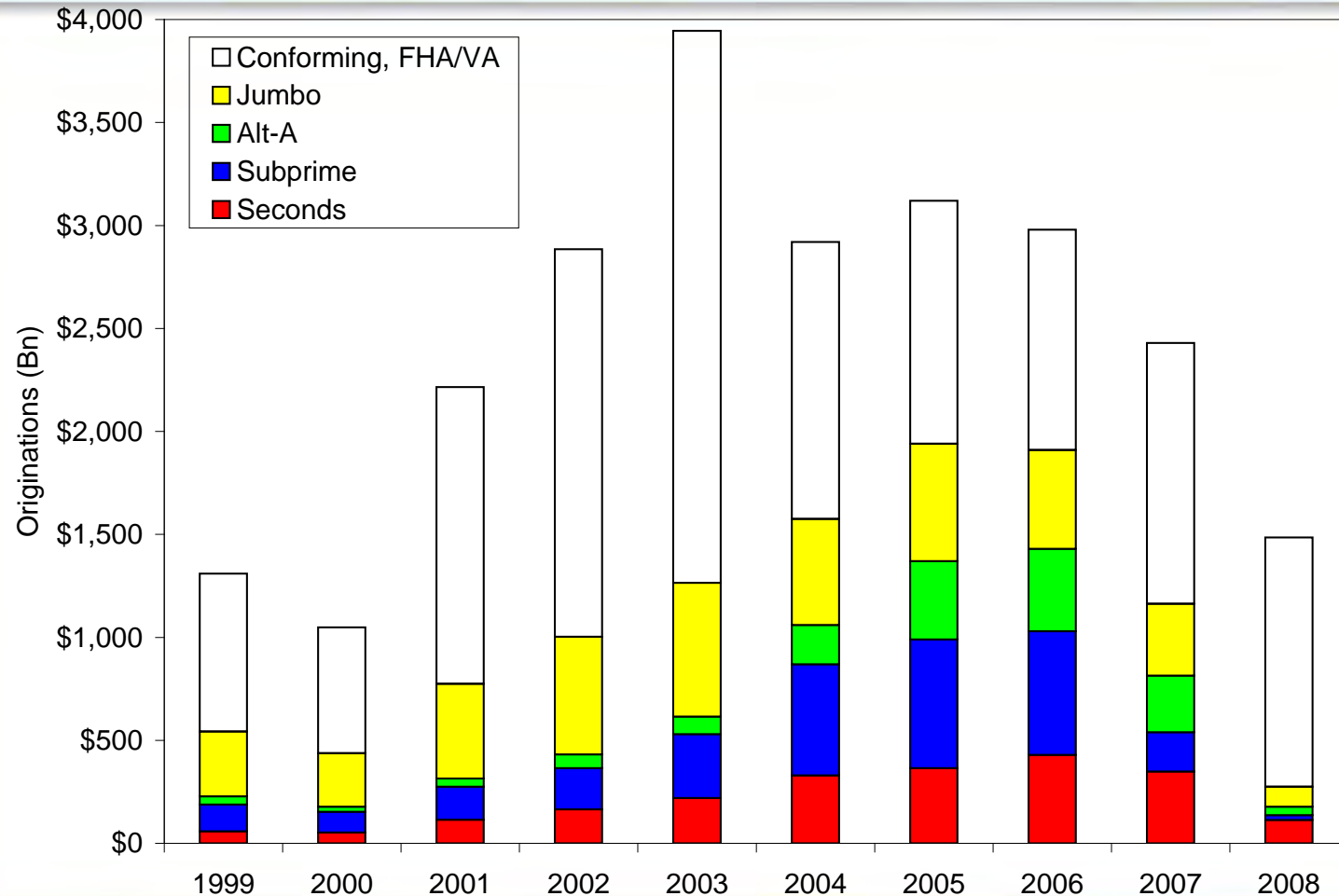


Background on the U.S. Housing Market

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There Was a Surge of Toxic Mortgages From 2000 to Mid-2007

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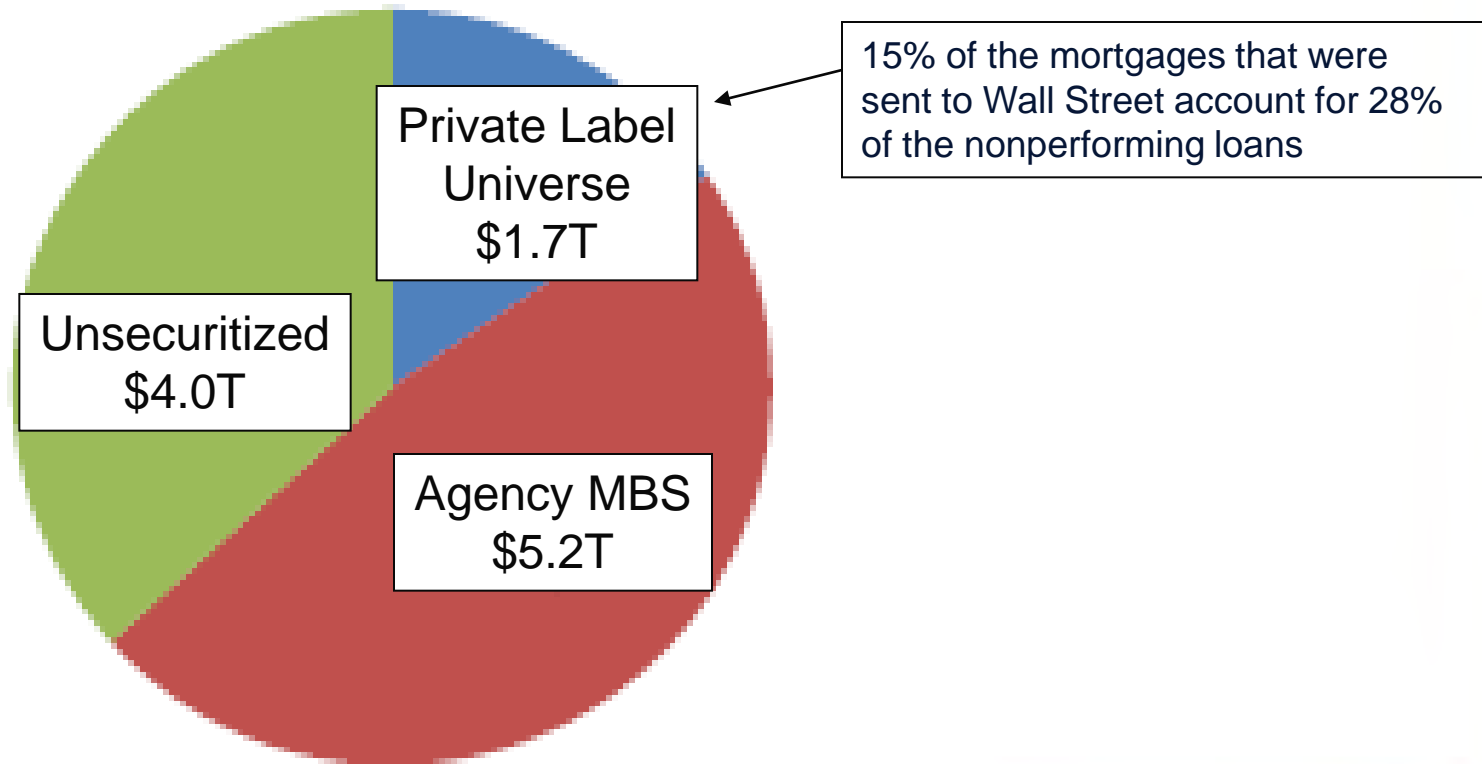


Source: *Inside Mortgage Finance*, published by Inside Mortgage Finance Publications, Inc. Copyright 2009.

Private Label Mortgages (Those Securitized by Wall St.) Are 15% of All Mortgages, But Account for 28% of Nonperforming Mortgages

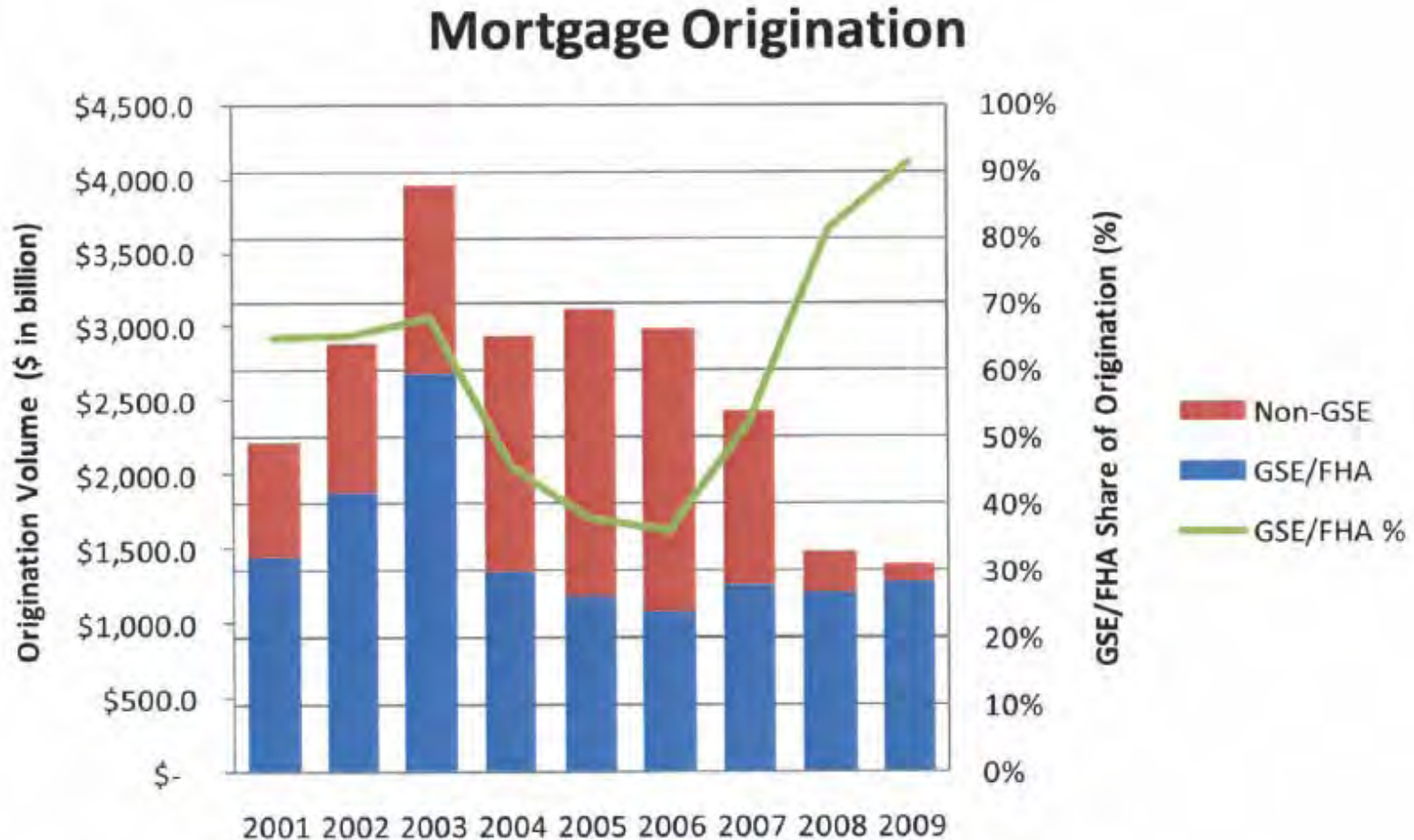
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Approximately two-thirds of homes – 56 million – have mortgages, worth a total of \$11 trillion



