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RiskView

March 2007 Data

The Impact of Underwriting Subprime ARMs at the Fully Indexed Rate: An Analysis of Debt-to-Income Ratios

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The following article is excerpted from Deutsche Bank's November 2006 Securitization Monthly publication, and updated.

In late 2006, the "Interagency Guidance on Nontraditional Mortgage Product Risks" was released jointly by the Office of the Comptroller of the Currency and the Office of Thrift Supervision (both of the Department of the Treasury), the Federal Reserve, the FDIC, and the National Credit Union Administration. That guidance applied "to all residential mortgage loan products that allow borrowers to defer repayment of principal or interest"– namely, interest-only mortgages and mortgages that allow negative amortization (chiefly, option ARMs). The regulators followed up that release with related proposed guidance, "Subprime Mortgage Lending", in March 2007. And at the end of June 2007, the regulators issued their final "Statement on Subprime Mortgage Lending". This statement followed a public comment period and reinforces much of what was found in the original guidance. However, it more generally extends the requirement that lenders qualify borrowers based on a fully-indexed rate for subprime ARMs, not just interest-only and negative amortization products.

While the regulatory guidance also covers risk management practices and consumer protection issues, the section on underwriting standards is perhaps of most interest to subprime mortgage investors. The purpose of the underwriting guidance is to ensure prudent lending, especially with regard to the mortgagor's repayment capacity. Specifically, the guidance says that, when qualifying a borrower, lenders should consider both principal and interest at the fully indexed rate. For example, if the borrower is taking out an IO and has a teaser rate, their initial payment should not be used to qualify them. They must be qualified assuming normal amortization (based on the term of the loan), and using a fully indexed interest rate. "Fully indexed" is defined as "the index rate prevailing at origination plus the margin to be added to it after the expiration of an introductory interest rate."

To whom will this new guidance apply? Clearly, it applies to all lenders that are regulated by the bodies that authored the guidance. In subprime, many large lenders are not banks and would hence not be federally regulated. Does this mean an unequal playing field? We think not. Two entities that are involved in state licensing of mortgage lenders, the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) quickly proposed guidance for their constituent state bank/financial regulatory members to adopt. Many states have already adopted some version of the guidance, and, in those states, their guidance applies to lenders in those states not otherwise covered by the federal version.

Moreover, this new guidance, specifically the requirement to underwrite at the fully indexed rate, will likely be enforced not just by regulators, but by the market.

Inside News

- **Prime Delinquencies & Prepayments** pages 6 & 7
- **Subprime Delinquencies & Prepayments** pages 8 & 9
- **HomeEquity Market Data** pages 10 & 11
- **Non-Agency MBS Market** pages 12 & 13
- **ABS Market** pages 14 & 15

Continued on pg. 2

RiskView: Continued from page 1

Loans not in compliance with the guidance may be less liquid in the whole loan market, and/or may become less acceptable to securitization investors. Now that the regulators have gone on record saying that this is the prudent way to lend, it may become harder for an originator who relies on capital markets to "buck the trend."

What does this mean for the subprime business? To the extent that the entire subprime market moves to fully-indexed underwriting, origination volumes will likely continue to decline, and defaults will continue to be negatively impacted (as less borrowers are able to refinance at favorable terms at the reset date).

In order to try to gauge how significantly underwriting at the teaser rate impacts debt-to-income (DTI) ratios in subprime, we examined the subprime LoanPerformance ("LP") database. We looked specifically at loans underwritten from 2005 onward, since loans before that date were underwritten when LIBOR was near record lows and thus loans were not originated with teaser rates.

As reported by LoanPerformance, there are two types of DTI ratios. The "front end" DTI is the mortgage debt-to-income ratio, that is, the monthly mortgage payment divided by monthly pretax income. The "back end" or "total" DTI ratio includes not just mortgage payments, but all other debt payments, as well as property taxes and insurance in the numerator. In LP's database, only about 4% of the loans included both front end ratios and back end ratios, while 88% had only a back end ratio, and the balance, about 7%, had neither reported. We further caution that there could be definitional differences among issuers as to the calculation of DTIs, and so our exercise can only be considered a rough, pro forma estimate. Confining our analysis to 2005 and 2006 originations, we look at $467 billion in subprime loans (not including 2nd lien, high LTV and, scratch-and-dent deals). Among that subset, 81% are ARM loans, totaling $378 billion. After excluding missing or invalid data, our sample consists of $244 billion of subprime ARM loans (or 1.1 million loans). Thus, the sample size is 65% of the $378 billion in subprime ARMs.

In order to estimate what the DTI would have been if the loan had been underwritten to the fully indexed rate (as defined above), we needed to estimate the front end DTI, then solve for the monthly pretax income, then calculate what the fully indexed payment would have been at origination, and calculate a pro forma front end DTI.

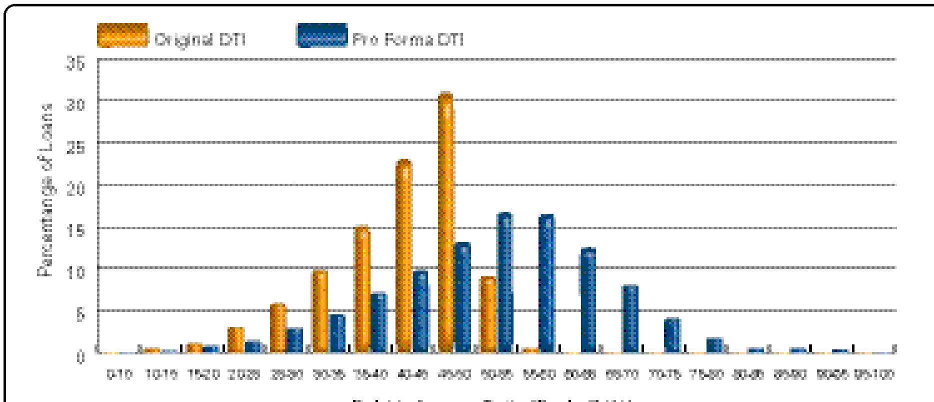
For loans with back end ratios and no front end ratio reported, we use 9% as an estimation of other debts, taxes and insurance. We used 9% because it was the weighted average "other debt ratio" observed for those loans in the database that do have both valid front end and back end ratios. To solve for pretax income, we assume that pretax income is equal to the initial mortgage payment (as reported in LP data) divided by the front end ratio.

We then calculate a pro forma mortgage payment assuming a fully indexed and fully amortizing loan, as of the date of origination. We use the 6-month LIBOR level at origination, plus the margin (as reported by LP) for our interest rate. Our new, pro forma, DTI ratio is then the pro forma fully indexed amortizing mortgage payment as a percent of pretax income, plus other debt (assumed at 9%).

In figure 1 we show, for our sample, the weighted average DTI shifts from a reported 42% to a pro forma 52%. The distribution of DTI also shifts. For example, with our new, pro forma DTI calculation, 60% of loans have DTIs greater than 50%, while only 10% of loans had DTIs greater than 50% using the original DTI data.

We also developed a transition matrix to illustrate the migration of DTIs to higher buckets under the new guidance. For each "bucket" of old DTI, we get the distribution among new DTI buckets. Each row sums up to 100%. For example, let's examine the old DTI 40-45% bucket. From that original bucket, using the new pro forma calculation, roughly 7% of the loans stay in the

Figure 1: DTI Distribution Comparison, 2005 and 2006 Vintage, Subprime ARM Loan Sample*



* As described above

Source: LoanPerformance, Deutsche Bank

The views expressed in RiskView are those of the author(s) and not necessarily those of LoanPerformance.

Continued on pg. 3

RiskView: Continued from page 2

Figure 2: DTI Transition Matrix, 2005 and 2006 Vintage, Subprime ARM Loan Sample*

Original DTI	Pro Forma DTI 0-10	10-15	15-20	20-25	25-30	30-35	35-40	40-45	45-50	50-55	55-60	60-65	65-70	70-75	75-80	80-85	85-90	90-95	95-100	Total
0-10	**35.7**	61.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
10-15	0.0	**12.0**	86.0	1.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
15-20	0.0	0.0	**44.8**	50.6	4.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
20-25	0.0	0.0	0.0	**30.7**	53.9	13.8	1.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
25-30	0.0	0.0	0.0	0.0	**20.4**	49.3	23.8	5.7	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
30-35	0.0	0.0	0.0	0.0	0.0	**13.8**	40.3	30.4	11.9	3.0	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100
35-40	0.0	0.0	0.0	0.0	0.0	0.0	**9.7**	31.0	32.5	17.6	7.1	1.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	100
40-45	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**7.2**	23.3	31.8	21.0	**11.3**	4.2	1.0	0.2	0.0	0.0	0.0	0.0	100
45-50	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**6.2**	17.7	28.7	23.1	**14.2**	6.9	2.3	0.7	0.1	0.0	0.0	100
50-55	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**5.9**	14.4	24.8	23.9	**15.0**	9.6	4.5	1.5	0.4	0.1	100
55-60	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**5.7**	16.9	22.9	21.0	**16.4**	9.6	4.9	1.7	0.8	100
60-65	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**11.1**	18.5	24.6	18.9	**17.0**	2.3	6.1	1.6	100
65-70	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**11.2**	9.1	20.0	2.5	35.5	11.9	9.8	100
70-75	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	37.0	35.4	11.9	15.7	0.0	100
75-80	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**6.3**	46.9	17.2	18.6	11.0	100
80-85	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	25.7	32.8	41.5	100
85-90	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	100.0	0.0	100

* As described above

Source: LoanPerformance, Deutsche Bank

same bucket, 23% of the loans migrate up one bucket to 45-50% range, 32% migrate up to the 50-55% bucket, 21% migrate up to the 55-60% bucket, and 11% migrate to 60-65% bucket, and so on. Looking at this bucket, for seven in ten loans, the increase in the DTI ratio is greater than ten points.

It remains to be seen how rapidly the concept of underwriting to a fully-indexed rate is adopted, and whether the market simply accepts some shifting of the DTI distribution as a result. But the clear message is that regulators feel that some products have been underwritten without sufficient prudence as to the borrower's repayment ability under a variety of scenarios. No doubt many investors (and issuers) would agree. This guidance can only dampen the growth of the industry and the refinancing prospects of subprime borrowers, though how significantly is still hard to gauge.

Footnotes

1 Most of the loans we did not use in our sample had data that appeared spurious. In all likelihood, the data in those fields was simply formatted incorrectly. For example, a 0.40% DTI may actually be a 40% DTI that was improperly entered. One could make an argument for adjusting the data, but instead we excluded them. A priori, there is no reason to think that including such data would change our conclusions.

