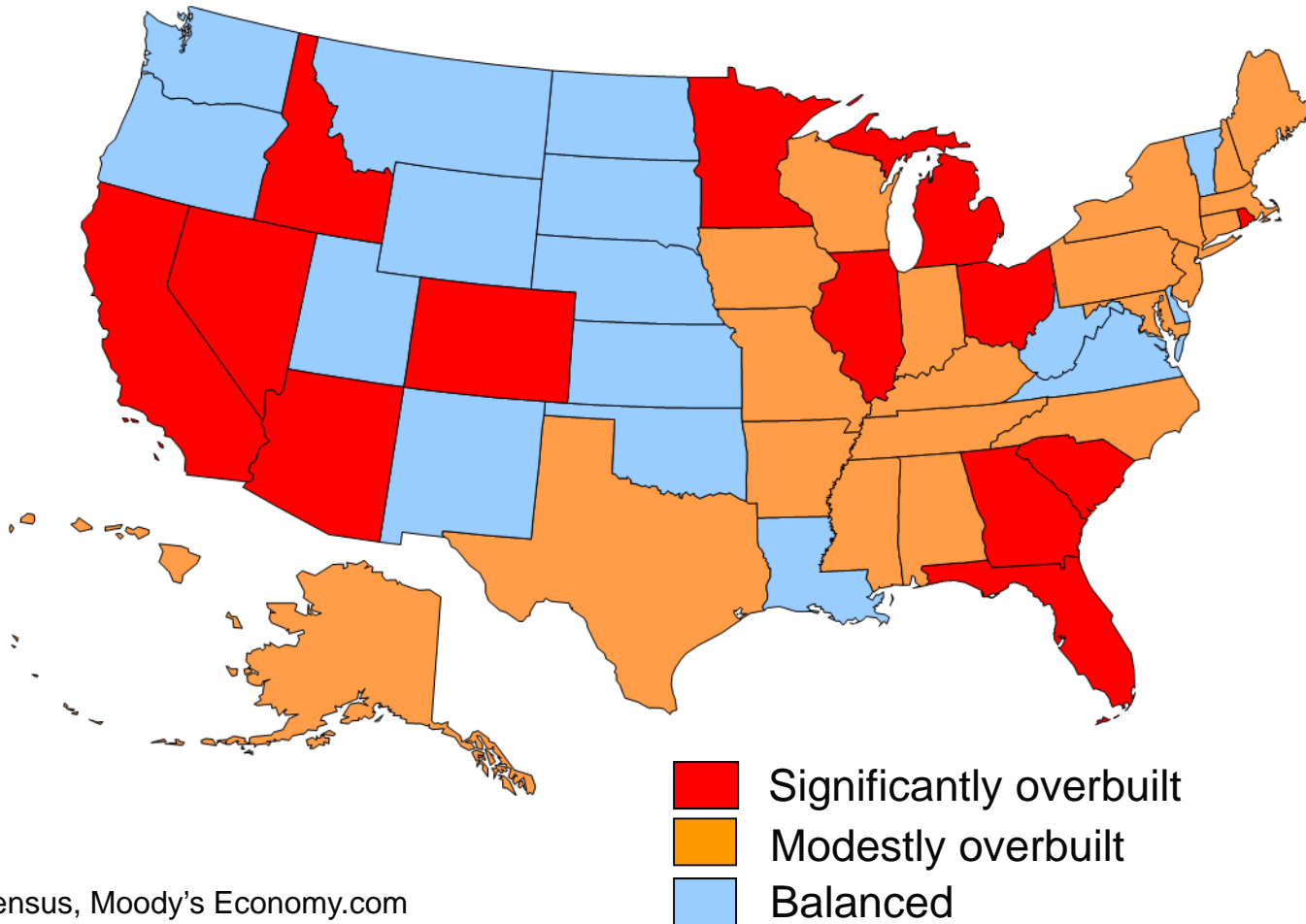
Vacant homes for sale and rent, the



Sources: Census, Moody's Economy.com

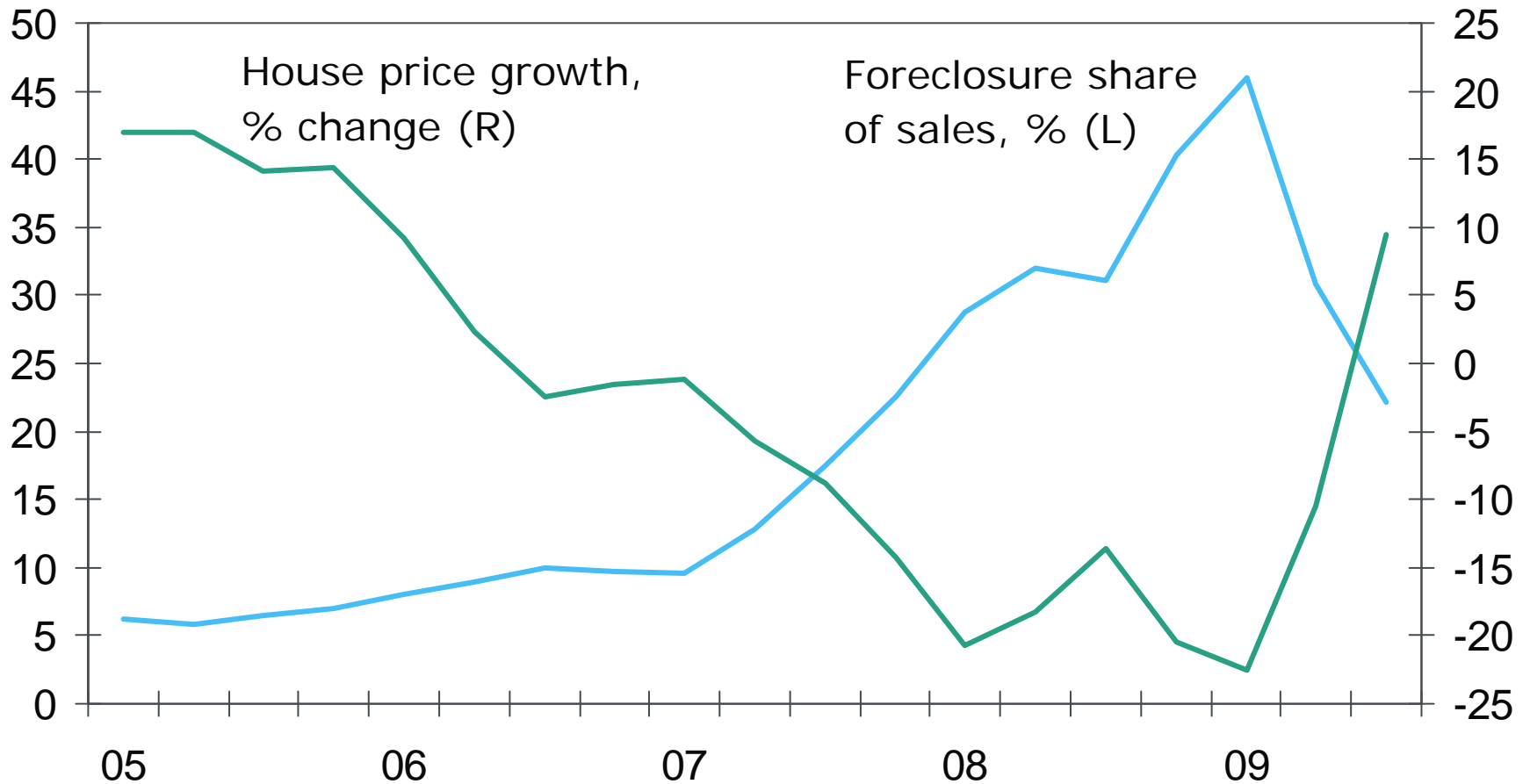