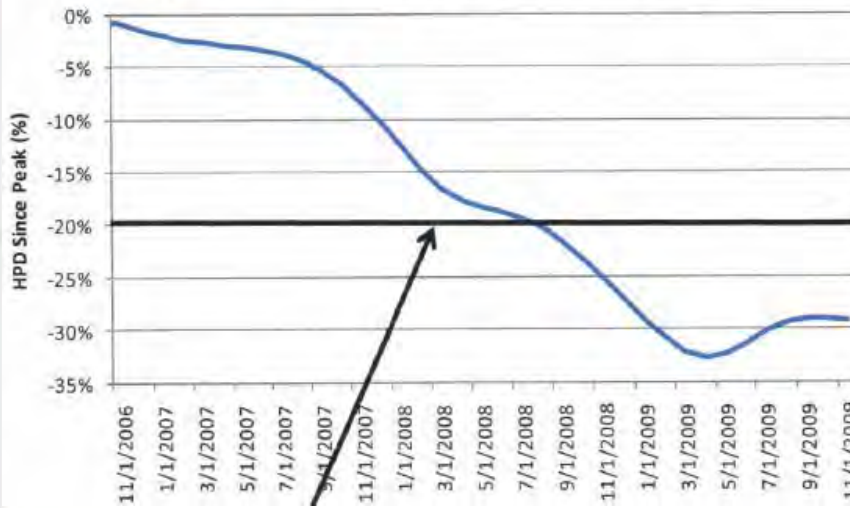
The Mortgage Market Has Effectively Been Nationalized

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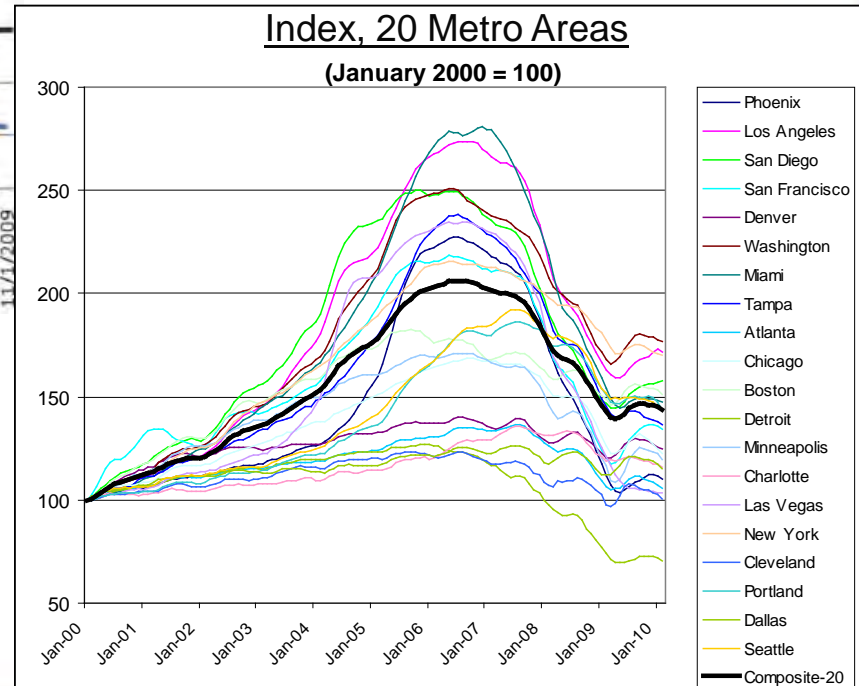


Housing Prices Have Fallen Sharply

S&P/CS Cumulative HPD Since 2006 Peak



S&P/Case-Shiller Home Price Index, 20 Metro Areas (January 2000 = 100)



The Sharp Drop in Housing Prices, Combined with Low Interest Rates, Has Made Housing Very Affordable

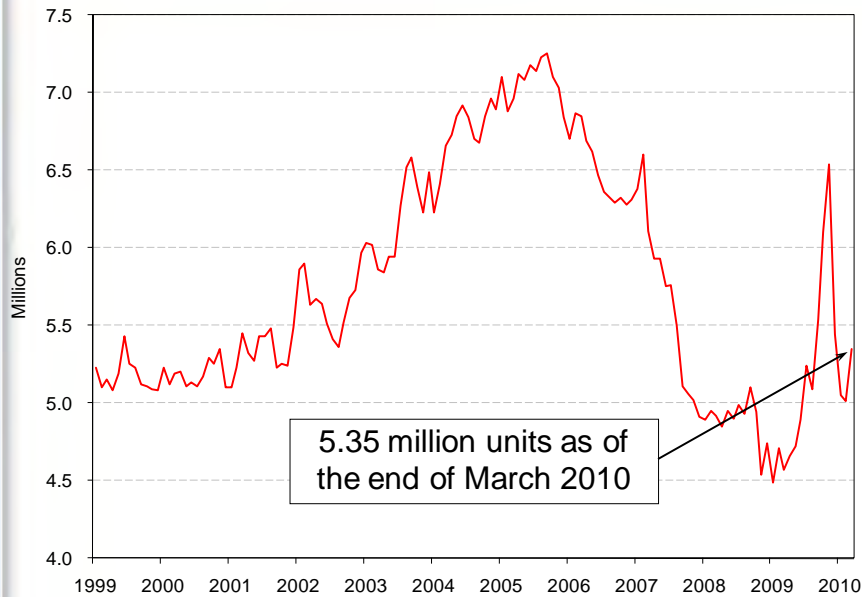


In Addition to Affordability, Two Primary Factors Have Been Driving Home Sales

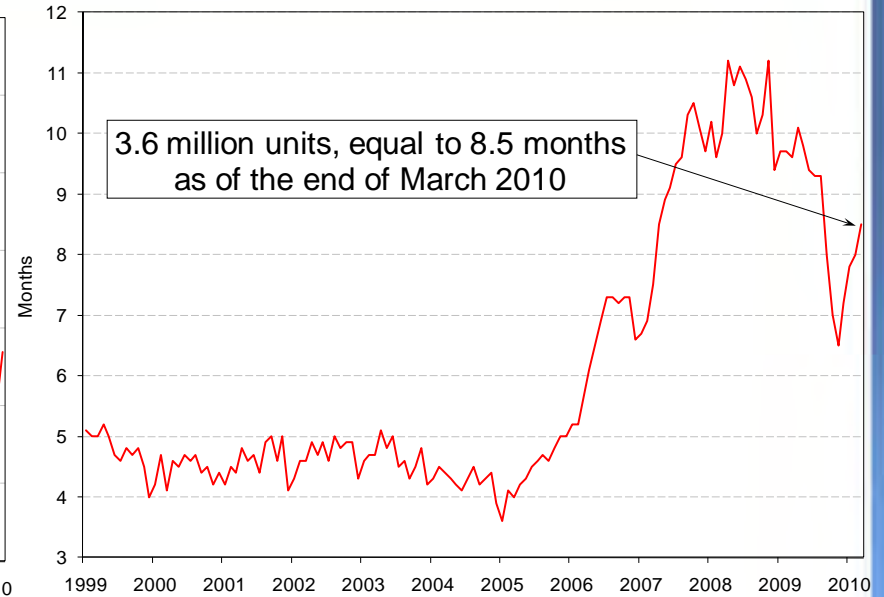
- The \$8,000 First-Time Buyer and the \$6,500 Repeat Buyer Federal Tax Credits (expired last Friday)
- Every loan officer and realtor has recently been telling buyers that rates will soar when the Fed ceases the MBS purchase program so “you’d better buy now!”

Existing Homes Sales and Inventory Have Gyrate Wildly in Recent Months, But Inventory Is Still Well Above Historical Levels – And Shadow Inventory Lurks