LoanPerformance Securities Data Coverage

May 2007 Distribution (period 220), April End of Month

Data Coverage Report

LoanPerformance publishes a monthly Data Coverage Report (DCR) summarizing the latest coverage of non-agency mortgage and asset-based securities (MBS, ABS) within the LoanPerformance Securities databases. The DCR features key MBS and ABS data summary and detail reports—and lists new pools added during the month.

The Data Coverage Report is available to LoanPerformance clients. If you are not a client and would like to view the latest DCR as a prospective client, please contact your area representative.

	# of Pools				Active # of Loans		
	March	April	May	Liquidated	March	April	May
Alternative A	3,754	3,891	4,067	510	2,376,471	2,494,451	2,616,388
B&C/HEL (1)	3,186	3,268	3,351	559	4,645,892	4,795,243	4,911,742
ABS Totals (2)	6,940	7,159	7,418	1,069	7,022,363	7,289,694	7,528,130
MBS Total	2,970	3,007	3,082	2,810	915,980	918,409	950,229
Total of ABS + MBS	9,910	10,166	10,500	3,879	7,938,343	8,208,103	8,478,359

	Total # of Loans - Including Paid-off				Outstanding Balance $ in Billions		
	March	April	May	Liquidated	March	April	May
Alternative A	3,715,582	3,895,594	4,073,229	574,529	648	691	735
B&C/HEL (1)	10,481,146	10,785,937	10,996,218	1,676,801	674	698	720
ABS Totals (2)	14,196,728	14,681,531	15,069,447	2,251,330	1,323	1,389	1,455
MBS Total	1,838,042	1,854,527	1,899,989	2,351,328	421	424	444
Total of ABS + MBS	16,034,770	16,536,058	16,969,436	4,602,658	1,744	1,813	1,898

March 2007 Data

Bonus Data

Interest-Only[1] and Neg AM[1] for Purchase Loans

Source: [1]LoanPerformance MBS/ABS Securities Database. Note: Does not include agency securities on bank portfolio loans.

Top 15 States NegAm Purchase Loans From January - March 2007

State	Purchase % Neg AM
Florida	16.5
California	11.8
Washington	11.5
Minnesota	9.5
Oregon	9.1
Nevada	8.3
New Mexico	7.9
Arizona	7.5
Hawaii	6.9
New Jersey	6.2
New York	5.7
New Hampshire	5.6
Delaware	5.1
Utah	4.9
Connecticut	4.9
National	7.3

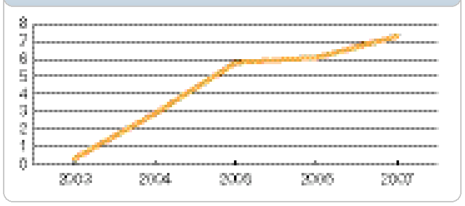
Top 25 Metros Interest Only Purchase Loans From January - March 2007

Metro	Purchase % IO	Metro	Purchase % IO
San Francisco, CA	66.6	Los Angeles-Long Beach, CA	54.0
Salinas, CA	62.4	Washington, DC-MD-VA-WV	52.8
Santa Cruz-Watsonville, CA	62.1	Vallejo-Fairfield-Napa, CA	52.1
Santa Barbara-Santa Maria-Lompoc, CA	61.7	Seattle-Bellevue-Everett, WA	51.5
San Jose, CA	59.9	Tacoma, WA	51.4
Oakland, CA	59.8	Yuba City, CA	49.0
Santa Rosa, CA	59.7	Stamford-Norwalk, CT	48.9
Ventura, CA	59.2	Riverside-San Bernardino, CA	48.1
San Diego, CA	59.2	Sacramento, CA	47.5
Orange County, CA	58.2	Stockton-Lodi, CA	45.3
Chico-Paradise, CA	57.5	Phoenix-Mesa, AZ	45.1
San Luis Obispo-Atascadero-Paso Robles, CA	55.4	Santa Fe, NM	45.0
Yolo, CA	54.3	National	33.7

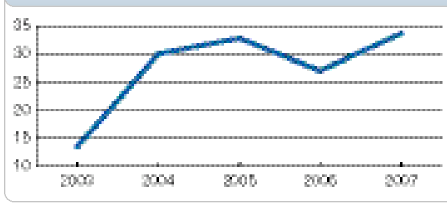
Top and Bottom 10 States for Loss Severity* as of March 2007 Data

State	% Bal Severity
Indiana	65.29
Ohio	64.84
Pennsylvania	62.48
West Virginia	62.04
South Carolina	55.65
Mississippi	55.64
Iowa	53.34
Kentucky	52.37
Michigan	52.04
Arkansas	48.20
National	41.13
Hawaii	33.18
Minnesota	32.90
Massachusetts	32.59
Wyoming	30.26
Colorado	29.88
Utah	29.46
New Hampshire	29.43
California	29.34
Alaska	27.56
Washington	27.49
Oregon	27.35

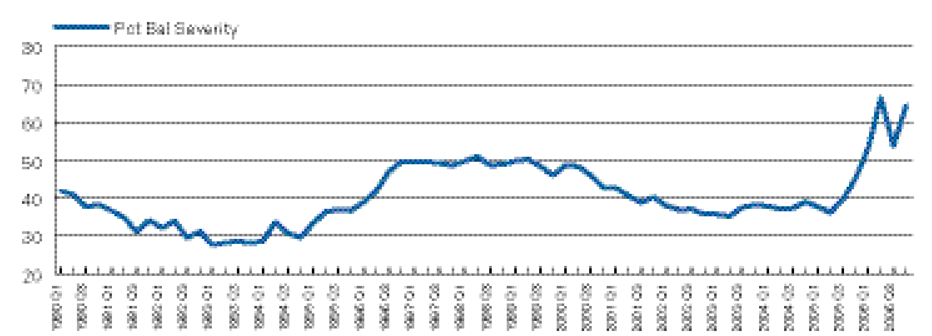
National level NegAm loans - Purchase pct as of March 2007 Data



National level Interest Only loans - Purchase pct as of March 2007 Data



Loss Severity* by Origination Quarter



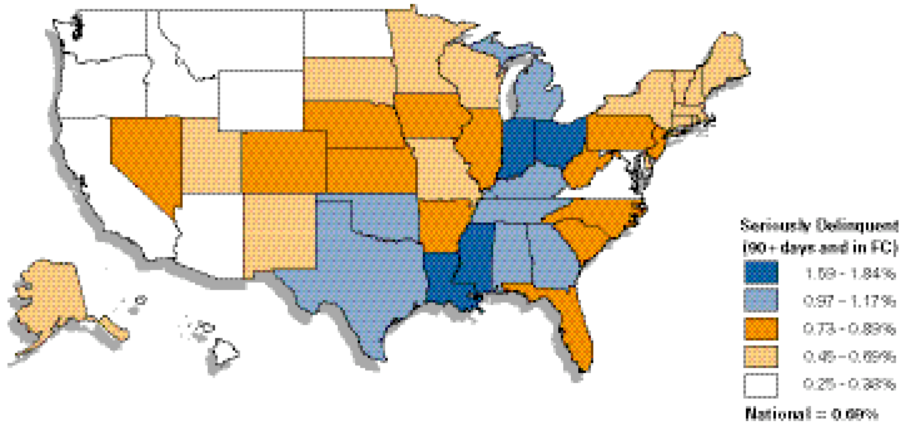
*Loss Severity is net loss amount divided by payoff balance.
Payoff Balance is loan balance at time of liquidation.

Prime Mortgage Delinquencies

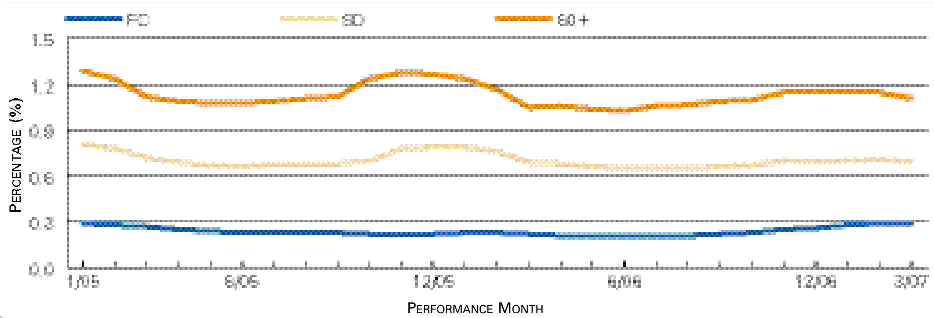
March 2007 Data

Highlights

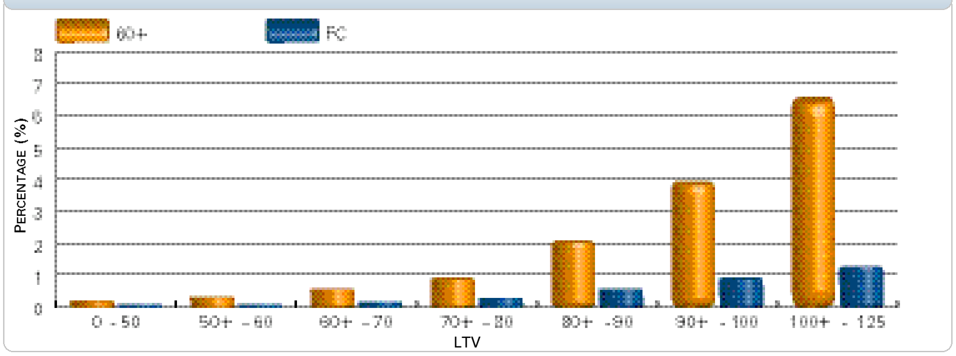
- National serious delinquency (SD) was 0.69% in March 2007.
- Highest serious delinquency rates were posted by LA (1.84%) and OH (1.63%).
- Lowest serious delinquency rates were posted by WY (0.25%), HI (0.26%) and WA (0.31%).