...But Some States Are Balanced

Based on excess inventories as a % of housing stock



Sources: Census, Moody's Economy.com

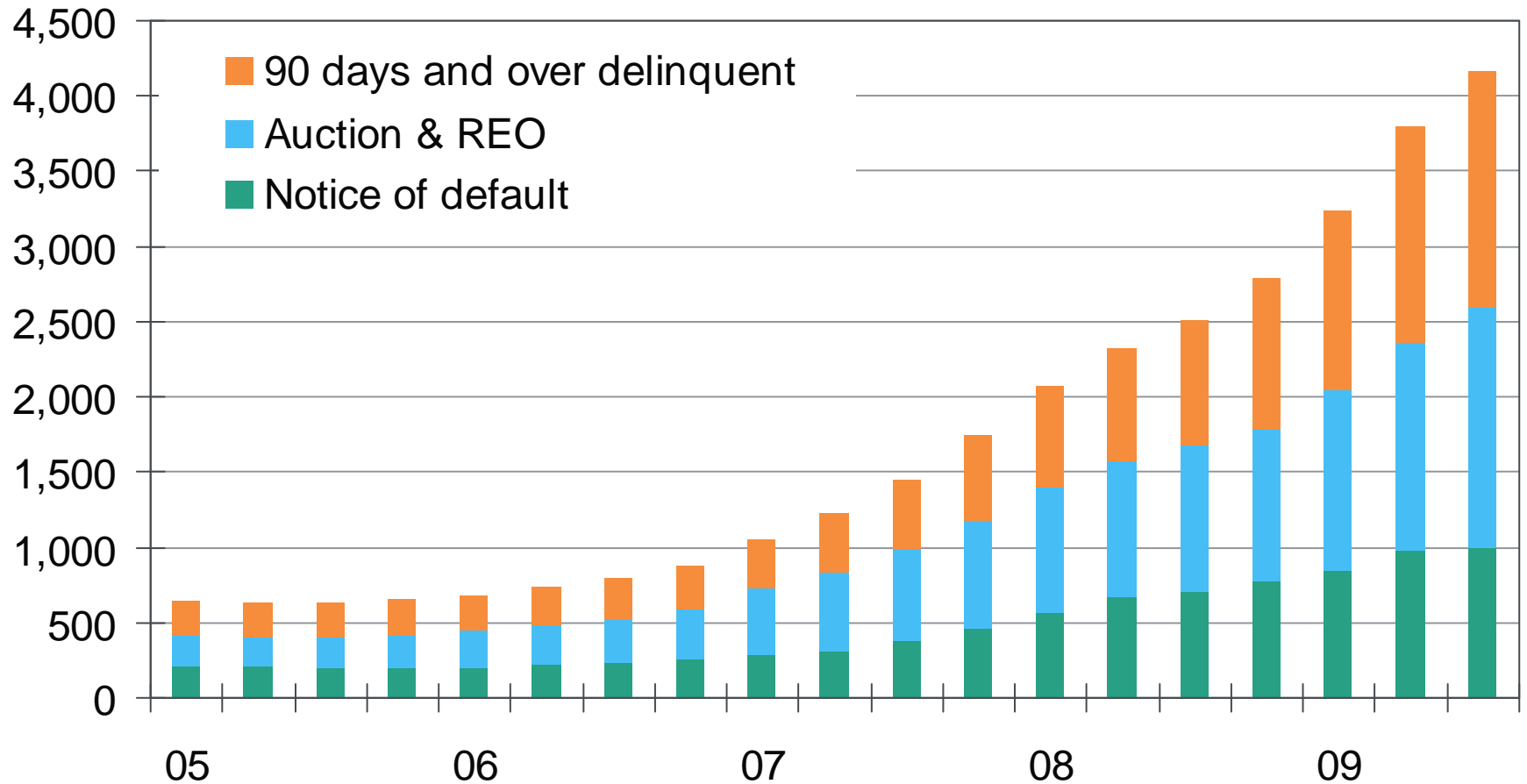
Foreclosures Are Key to Pricing...



Sources: Fiserv, Equifax, Moody's Economy.com

...And Foreclosures Continues to Mount...