Annualized Rate of Existing Home Sales



Months Supply

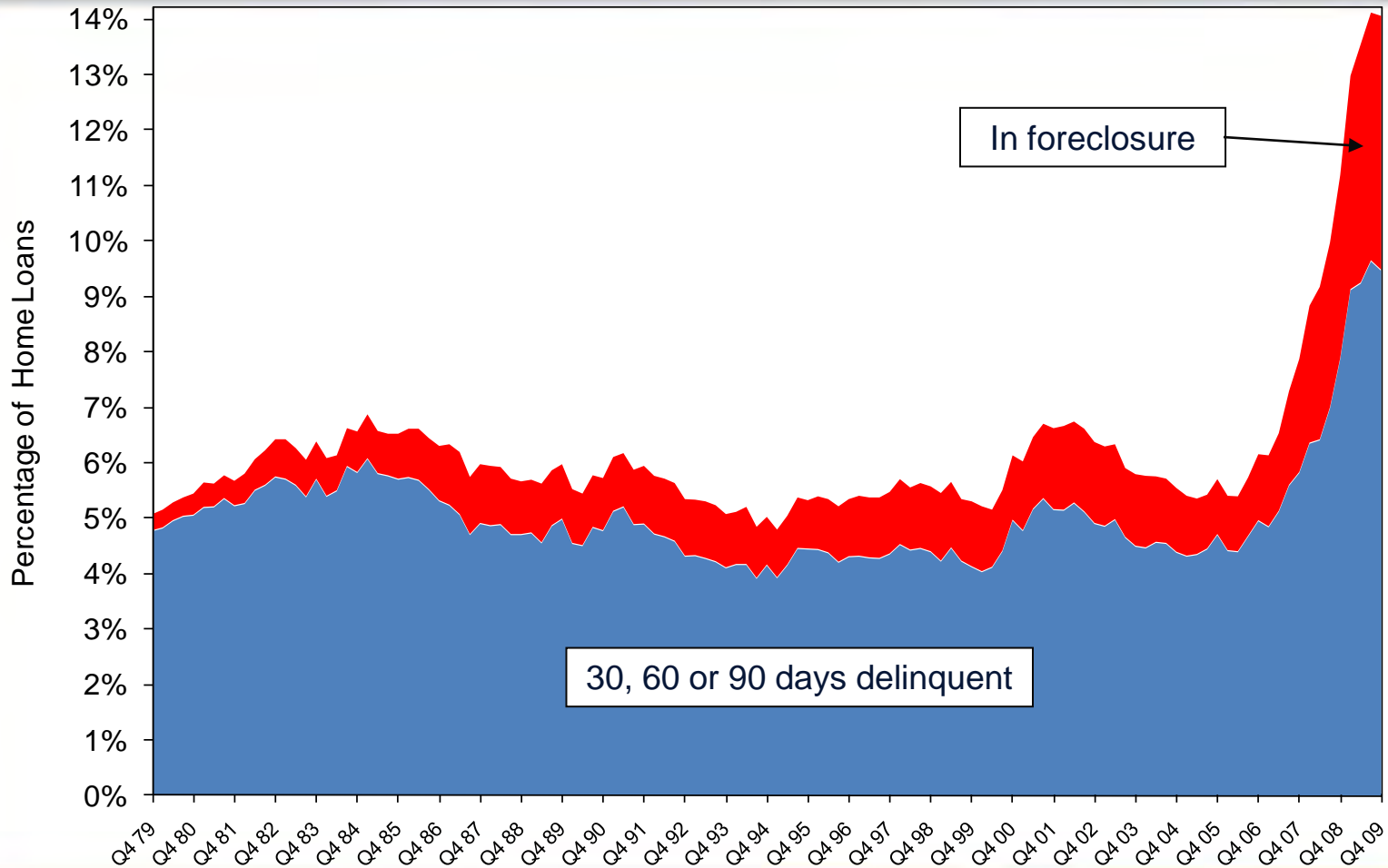


Delinquencies and Inventory Overhang

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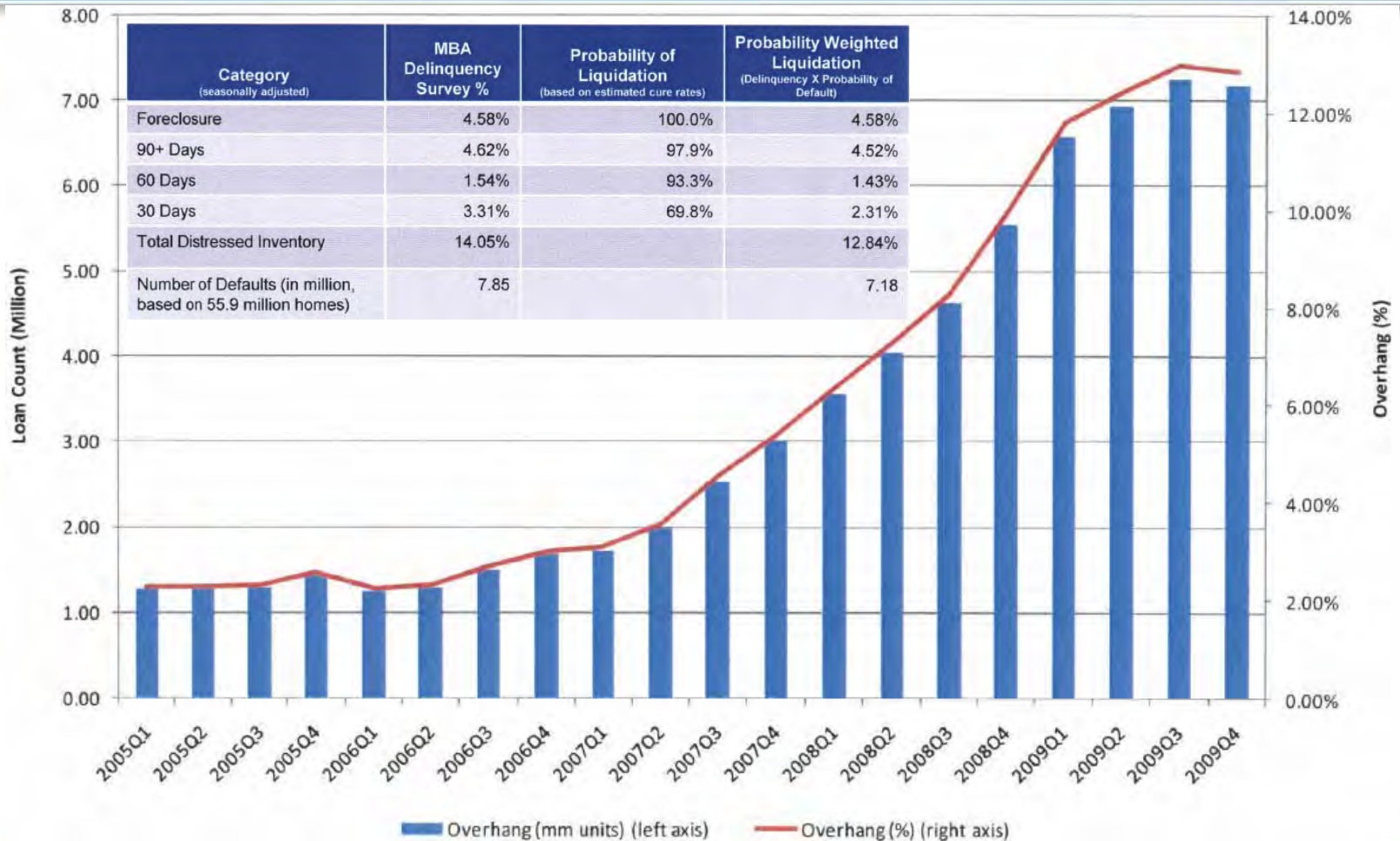
More Than 14% of Mortgages on 1-to-4 Family Homes Were Delinquent or in Foreclosure as of Q4 2009

T2 Partners LLC



Source: National Delinquency Survey, Mortgage Bankers Association; T2 Partners estimates. Note: Delinquencies (30+ days) are seasonally adjusted.

The Current "Housing Overhang" Is More Than 7 Million Homes – Which Doesn't Include Any New Defaults, Which Are Running at Approximately 300,000/Month!

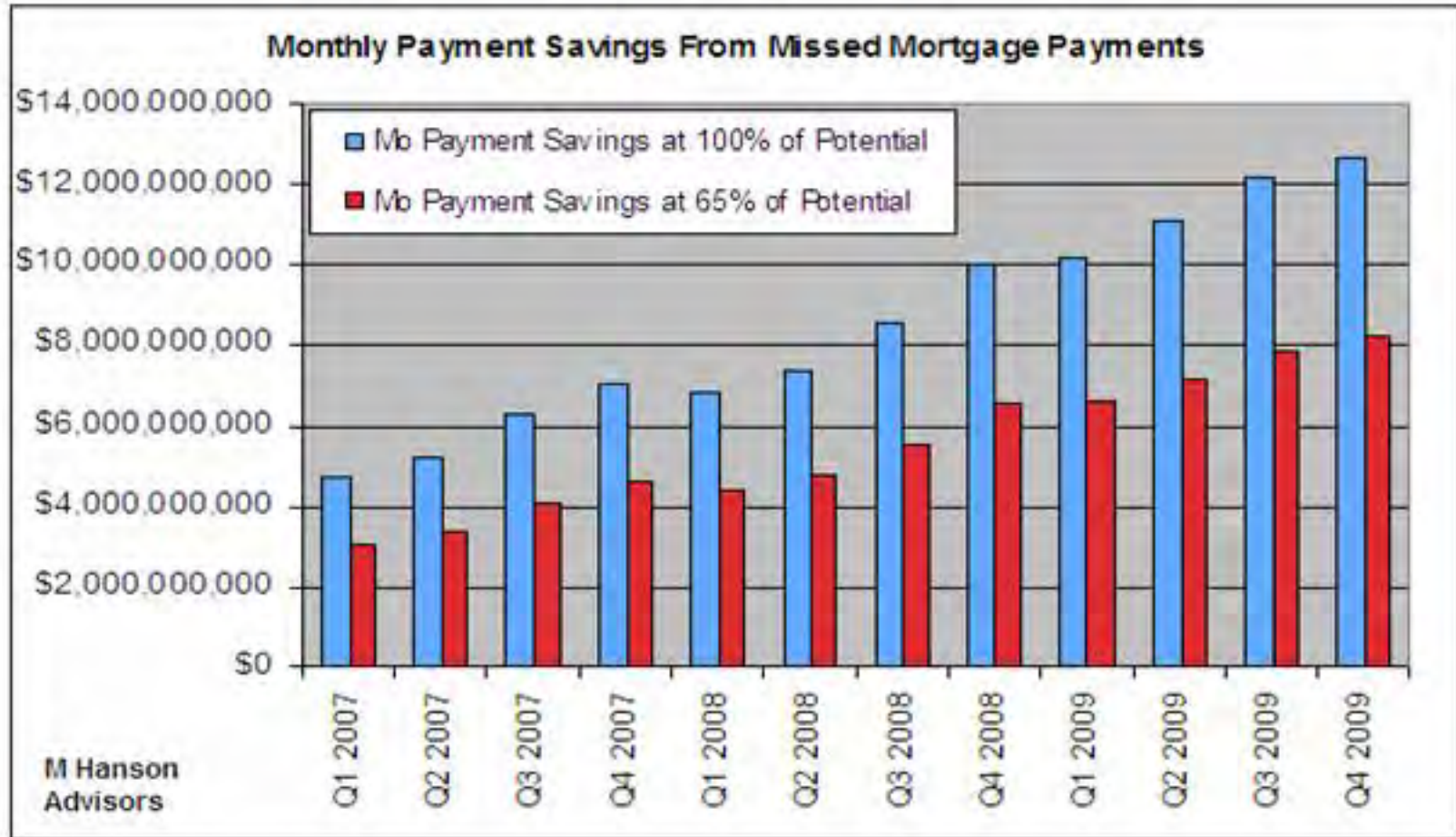


Source: Mortgage Bankers Association, Loan Performance, Amherst Securities.