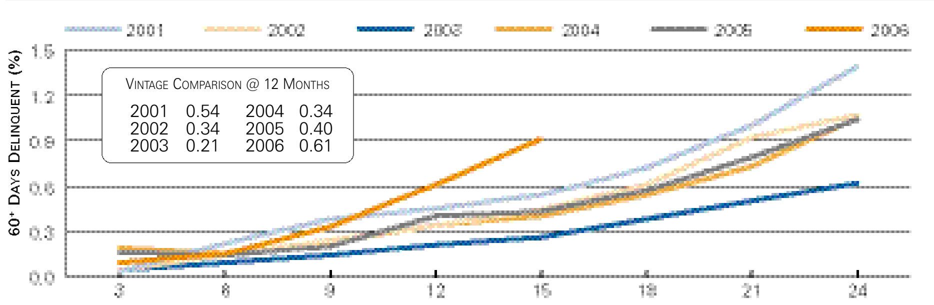
National Prime Delinquency and Foreclosure Trends



60+ Days Delinquency and Foreclosure by LTV



60+ Days Delinquent Vintage Analysis



2006 Book at a Glance

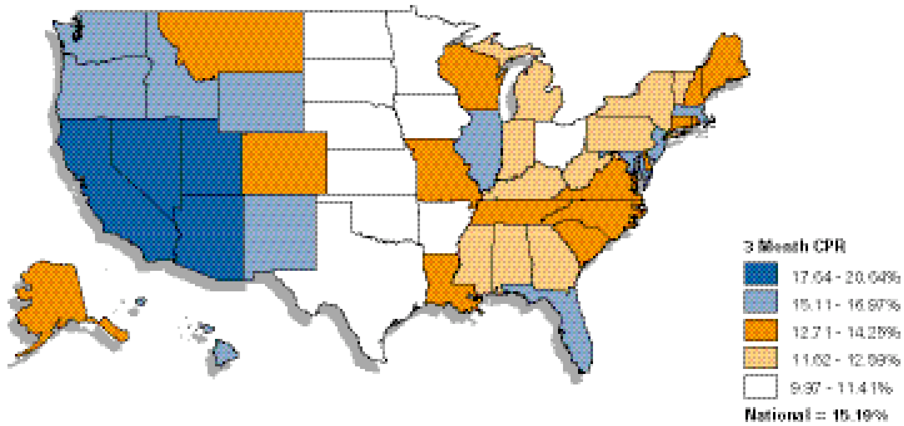
	MSA	2006 (SD%)	National Index
1	Panama City, FL	1.27	244
2	Miami, FL	1.25	240
3	Fort Myers-Cape Coral, FL	1.23	237
4	Vineland-Millville-Bridgeton, NJ	1.22	235
5	Elkhart-Goshen, IN	1.17	225
6	Yuba City, CA	1.16	223
7	Clarksville-Hopkinsville, TN-KY	1.12	215
8	Fort Pierce-Port St. Lucie, FL	1.12	215
9	Flint, MI	1.07	206
10	Lewiston-Auburn, ME	1.04	200
11	Enid, OK	1.04	200
12	Fort Lauderdale, FL	0.99	190
13	Mansfield, OH	0.99	190
14	Naples, FL	0.99	190
15	Stockton-Lodi, CA	0.98	188
16	Las Vegas, NV-AZ	0.97	187
17	Detroit, MI	0.95	183
18	Indianapolis, IN	0.93	179
19	Pueblo, CO	0.92	177
20	Lakeland-Winter Haven, FL	0.92	177
21	Jackson, MI	0.91	175
22	Jackson, MS	0.91	175
23	Terre Haute, IN	0.91	175
24	Shreveport-Bossier City, LA	0.90	173
25	South Bend, IN	0.90	173
	National	0.52	100

Prime Mortgage Prepayments

March 2007 Data

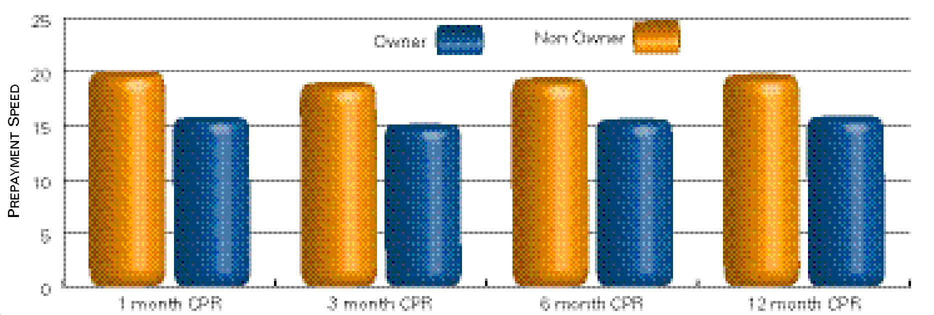
Highlights

- The national 3 Month CPR was 15.19% in March 2007.
- Prepayments were highest in CA (20.64%), UT (19.93%), AZ (18.63%) and NV (17.64%).
- Lowest prepayments were in OH (9.97%), IA (10.07%) and NE (10.23%).

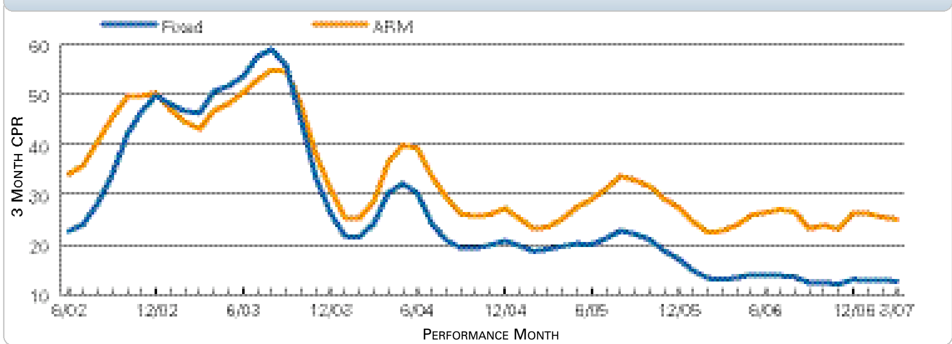


"3-Month CPR" is defined as the conditional prepayment rate (CPR) estimating principal that will prepay over the next 12 months, based on actual principal prepayments for the preceding three month period.

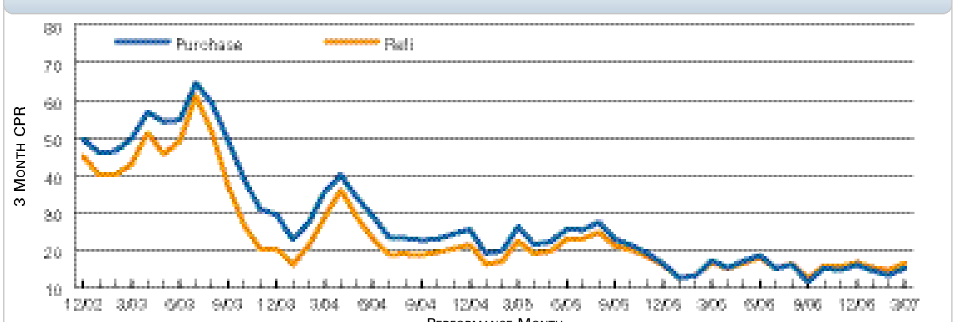
Prepayments by Owner vs. Non Owner



Prepayment Trend by Fixed vs. ARM



Prepayment Trend by Loan Purpose



Top 25 Prepaying Metros

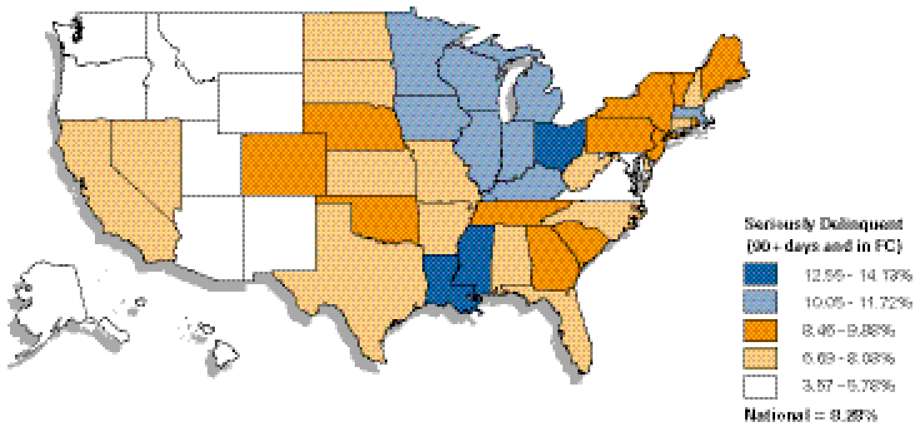
MSA	3 Mo CPR	National Index
1 Salinas, CA	24.21	159
2 Riverside-San Bernardino, CA	22.66	149
3 San Jose, CA	22.12	146
4 Provo-Orem, UT	22.07	145
5 Los Angeles-Long Beach, CA	21.93	144
6 Stockton-Lodi, CA	21.87	144
7 Vallejo-Fairfield-Napa, CA	21.53	142
8 Merced, CA	21.35	141
9 Sta Barbara-Sta Maria-Iompoc, CA	21.26	140
10 Orange County, CA	20.86	137
11 Oakland, CA	20.31	134
12 Ventura, CA	20.26	133
13 Grand Junction, CO	20.20	133
14 Bakersfield, CA	20.05	132
15 Modesto, CA	19.92	131
16 Salt Lake City-Ogden, UT	19.69	130
17 San Diego, CA	19.59	129
18 Phoenix-Mesa, AZ	19.33	127
19 San Francisco, CA	19.14	126
20 Redding, CA	19.05	125
21 Santa Rosa, CA	18.85	124
22 Fresno, CA	18.39	121
23 San Luis Obispo-Atascadero-Paso Robles, CA	18.37	121
24 Las Vegas, NV-AZ	18.18	120
25 Jersey City, NJ	18.04	119
National	15.19	100

Subprime Mortgage Delinquencies

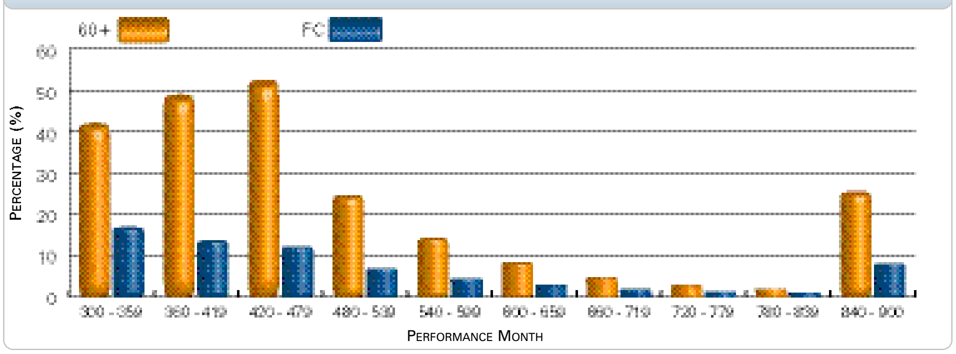
March 2007 Data

Highlights

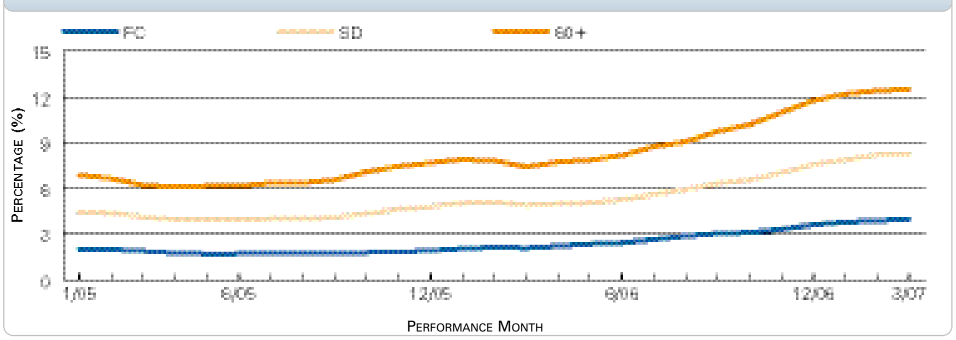
- Overall national serious delinquencies (SD) was 8.28% in March 2007.
- WY (3.57%), HI (4.00%) and AK (4.51%) ranked as the lowest serious delinquency states.
- OH (14.13%), LA (12.64%) and MS (12.55%) ranked as the highest serious delinquency states.