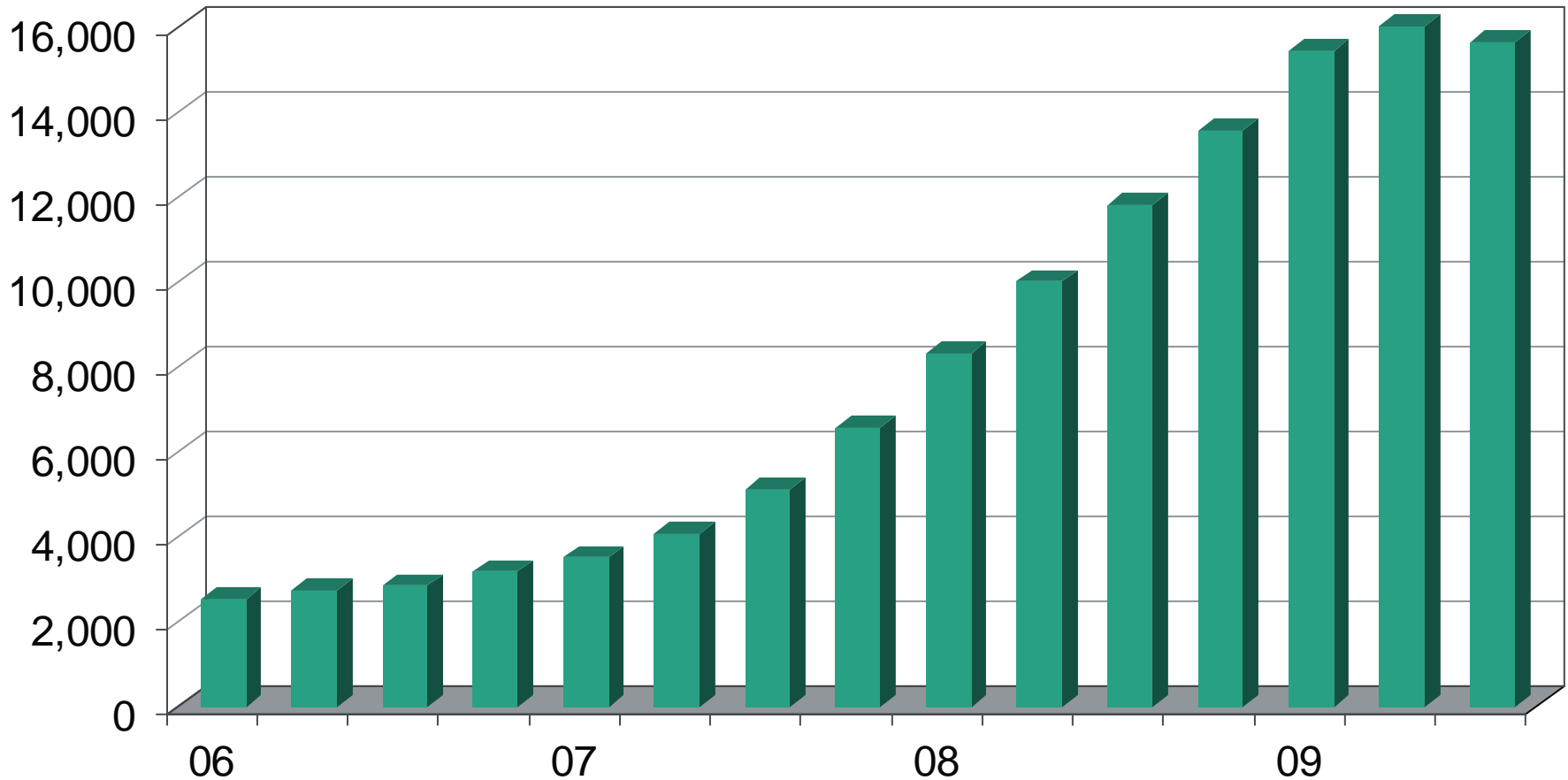
Ths of loans



Sources: Equifax, Moody's Economy.com

Millions of Homeowners Sink Underwater...