The 7+ Million Homeowners in Default Are Saving \$8-\$12 Billion Per Month, or \$100-\$150 Billion Annually

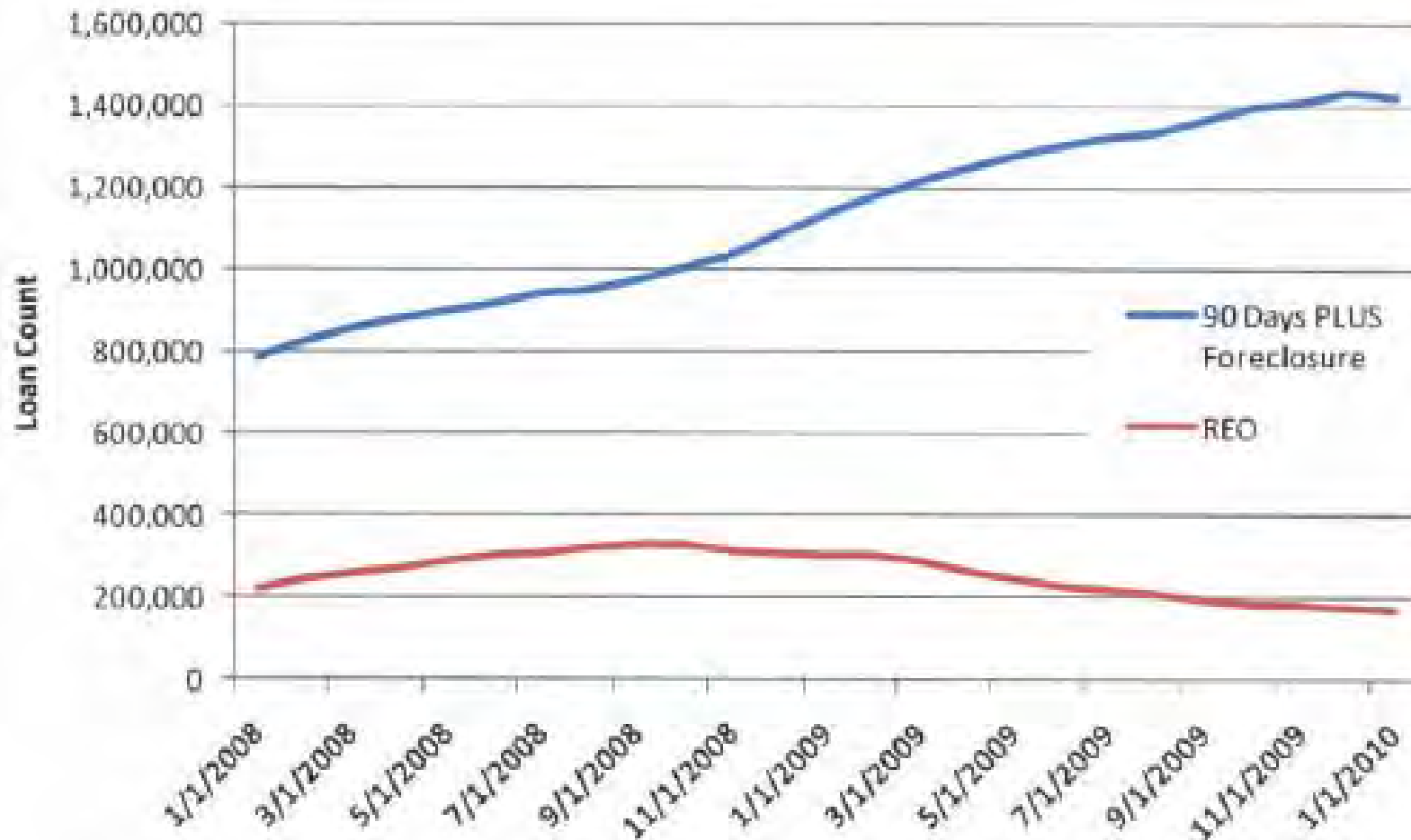
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Banks and Servicers Have Sold Down Their REO, But the Number of Seriously Delinquent and Foreclosed Loans Continues to Grow

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Source: Loan Performance, Amherst Securities.

Banks and Servicers Have Dramatically Slowed the Foreclosure and REO Process

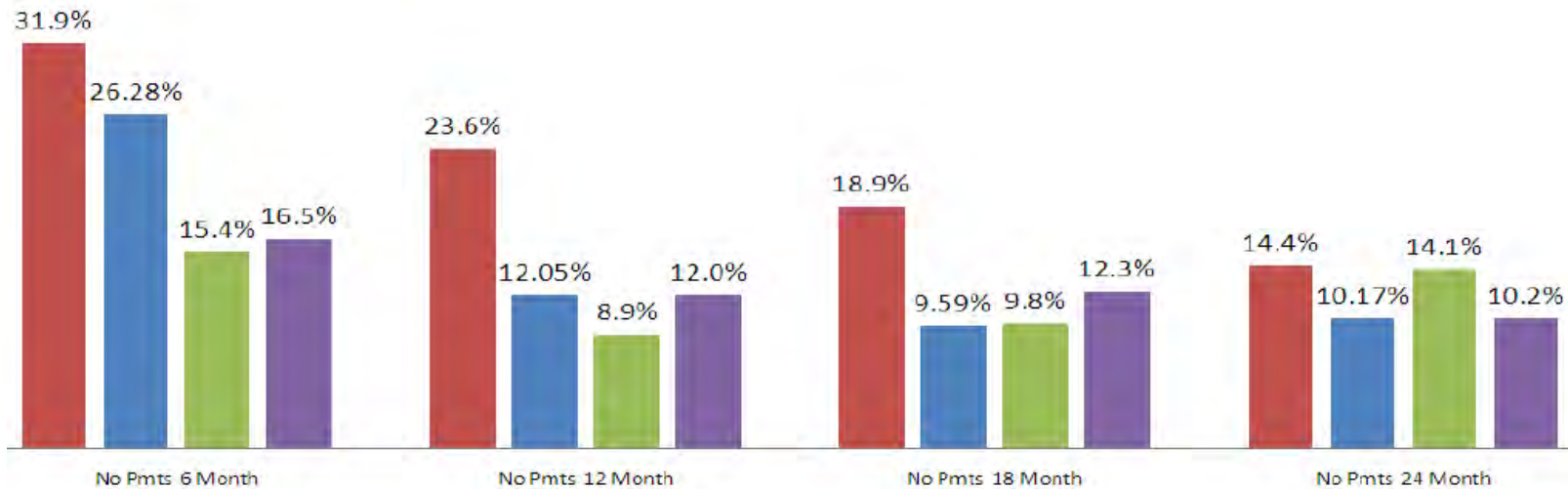
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Of Homeowners Who Haven't Made a Payment in a Full Year, 23.6% Haven't Been Foreclosed Upon

Number of Loans not in Foreclosure as a % of Loans with 6, 12, 18, or 24 missed payments

■ February 2010 Non-Foreclosure ■ February 2009 Non-Foreclosure ■ February 2008 Non-Foreclosure ■ February 2007 Non-Foreclosure

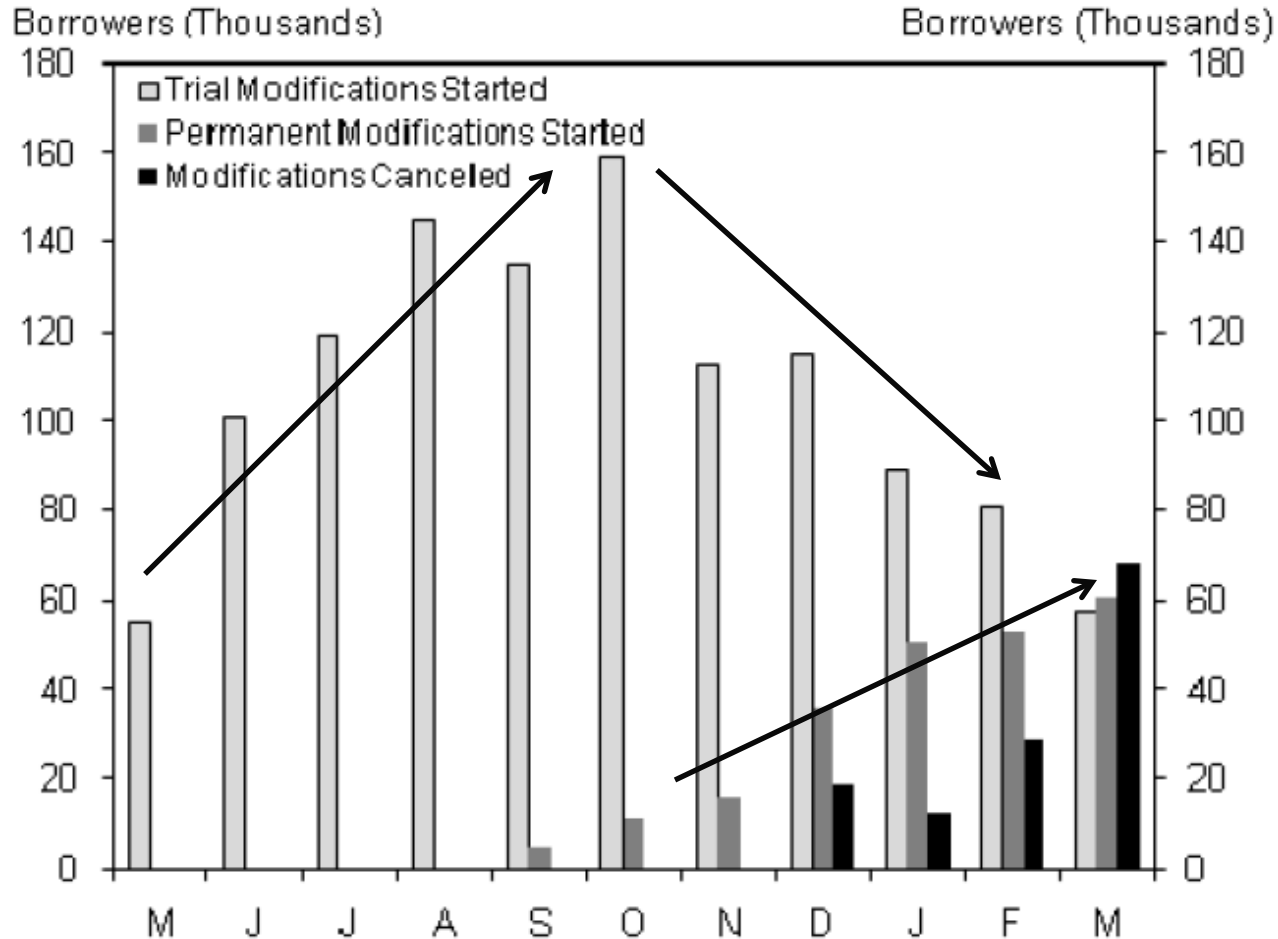


	No Payments 6 Months	No Payments 12 Months	No Payments 18 Months	No Payments 24 Months
Loans Not in Foreclosure	722,496	318,760	126,007	39,527
Total Loans with Missed Payments	2,268,249	1,352,586	665,489	275,321
% of Loans not in foreclosure	31.9%	23.6%	18.9%	14.4%