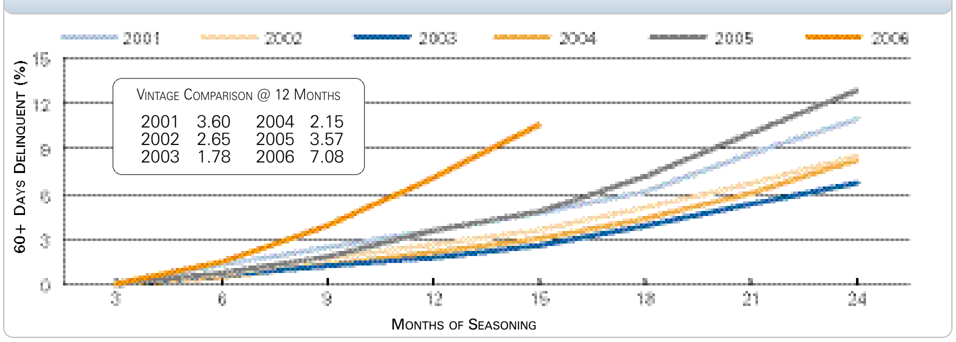
60+ Days Delinquent and Foreclosure by Credit Score



National Subprime Delinquency and Foreclosure Trends



60+ Days Delinquent Vintage Analysis



2006 Book at a Glance

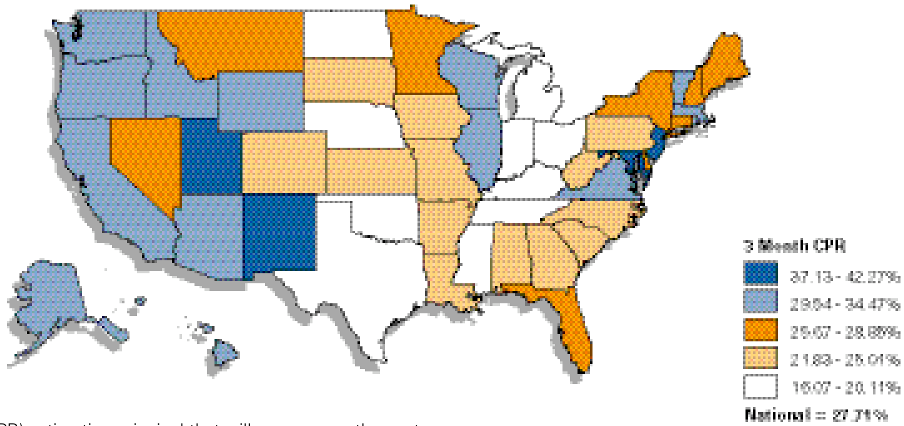
	MSA	2006 (SD%)	National Index
1	Sta Barbara-Sta Maria-Iompoc, CA	11.46	168
2	Barnstable-Yarmouth, MA	11.24	165
3	Oakland, CA	11.13	163
4	Fort Myers-Cape Coral, FL	10.89	160
5	Sacramento, CA	10.58	155
6	Stockton-Lodi, CA	10.56	155
7	Merced, CA	10.18	149
8	Yolo, CA	9.96	146
9	Riverside-San Bernardino, CA	9.65	142
10	Pittsfield, MA	9.64	142
11	Minneapolis-St. Paul, MN-WI	9.56	140
12	Cleveland-Lorain-Elyria, OH	9.44	139
13	Punta Gorda, FL	9.30	137
14	Ventura, CA	9.09	133
15	Vallejo-Fairfield-Napa, CA	8.93	131
16	Modesto, CA	8.87	130
17	Salinas, CA	8.73	128
18	Orange County, CA	8.70	128
19	Detroit, MI	8.67	127
20	Grand Forks, ND-MN	8.67	127
21	Naples, FL	8.59	126
22	Fort Pierce-Port St. Lucie, FL	8.44	124
23	Denver, CO	8.42	124
24	Jackson, MI	8.32	122
25	San Diego, CA	8.26	121
	National	6.81	100

Subprime Mortgage Prepayments

March 2007 Data

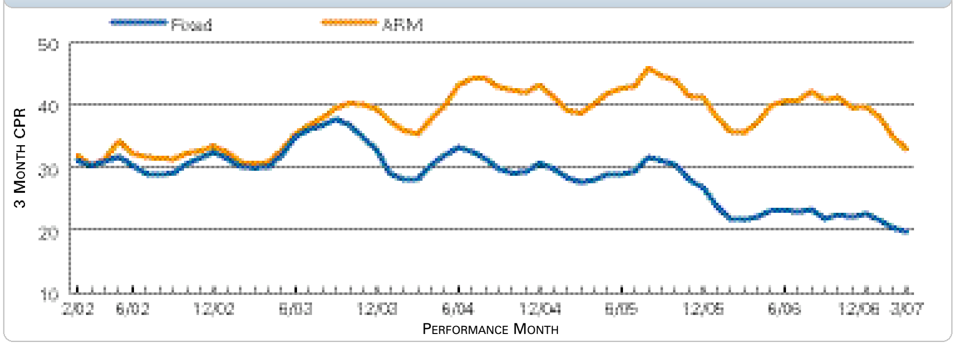
Highlights

- The national 3 Month CPR was 27.71% in March 2007.
- Fastest prepaying states were DC (42.27%), MD (39.27%) and UT (39.15%).
- Slowest prepayment states were OH (16.07%), IN (17.27%) and TX (17.51%).

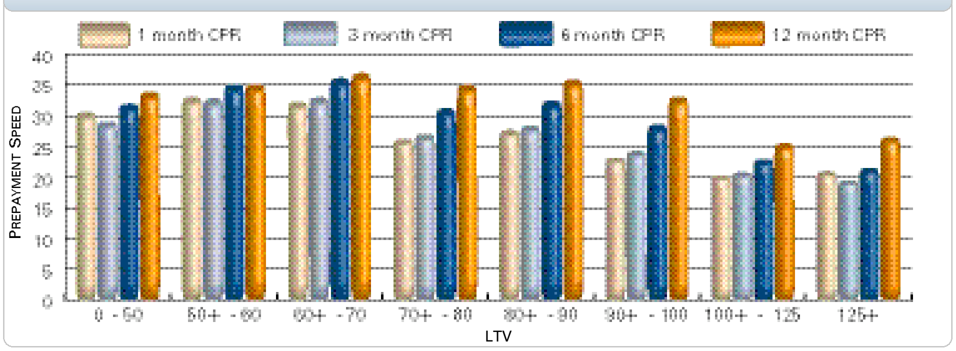


"3-Month CPR" is defined as the conditional prepayment rate (CPR) estimating principal that will prepay over the next 12 months, based on actual principal prepayments for the preceding three month period.

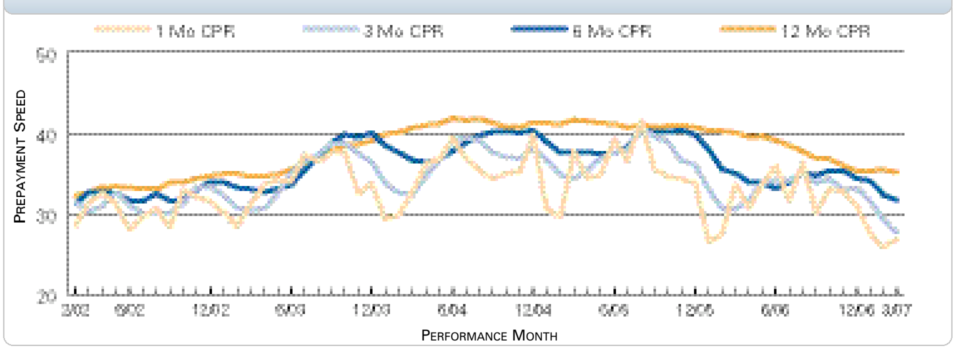
Prepayment Trend by Fixed vs. ARM



Prepayments Speed by LTV



Prepayment Trend



Top 25 Prepaying Metros

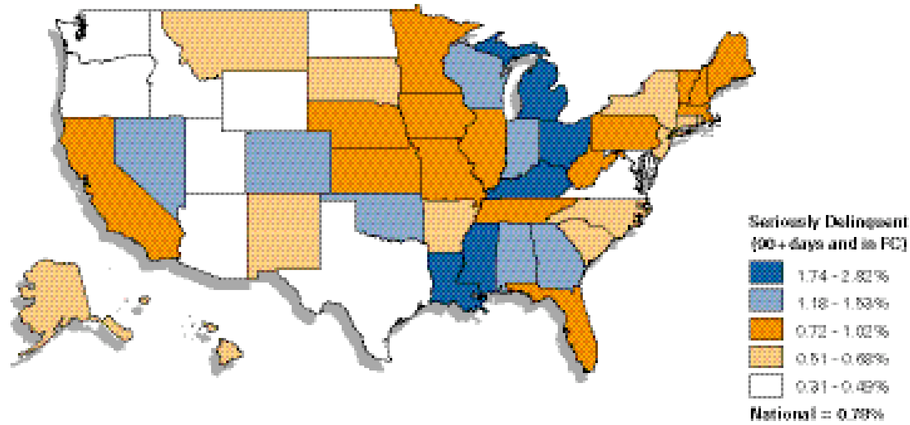
MSA	3 Mo CPR	National Index
1 JLa Crosse, WI-MN	43.34	156
2 Jersey City, NJ	43.04	155
3 Provo-Orem, UT	41.53	150
4 Santa Fe, NM	41.03	148
5 Albuquerque, NM	40.26	145
6 Wilmington, NC	39.93	144
7 Monmouth-Ocean, NJ	39.83	144
8 Salt Lake City-Ogden, UT	39.75	143
9 Atlantic-Cape May, NJ	39.24	142
10 Bergen-Passaic, NJ	38.72	140
11 Las Cruces, NM	38.58	139
12 Baltimore, MD	38.29	138
13 Middlesex-Somerset-Hunterdon, NJ	38.21	138
14 Newark, NJ	37.93	137
15 New Bedford, MA	37.75	136
16 Flagstaff, AZ-UT	37.43	135
17 Charlottesville, VA	37.39	135
18 Grand Junction, CO	36.53	132
19 Casper, WY	36.43	132
20 Hagerstown, MD	36.37	131
21 Seattle-Bellevue-Everett, WA	35.99	130
22 Vineland-Millville-Bridgeton, NJ	35.91	130
23 Barnstable-Yarmouth, MA	35.56	128
24 Boise City, ID	35.47	128
25 Norfolk-Virginia Beach-Newport News, VA-NC	35.42	128
National	27.71	100