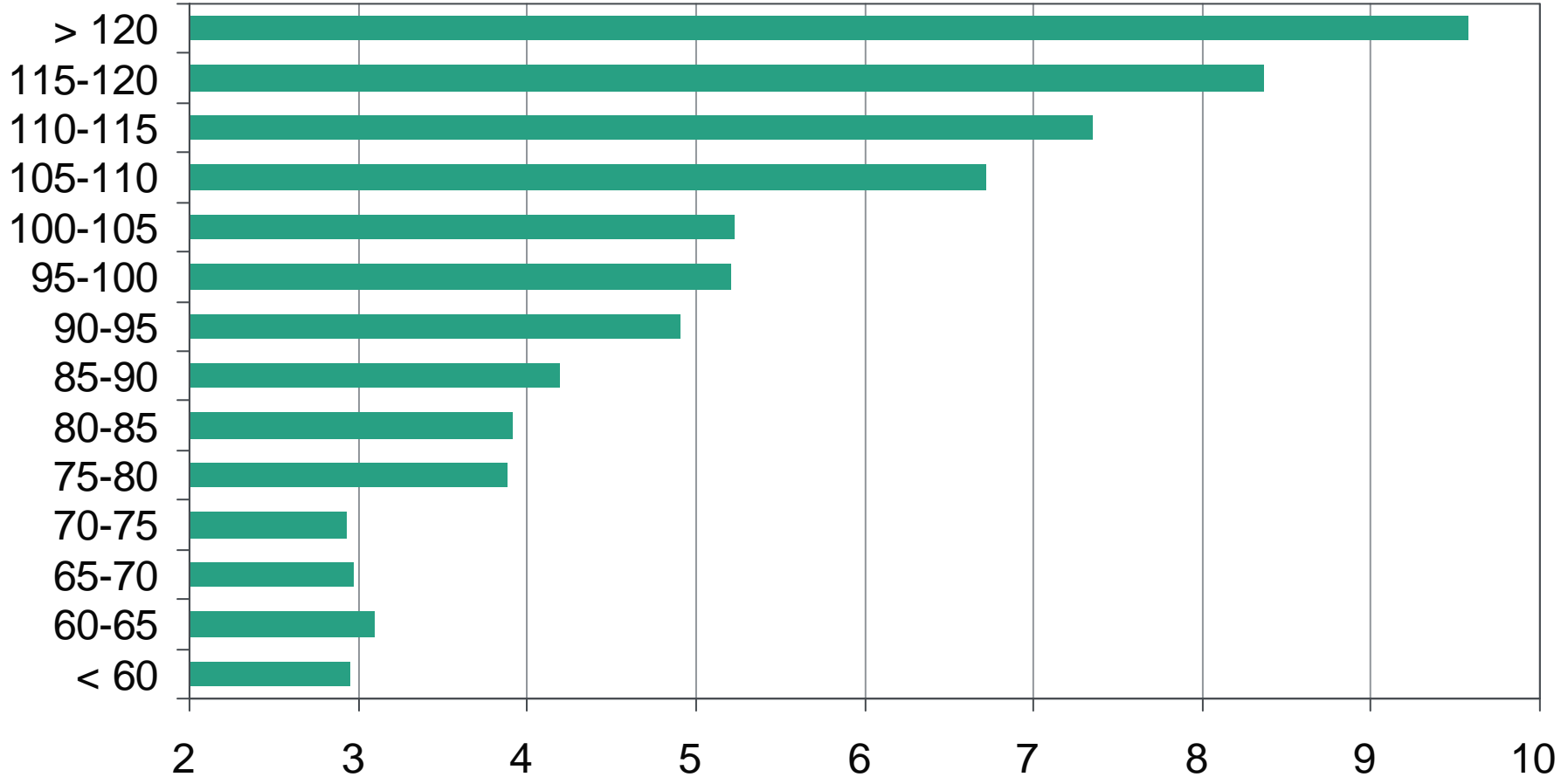
Number of underwater homeowners, ths



Sources: Equifax, Moody's Economy.com

...And Strategic Defaults Are on the Rise

90 Days and Over Delinquency Rate, % of #, by CLTV, 30-35% DTI



Sources: Equifax, Moody's Economy.com

Loan Modification Efforts Will Fall Short...

| | |
|---|------------|
| Total First Mortgage Loans | 55,237,580 |
| HAMP Eligible Loans <i>(Owner-occupied, non jumbo, imminent default)</i> | 8,188,770 |
| Less: Insufficient income even at 2% rate (25%) | 2,000,000 |
| Less: Too far underwater (30% with CLTV>100) | 2,500,000 |
| Less: Default probability too high or too low (25%) | 2,000,000 |
| Loans That are NPV Positive | 1,688,770 |
| Less: Servicers don't participate in HAMP (15%) | 253,316 |
| Trial Modifications | 1,435,455 |
| Less: Failure to make 3 payments or paperwork (60%) | 861,273 |
| Permanent Modifications | 574,182 |
| Less: Redefaults (30%) | 172,255 |
| Foreclosures Avoided | 401,927 |