Modifications and Underwater Homeowners

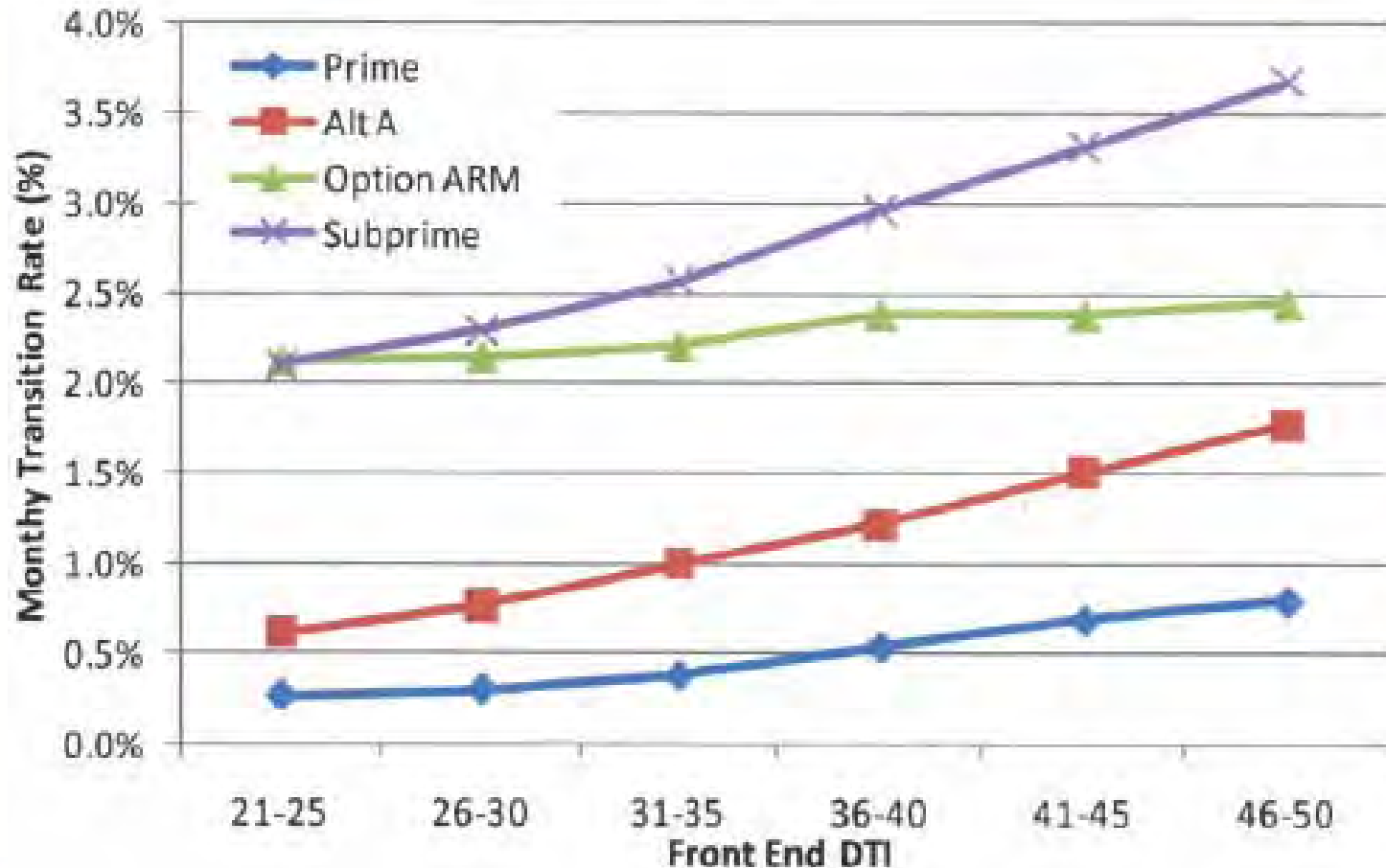
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Trial Modifications Surged and Are Now Declining, and Both Permanent and Cancelled Ones Are Up



Lower Debt-to-Income (DTI) Loans Perform Much Better

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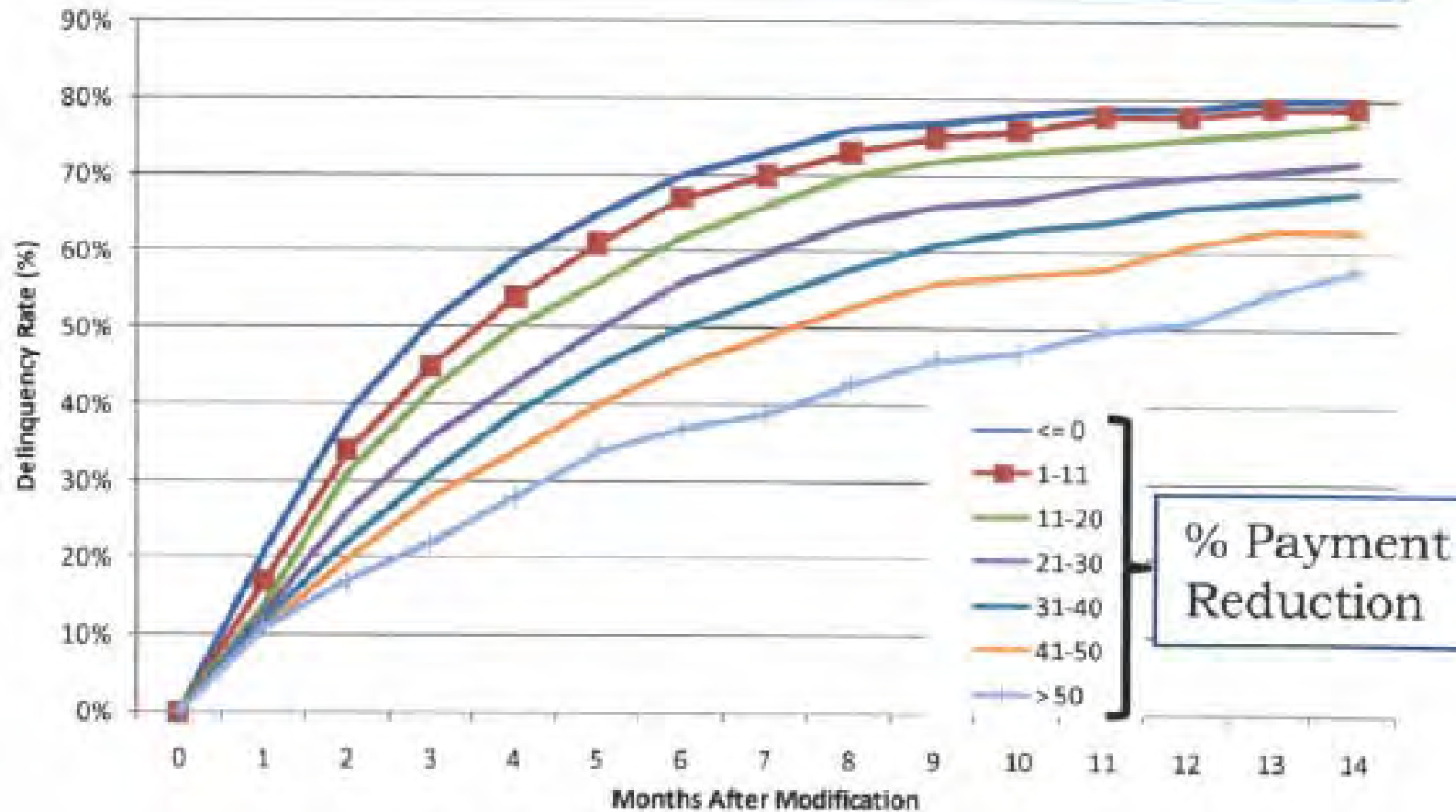


Note: Monthly Transition Rate (sTr): % of loans becoming 60+ days delinquent for the first time, quoted on a monthly basis.

Source: Loan Performance, Amherst Securities.

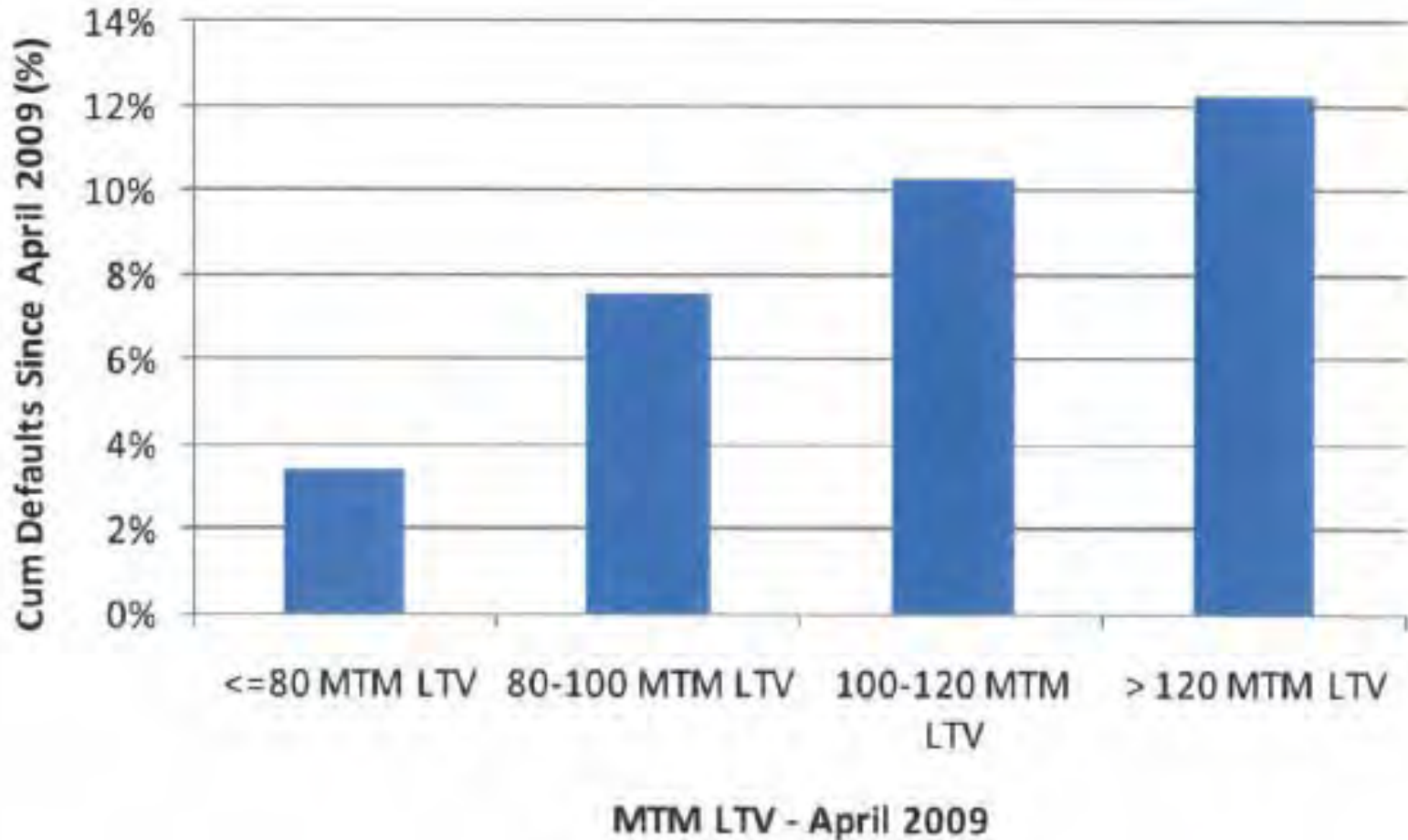
But Re-Default Rates for Modified Loans Are Very High, Even When Monthly Payments Are Reduced Sharply