HomeEquity Delinquencies

March 2007 Data

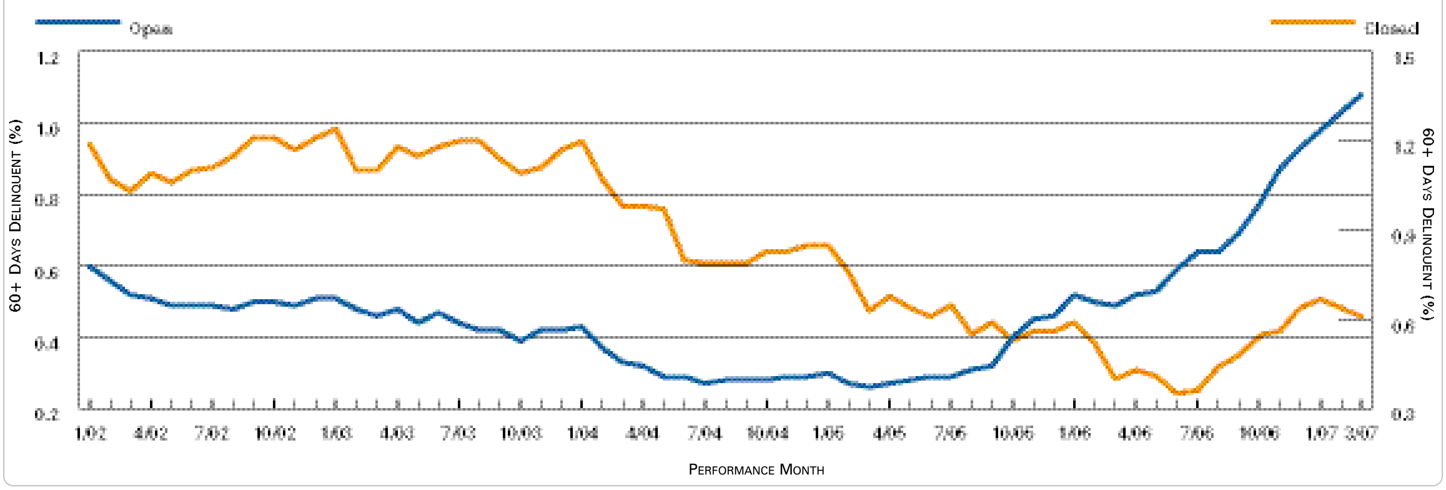
Highlights

- Overall national serious delinquencies (SD) was 0.78% in March 2007.
- Highest serious delinquency rates were posted by MS (2.82%), MI (2.15%) and LA (1.77%).
- Lowest serious delinquency rates were posted by WA (0.31%), TX (0.36%) and AZ (0.36%).

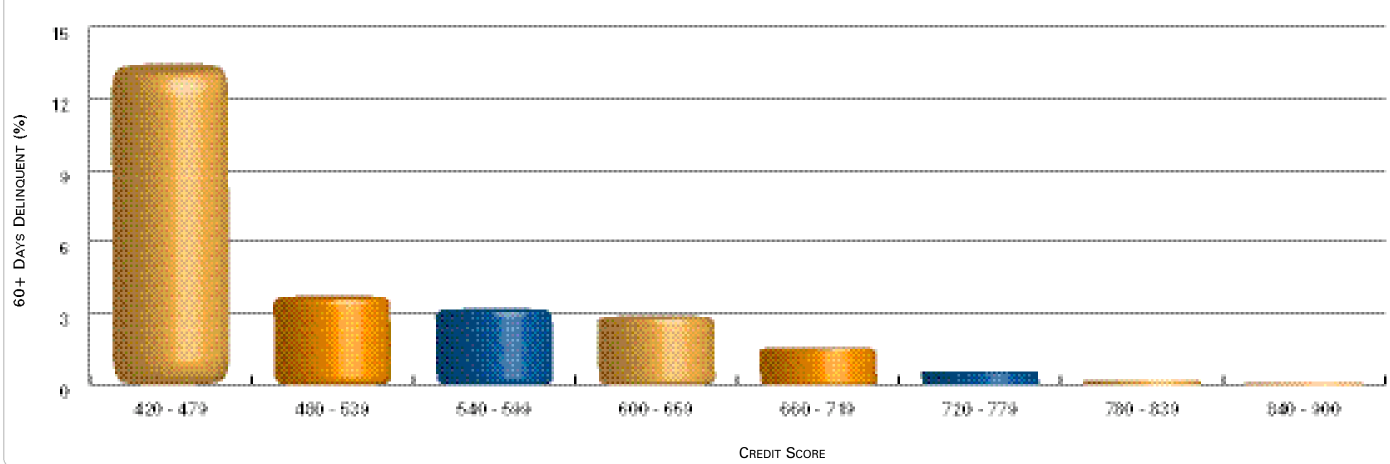


60+days by 2nd Lien Open HELOC vs 2nd Lien Closed HEL*

* Does not include subprime loans



HELOC Open End 60+days Delinquency by Credit Score

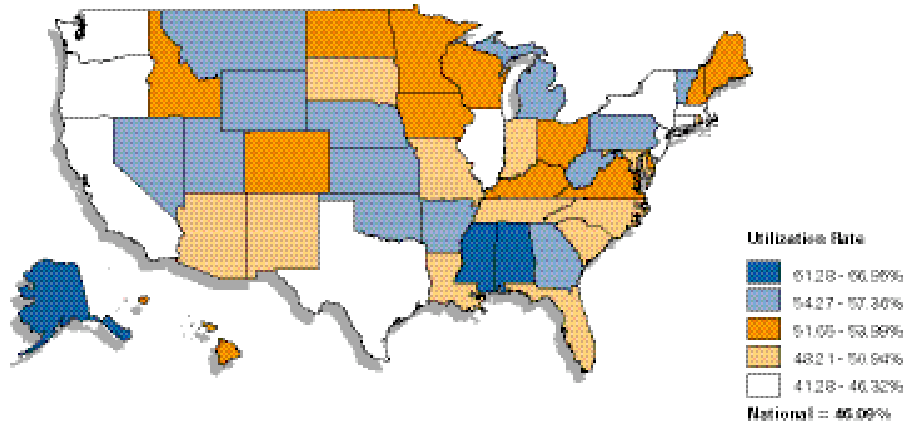


HomeEquity Utilization

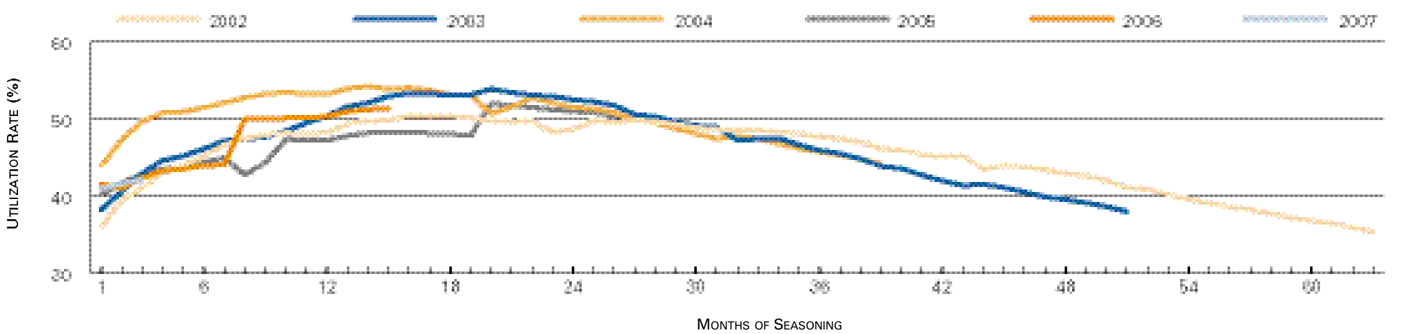
March 2007 Data

Highlights

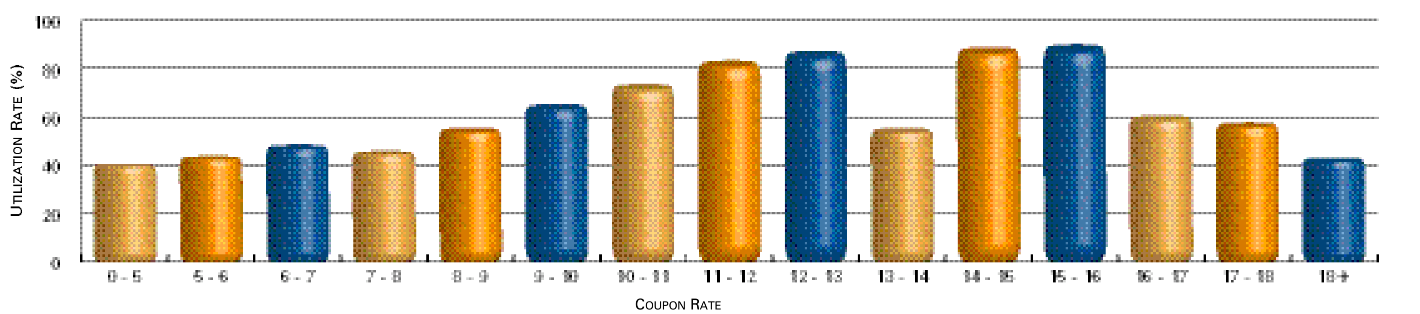
- National utilization rate was 46.09% in March 2007.
- Highest utilization rates were posted by AL (66.95%), MS (66.88%) and AK (61.28%).
- Lowest utilization rates were posted by CA (41.28%), WA (41.66%) and CT (44.40%).