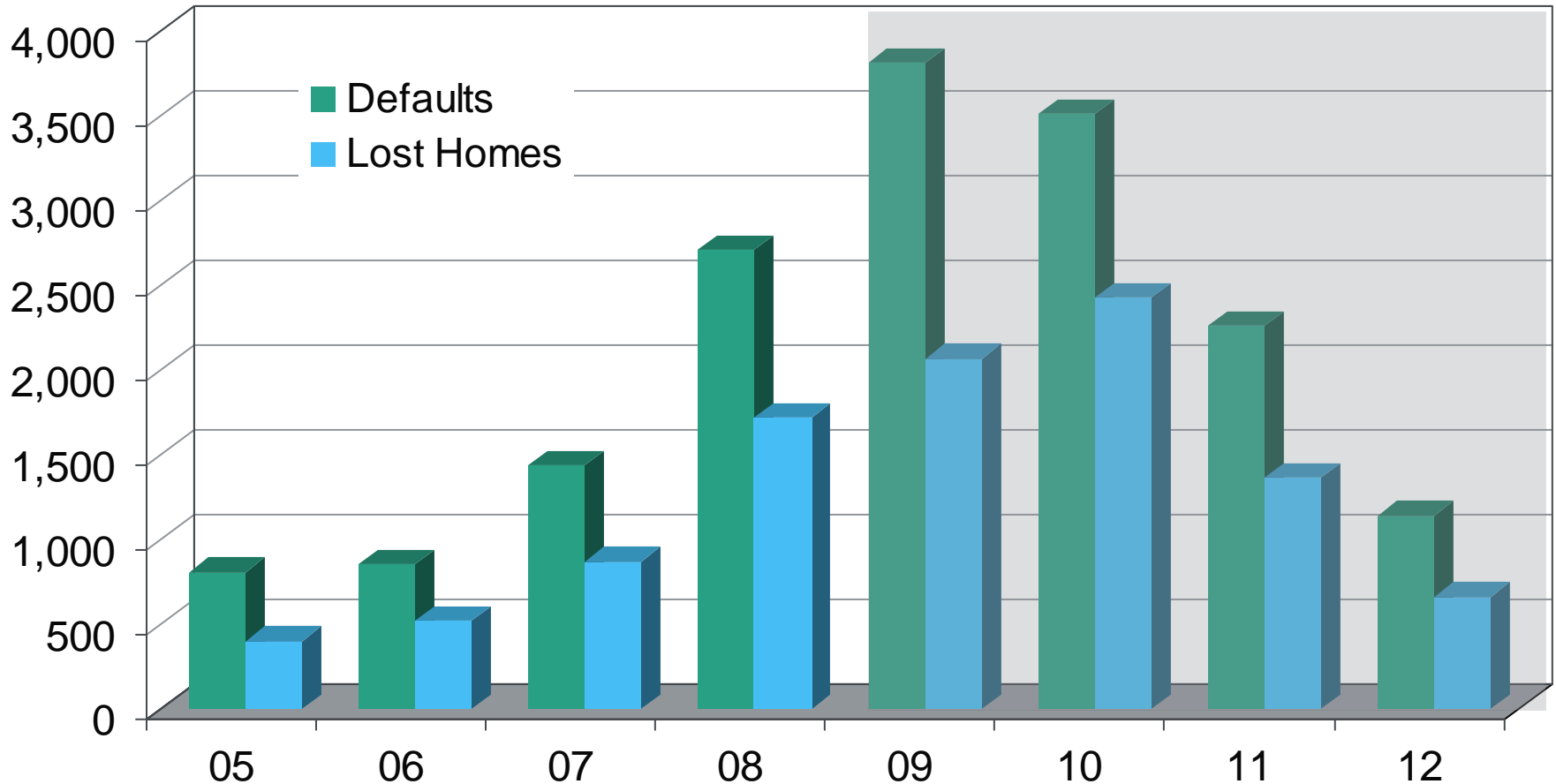
Assumptions:

Based on historical data through 2009q3
 Peak-to-trough house price decline 38% based on Case Shiller national house price index
 10.7% peak unemployment rate in 2010q3
 Federal funds rate 0% at year-end 2009, 1% year-end 2010, 3.25% year-end 2011
 10-year Treasury yield of less than 5.5% through 2012
 30% redefault rate
 40% pass-through from trial to permanent HAMP modification