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Homeowners With Equity In Their Homes Are Unlikely To Default

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Being Underwater Is a Much Bigger Driver of Defaults Than Unemployment

Prime Loans

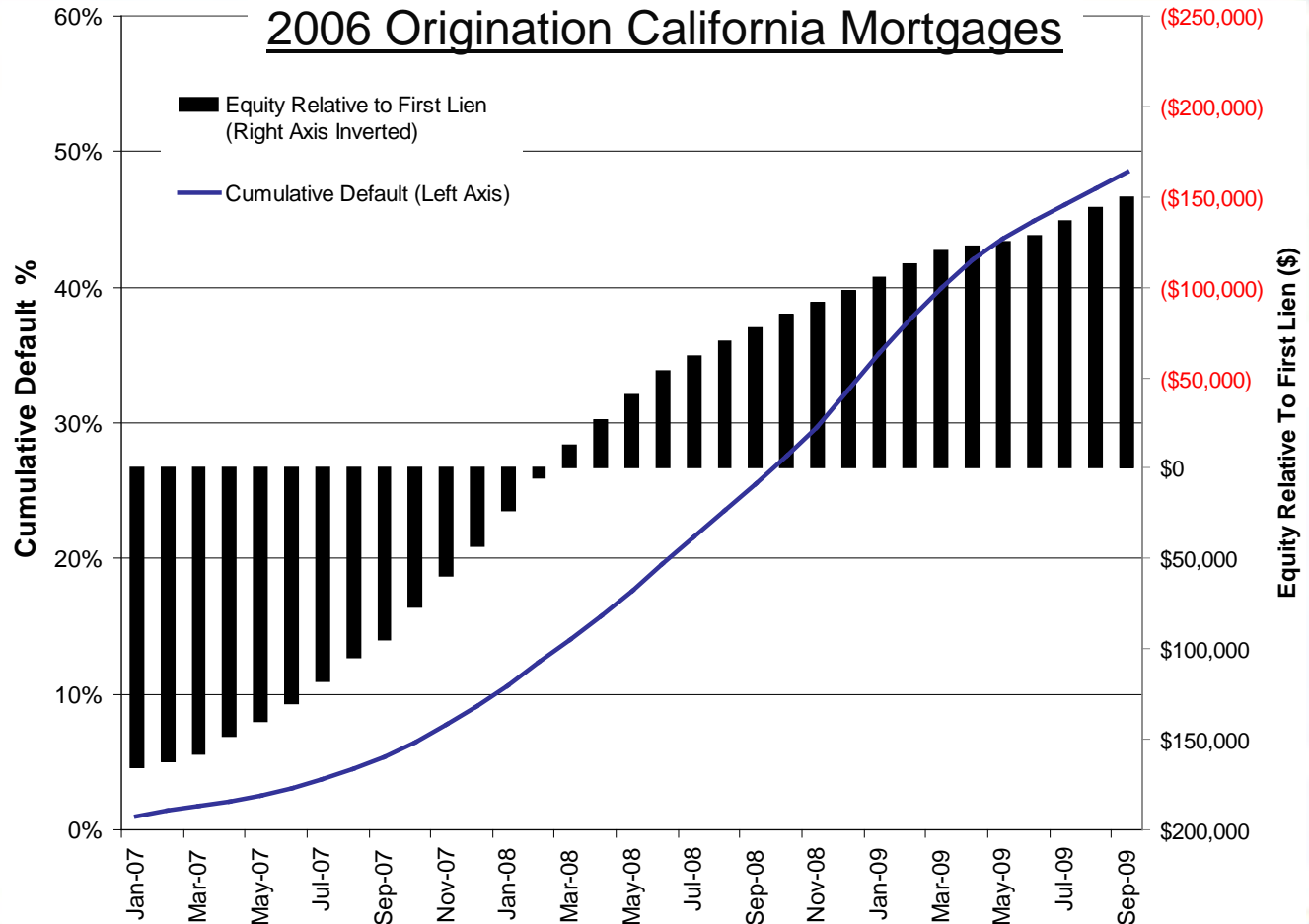
Unemployment Rate 3Mo Ago (%)	Monthly Transition Rates (%)			
	CLTV ≤ 80	CLTV 81- 100	CLTV 101- 120	CLTV > 120
≤ 8.0	0.23	0.50	0.64	0.85
8.1-10.0	0.21	0.55	0.82	1.69
10.1-12.0	0.18	0.54	0.91	1.74
> 12.0	0.18	0.51	0.97	2.05

The Mortgage Crisis is Shifting From One in Which Defaults Are Driven by Resets to Underwater Borrowers Being the Primary Driver

Example:

First-lien mortgages in California that were originated in 2006 went from \$165,000 of equity to an average *negative* equity of \$149,000 by Sept. 2009.

The cumulative default rate tracked this loss of equity, rising from 1.0% to 48.5%.



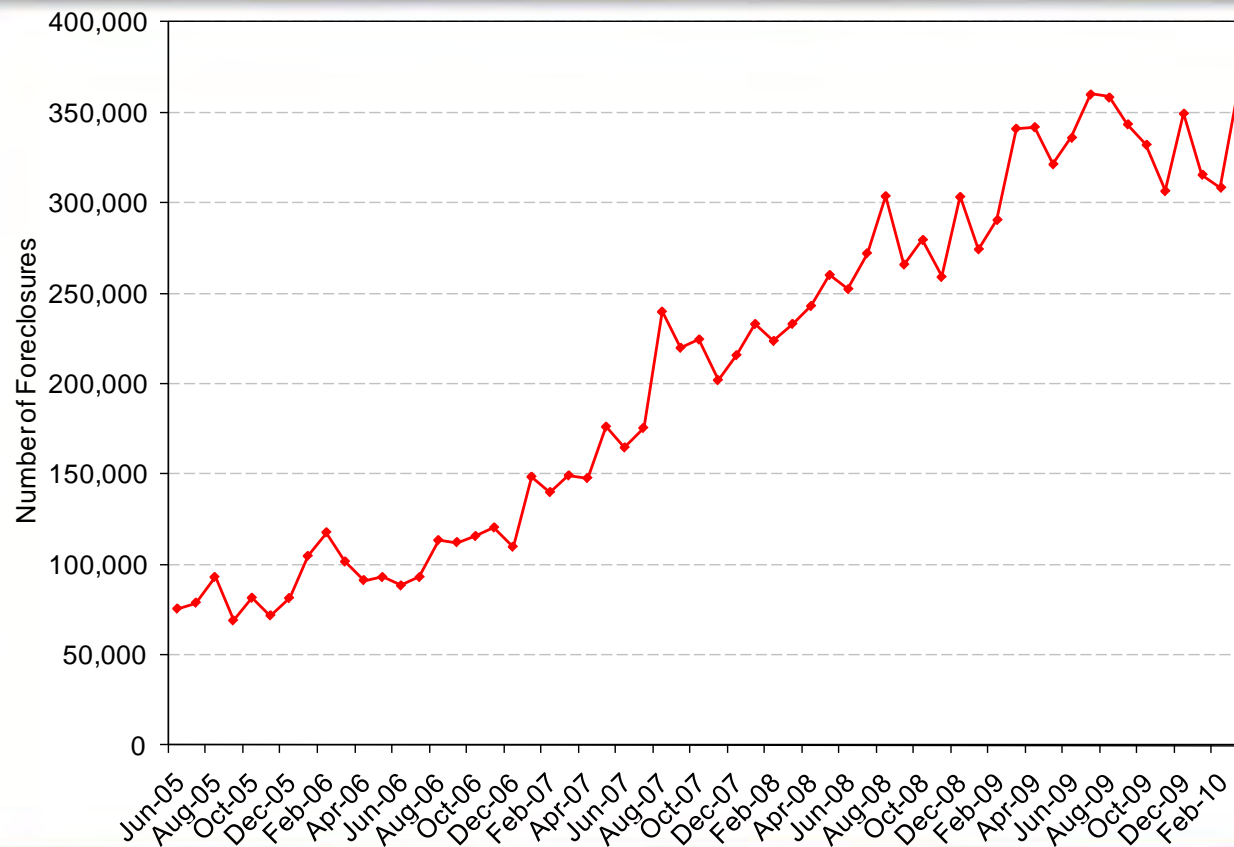
What the Future Holds

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Foreclosure Filings Have Increased Dramatically

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- 367,056 foreclosure filings during March were up 19% sequentially and up 8% year-over-year.
- 2.2% of all U.S. housing units (one in 45) received at least one foreclosure filing in 2009.