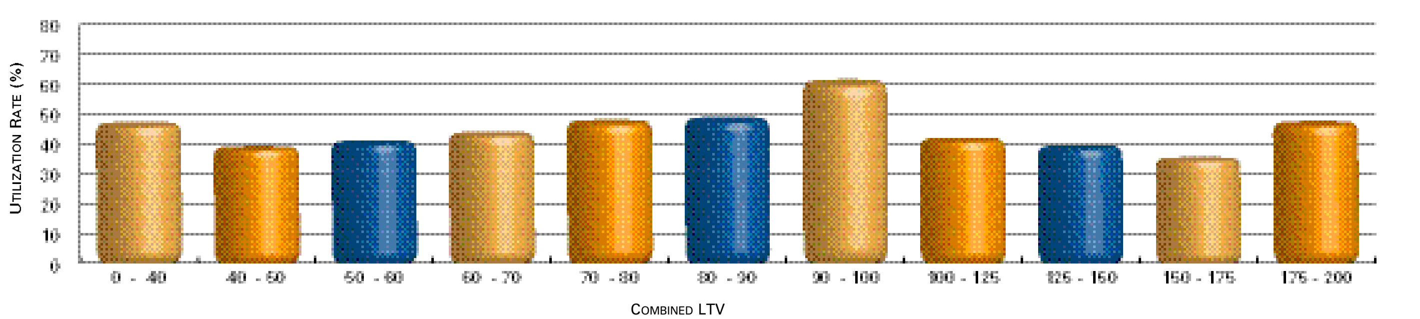
Utilization Rate by Vintage



Utilization Rate by Coupon Rate



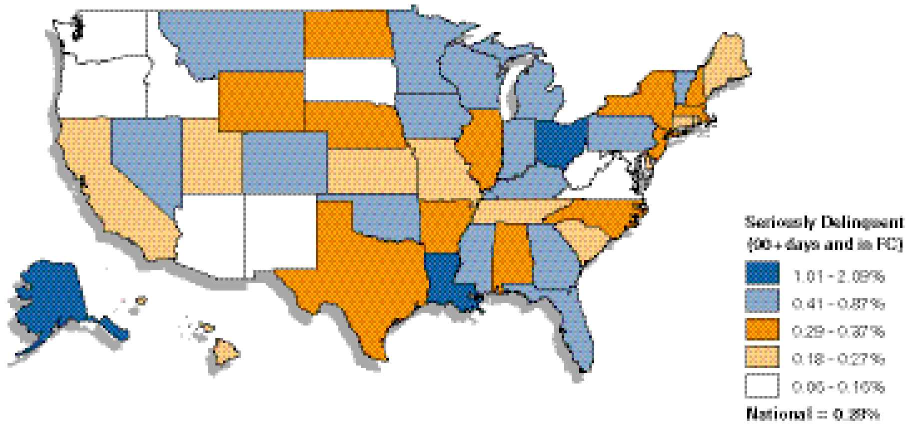
Utilization Rate by Combined LTV



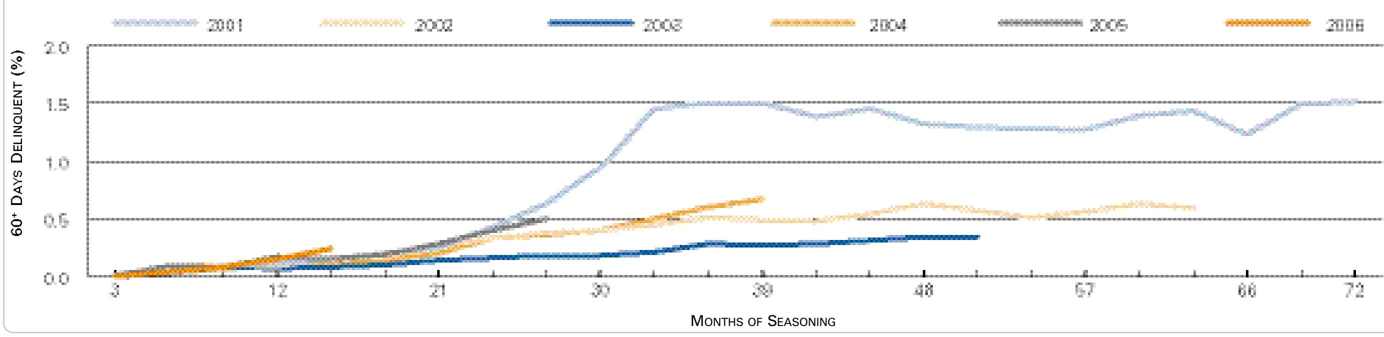
Non-Agency Jumbo MBS Market — March 2007 Data

Highlights

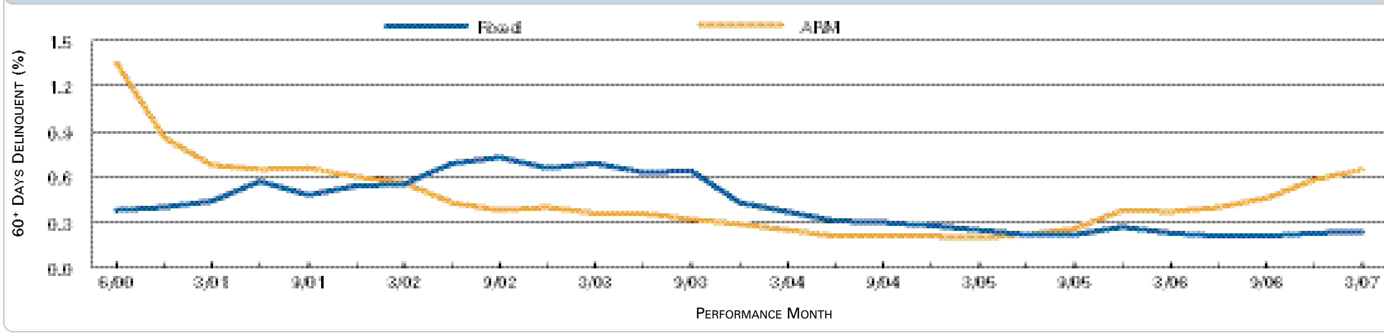
- Overall MBS national serious delinquencies was 0.28% in March 2007.
- Highest serious delinquency rates were posted by LA (2.09%), OH (1.41%) and AK (1.01%).
- Lowest serious delinquency rates were posted by SD (0.06%), DC (0.07%) and WV (0.09%).