Source: Equifax, Moody's Economy.com

...Resulting in More Foreclosure Sales in 2010

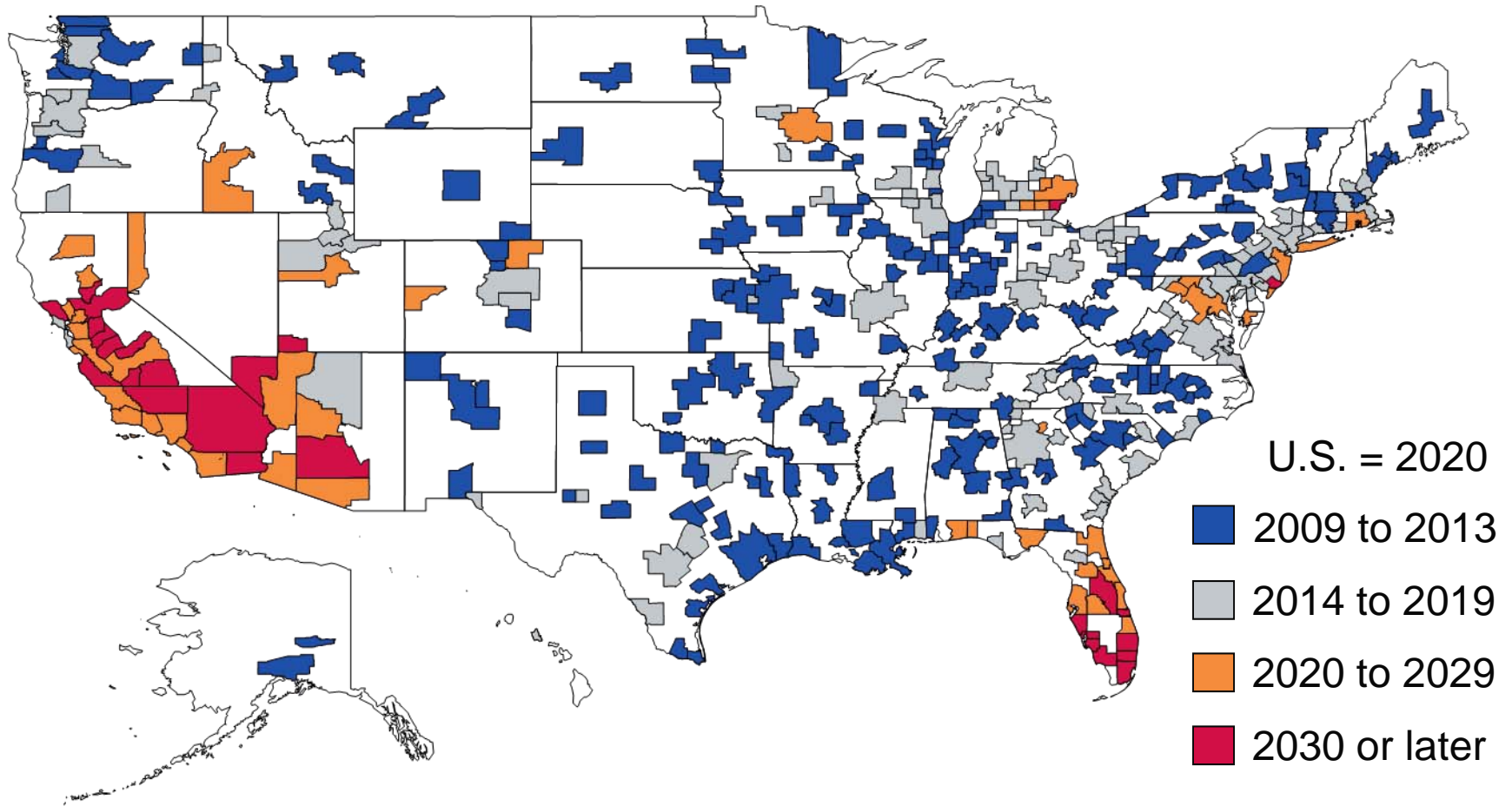
First mortgage loans, Thousands



Sources: Equifax, Moody's Economy.com

Hardest Hit Metros Will Take Longer to Recover

Year in which metro area regains previous house price peak



Source: Fiserv, FHFA, Moody's Economy.com

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