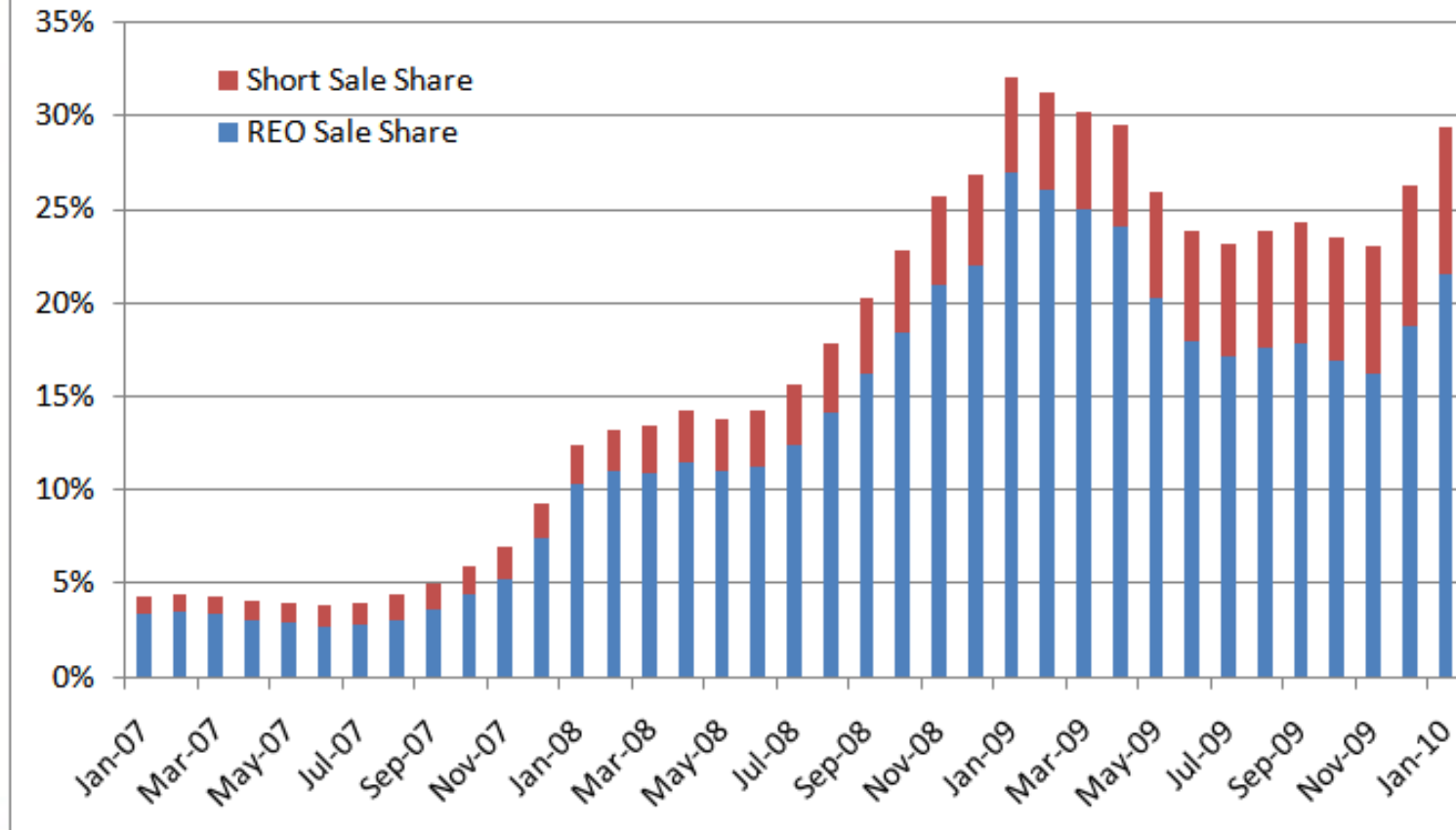


Note: Foreclosure filings are defined as default notices, auction sale notices and bank repossessions.

Source: RealtyTrac.com U.S. Foreclosure Market Report.

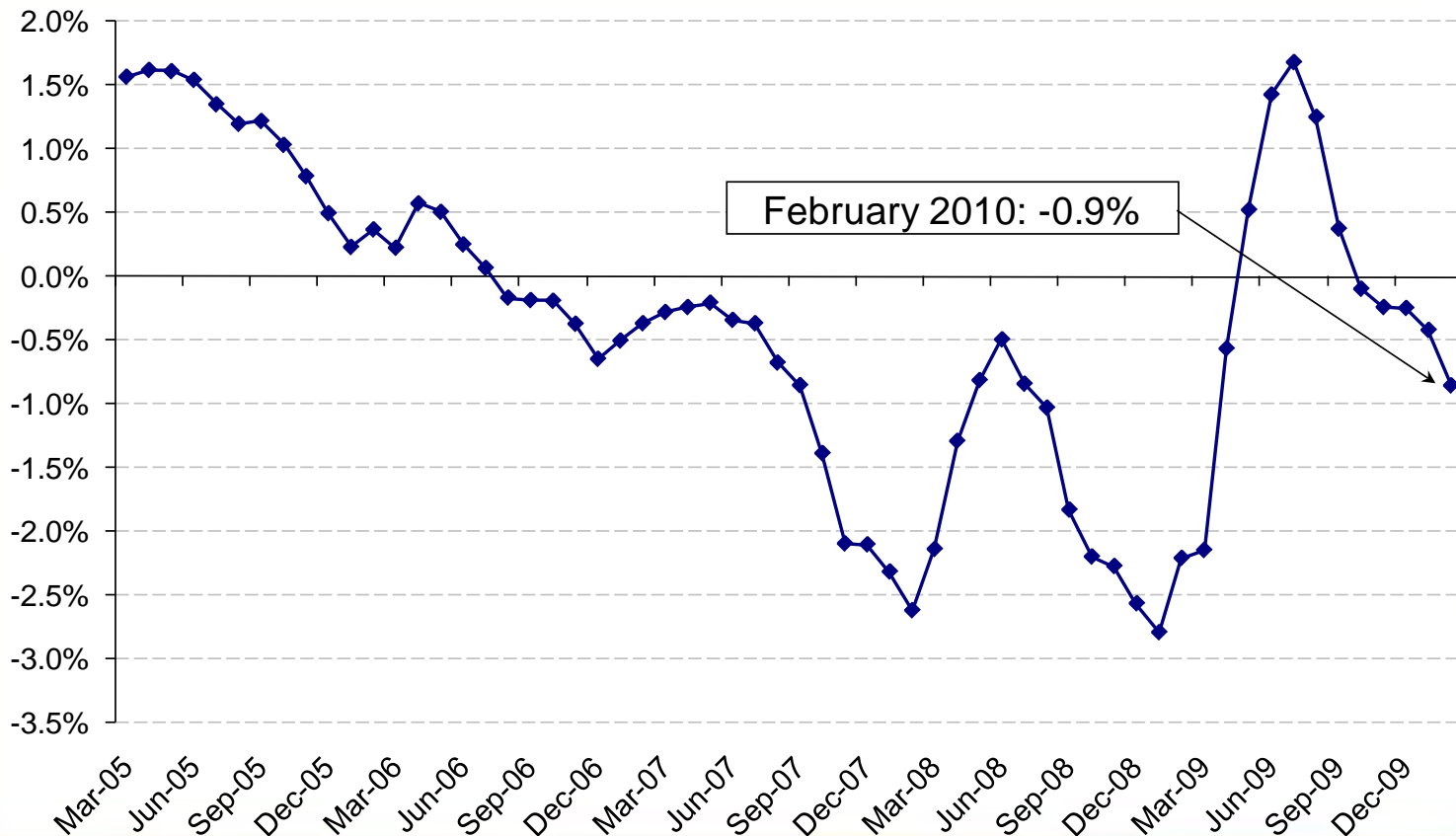
Distressed Sales Have Started to Rise Again

Figure 1: Distressed Sale Share of Total Resales



Home Prices Increased Every Month From May-September, then Fell October-February

Sequential Home Prices March 2005-February 2010

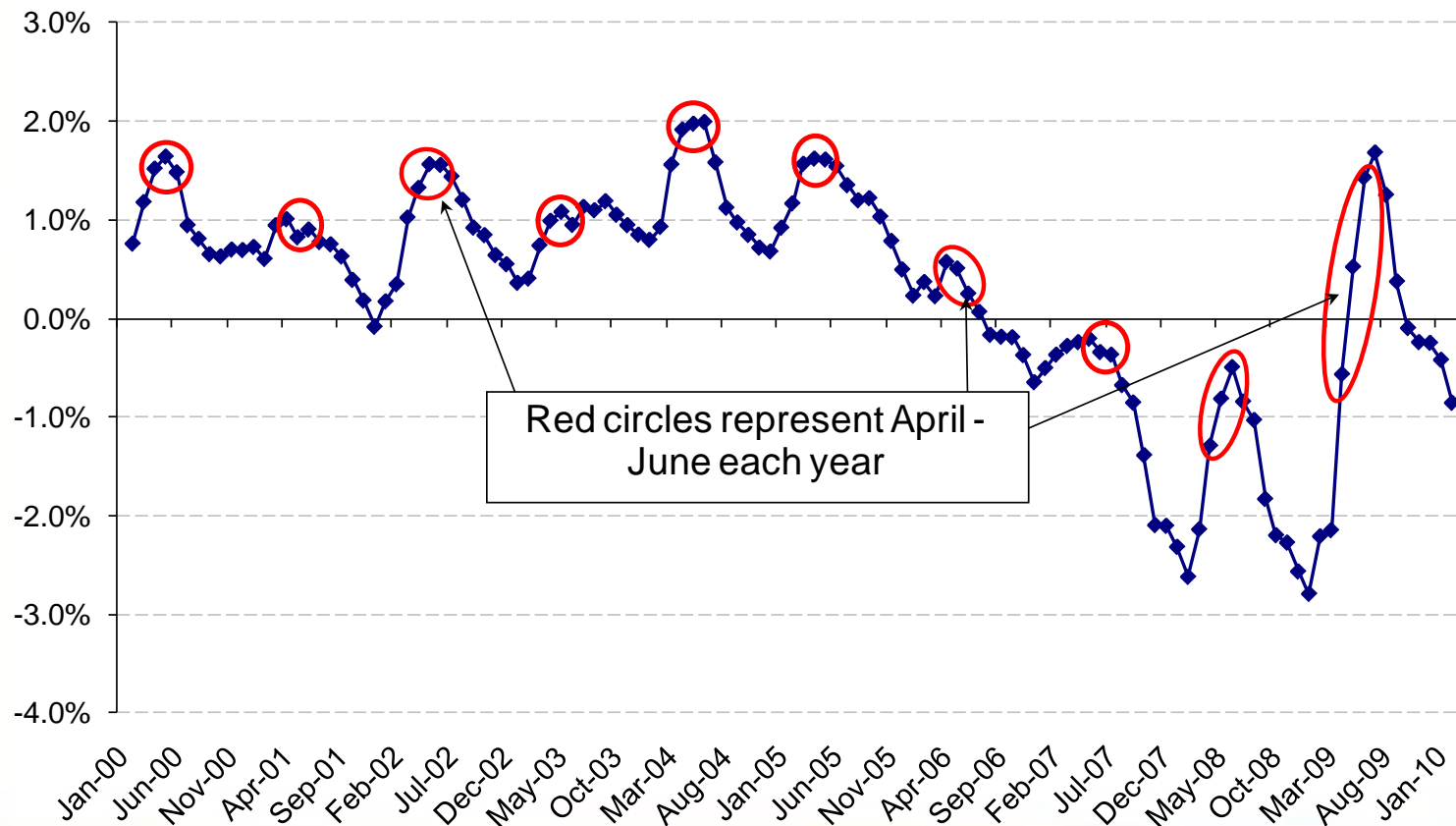


Source: S&P Case-Shiller 20-city index, non-seasonally adjusted.