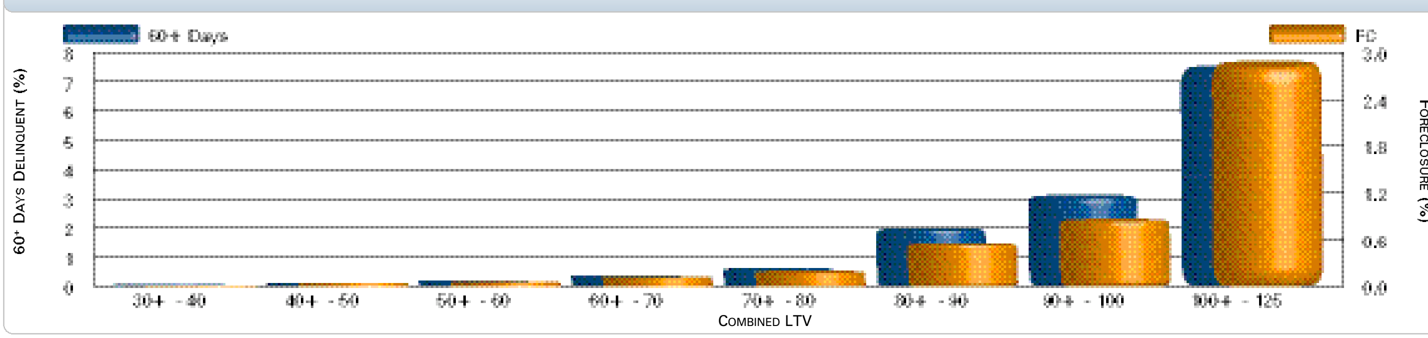
60+ Days Delinquency by Vintage



60+ Days Delinquency Trend by Fixed vs ARM



60+ Days Delinquent and Foreclosure by Combined LTV



Non-Agency Jumbo MBS Market

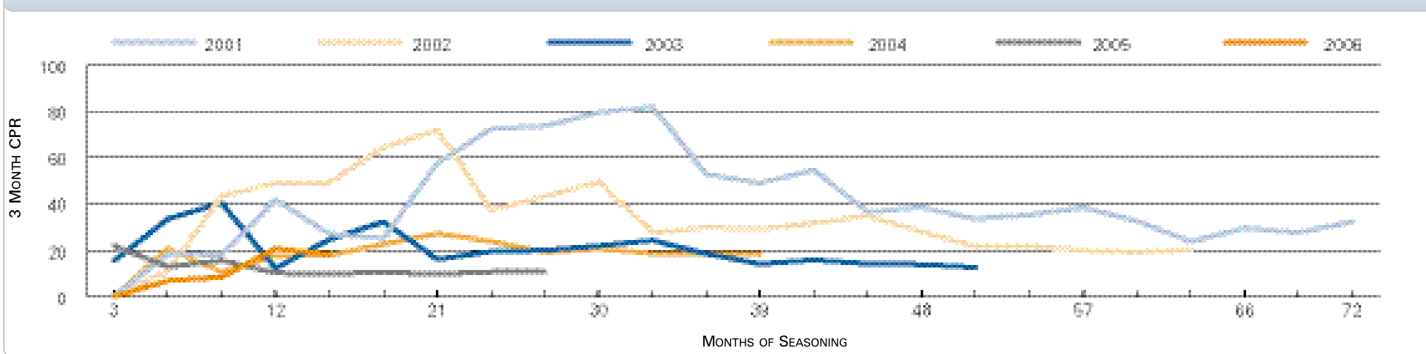
March 2007 Data

LoanPerformance Securities database Overview

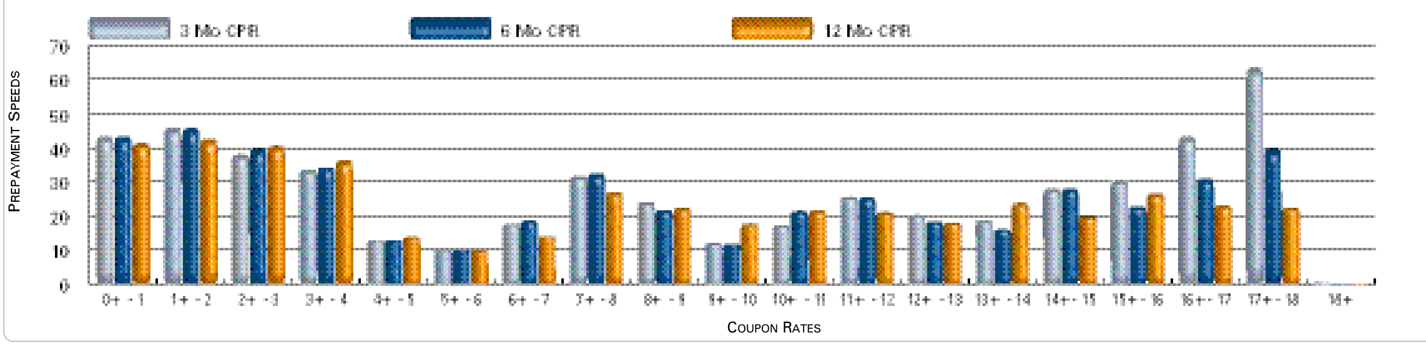
	Total # of Loans	Current # of Loans	# of Active Pools	Current Balance ($)	Average Balance ($)	WA Maturity	WA Age	WA LTV	WAC	WA Life Cap	WA Gross Margin
Alt A	2,494,451	3,895,594	3,891	691 Billion	276,984	345	18	74.10%	6.90%	11.06%	2.90%
Subprime/BC	4,795,243	10,785,937	3,268	698	145,565	324	26	81.93	8.07	14.00	5.91
Jumbo MBS	918,409	1,854,527	3,007	424	461,671	315	29	68.10	5.73	10.43	2.46
Totals	**8,208,103**	**16,536,058**	**10,166**	**1,813 Billion**							

April 2007 Distribution (March 2007 End-of-Month)

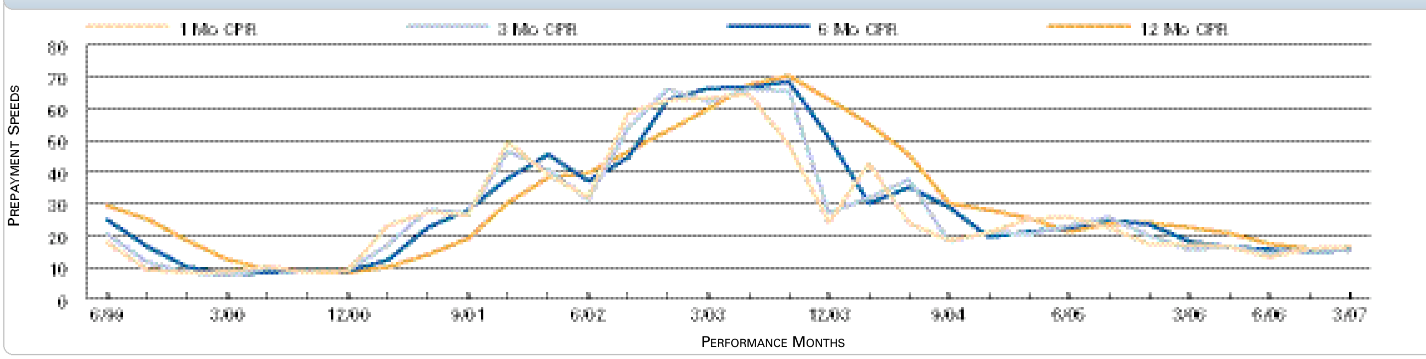
Jumbo MBS 3 month CPR Vintage



Jumbo MBS Prepayments by Coupon Rates



Jumbo MBS Prepayment Trends

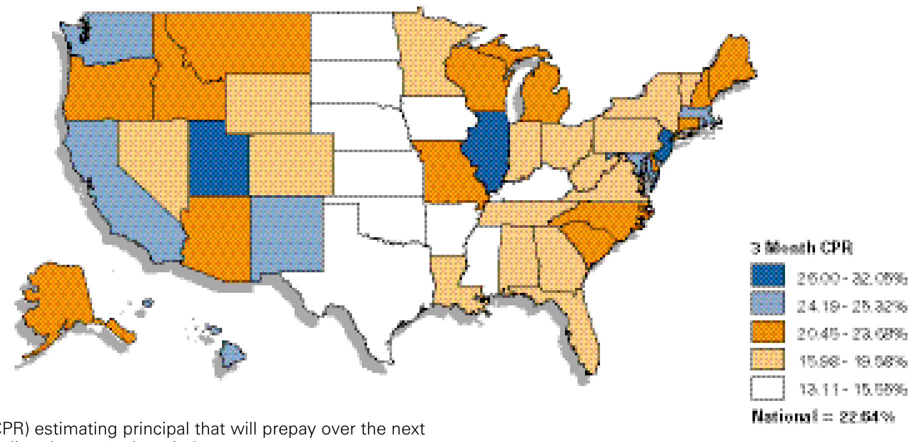


ABS Market: Alt-A

March 2007 Data

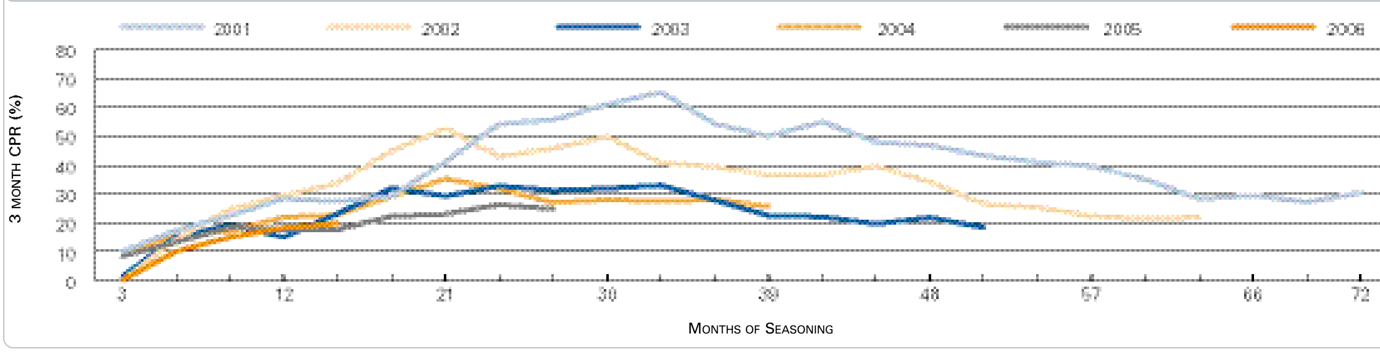
HIGHLIGHTS

- The national Alt-A 3 Month CPR was 22.64% in March 2007.
- Fastest prepaying states were IL (32.05%), UT (28.43%) and NJ (26.11%).
- Slowest prepayment states were OK (13.11%), NE (13.17%) and IA (13.81%).

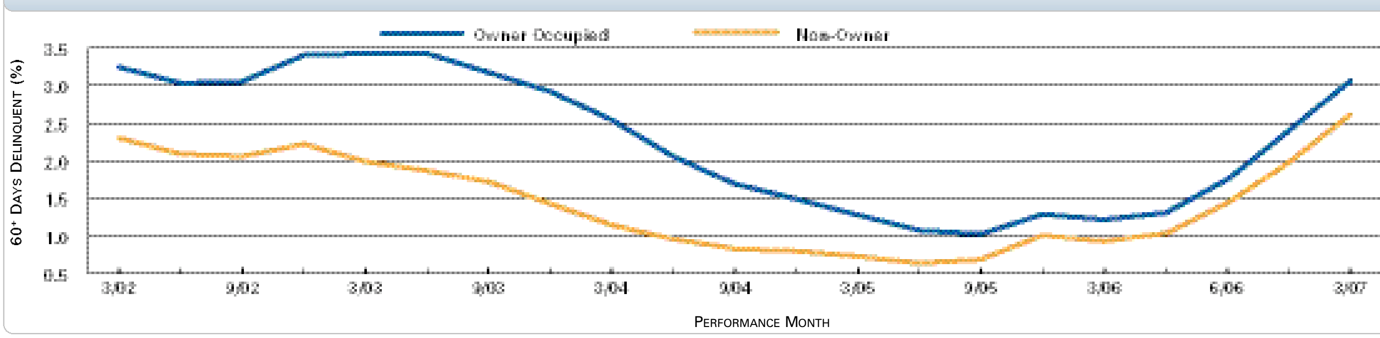


"3-Month CPR" is defined as the conditional prepayment rate (CPR) estimating principal that will prepay over the next 12 months, based on actual principal prepayments for the preceding three month period.

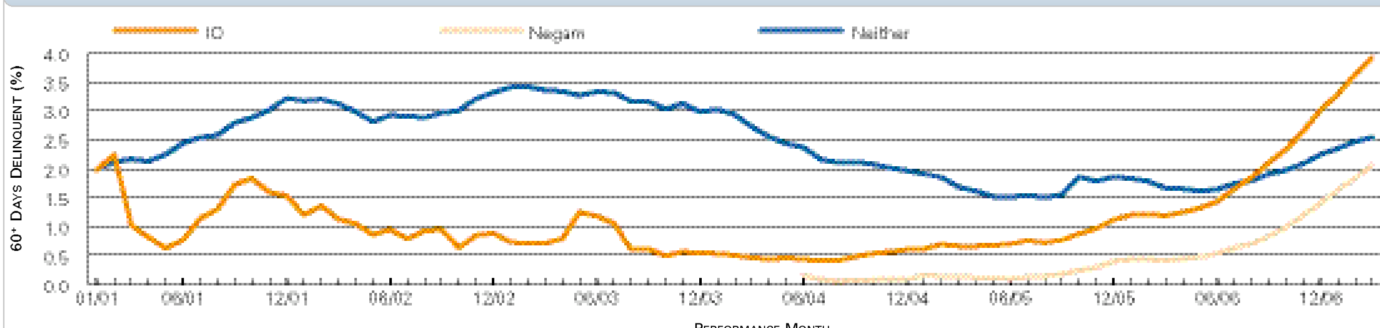
ALT-A 3 MONTH CPR VINTAGE



60+ DAYS DELINQUENCY BY OWNER VS. NON OWNER OCCUPIED



60+ DAYS DELINQUENCY TREND BY IO VS. NEGAM VS. NEITHER

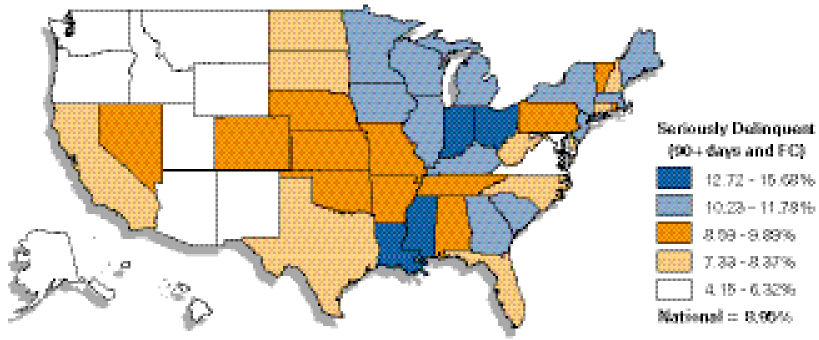


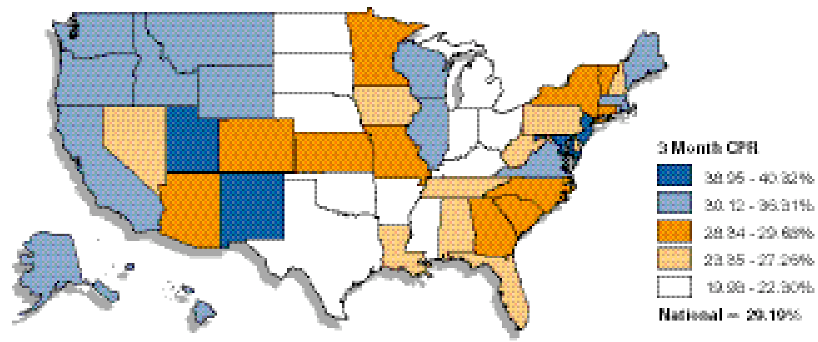
ABS Market: Subprime/BC

March 2007 Data

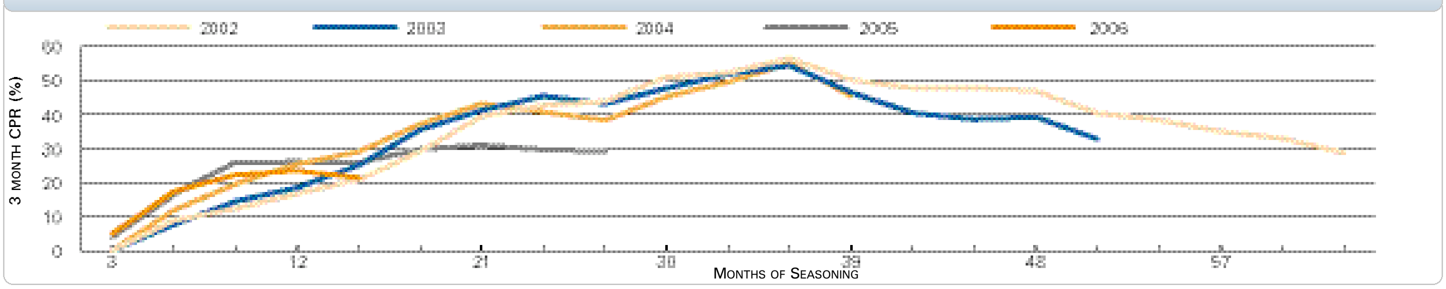
Highlights

- Overall national serious delinquencies (SD) was 8.95% in March 2007.
- WY (4.15%), OR (4.61%) and UT (4.79%) ranked as the lowest delinquency states.
- OH (15.68%), MS (13.76%) and LA (13.36%) ranked as the highest delinquency states.
- The national 3 Month CPR was 29.19% in March 2007.
- Fastest prepaying states were DC (40.32%), UT (39.76%) and NJ (39.18%).
- Slowest prepayment states were OH (19.93%), TX (20.59%) and OK (20.80%).

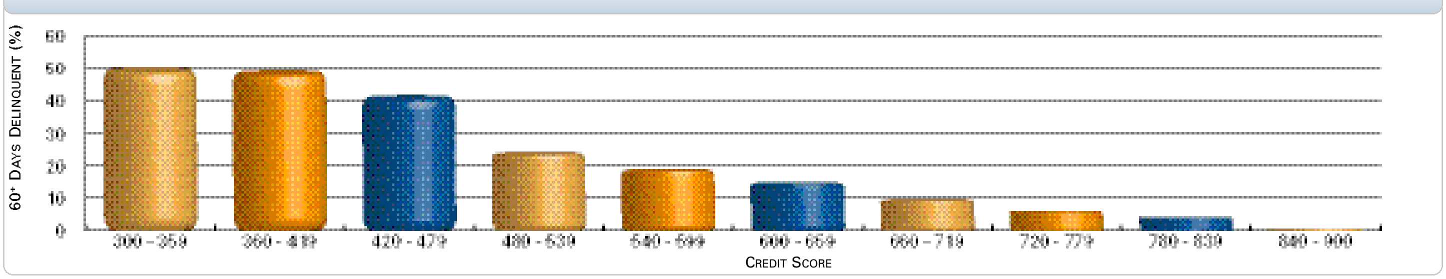




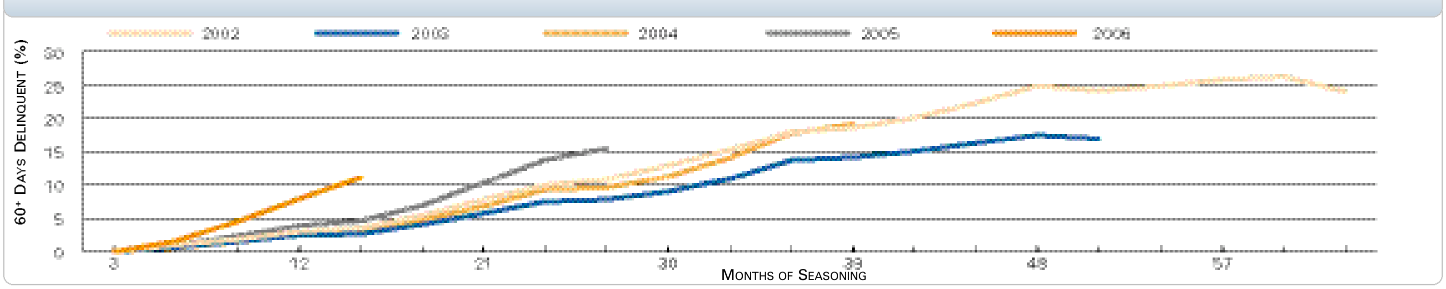
Subprime/BC 3 month CPR by Vintage



60+ Days Delinquency by Credit Score

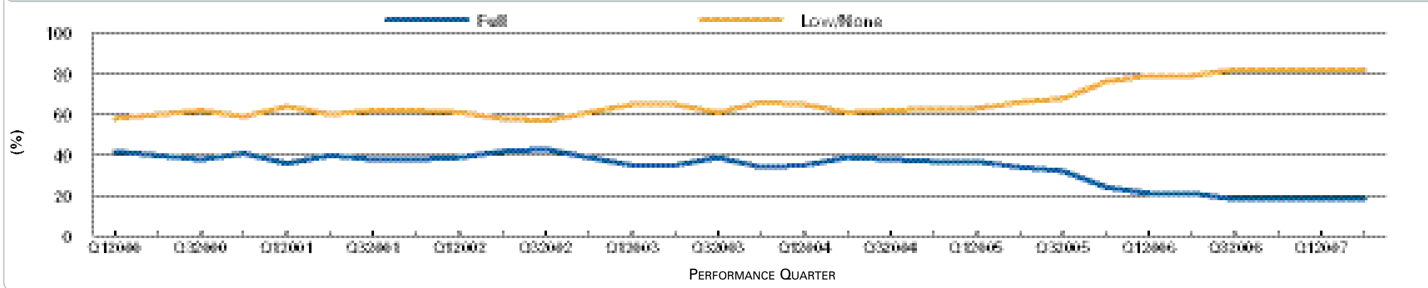


60+ Days Delinquency by Vintage

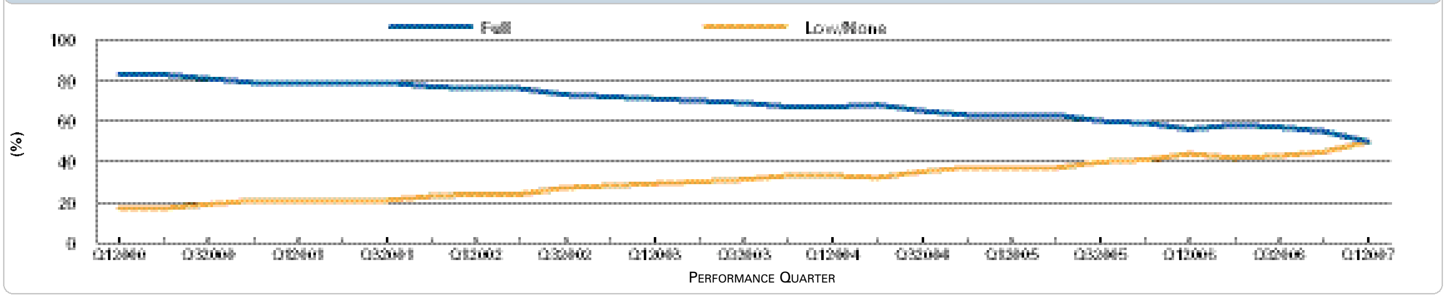


ABS/MBS Documentation Type Trend from Quarter 1 2000 - Quarter 1 2007

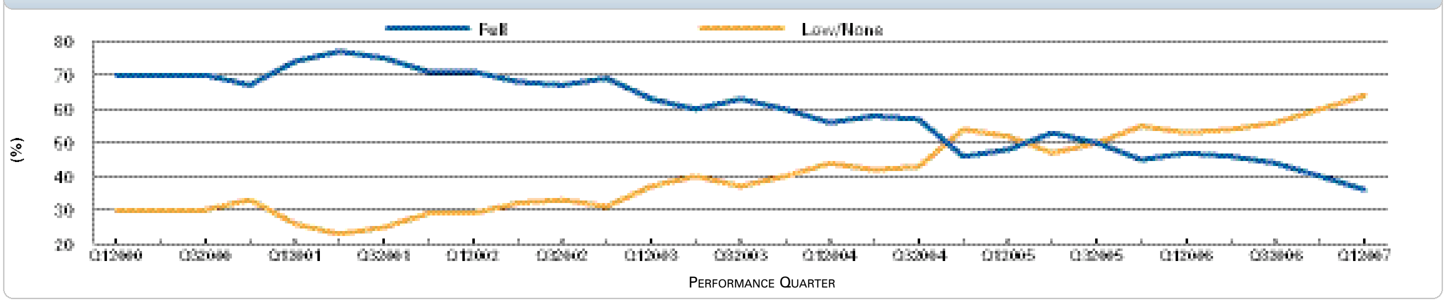
Alt-A



BC



MBS



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