Home Prices Are Always Strong in the Spring and Early Summer

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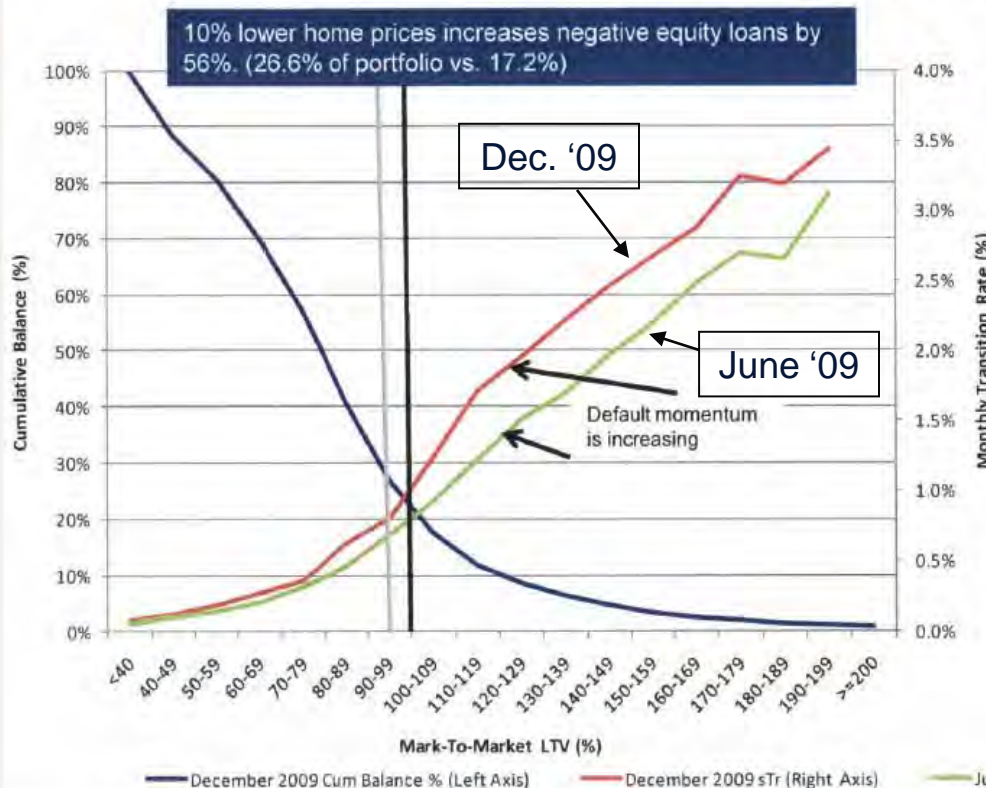
Sequential Home Prices February 2000-January 2010



Source: S&P Case-Shiller 20-city index, non-seasonally adjusted.

If Home Prices Drop 10%, the Percentage of Underwater Homeowners Would Increase by 56%

Aggregate Conventional Non-PLS Universe Data (Proxy GSE)



December 2009 Balance Distribution:				
Implied HPD	MTM LTV Buckets	Balance	Balance %	Cum Balance %
70%	<40	328,049,083,388	11.4%	100.0%
60%	40-49	231,589,573,887	8.1%	88.1%
50%	50-59	307,214,884,139	10.7%	79.7%
40%	60-69	369,797,142,007	12.9%	68.7%
30%	70-79	457,664,909,963	16.0%	55.8%
20%	80-89	403,123,505,307	14.1%	39.7%
10%	90-99	271,132,264,738	9.5%	26.6%
-10%	100-109	161,257,820,538	5.6%	17.2%
-20%	110-119	94,673,237,606	3.3%	11.7%
-30%	120-129	64,371,470,240	2.2%	8.4%
-40%	130-139	45,700,527,042	1.6%	6.1%
-50%	140-149	32,821,022,764	1.1%	4.4%
-60%	150-159	24,393,947,740	0.9%	3.2%
-70%	160-169	18,513,001,094	0.6%	2.4%
-80%	170-179	14,776,621,787	0.5%	1.7%
-90%	180-189	11,432,173,090	0.4%	1.2%
-100%	190-199	8,054,273,216	0.3%	0.8%
-110%	>=200	22,083,704,492	0.8%	0.6%

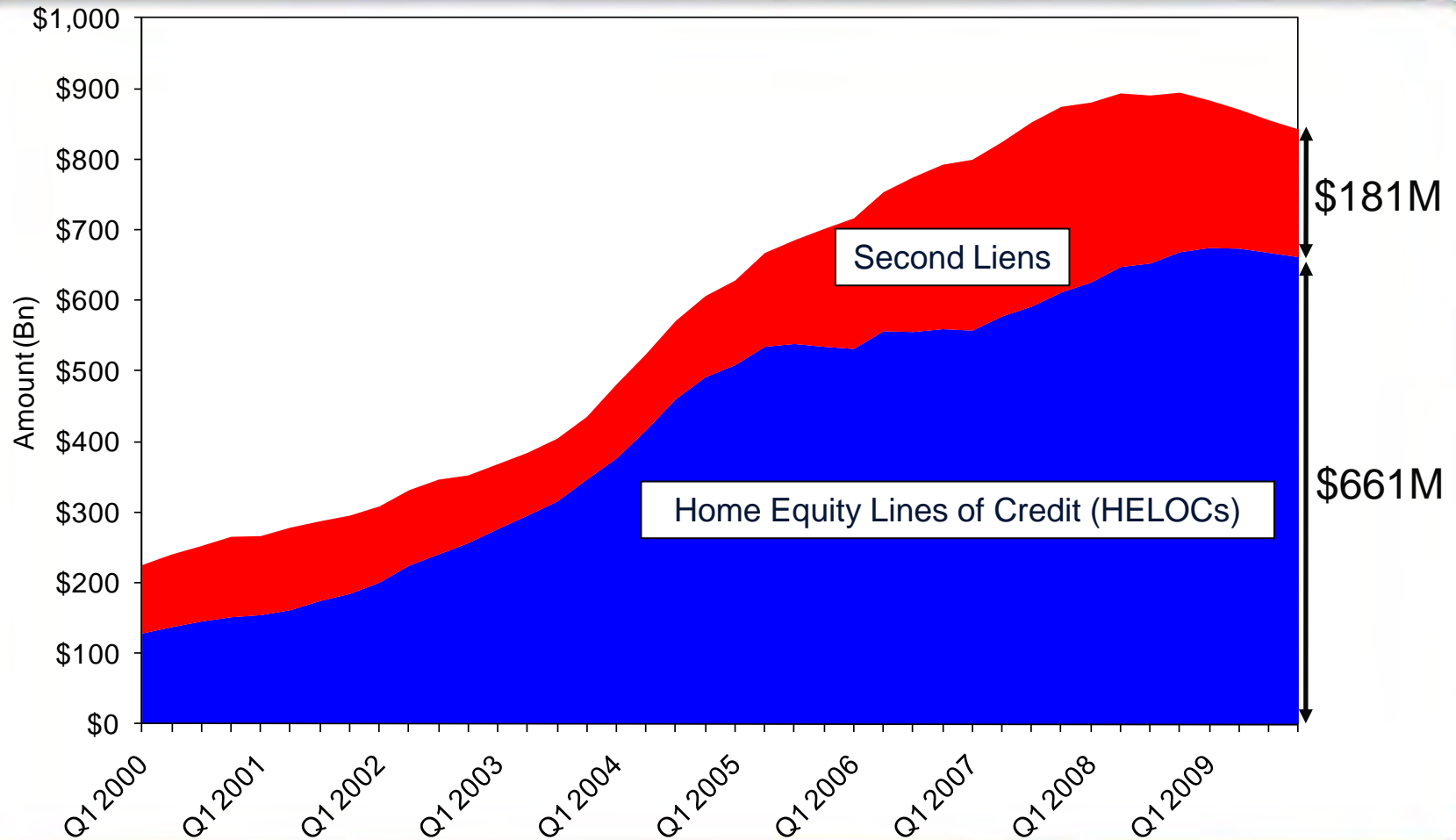
Monthly Transition Rate (sTr):

% of loans becoming 60+ days delinquent for the first time, quoted on a monthly basis

HELOCs and Home Equity Loans Soared in Popularity During the Bubble

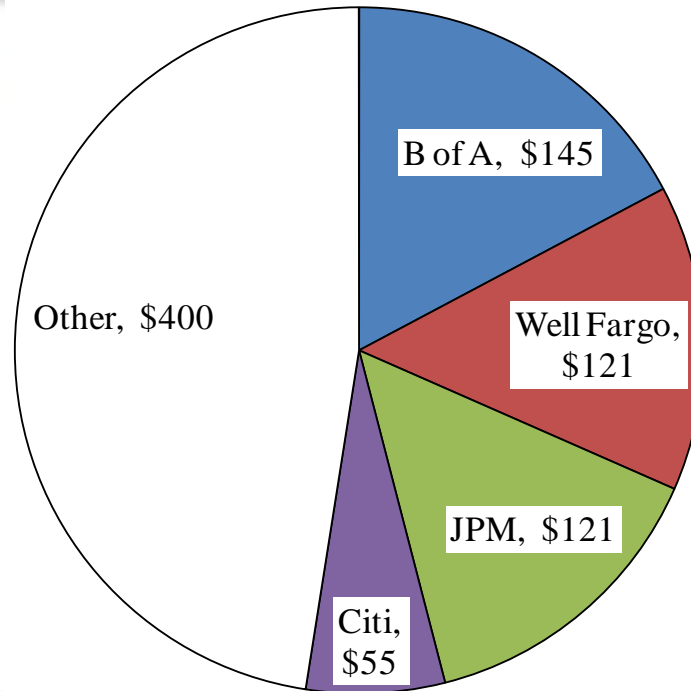
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\$842 Billion Outstanding as of Q4 '09



Note: Does not include approximately \$200 billion of securitized HELOCs and junior liens. Source: FDIC Quarterly Banking Profile.

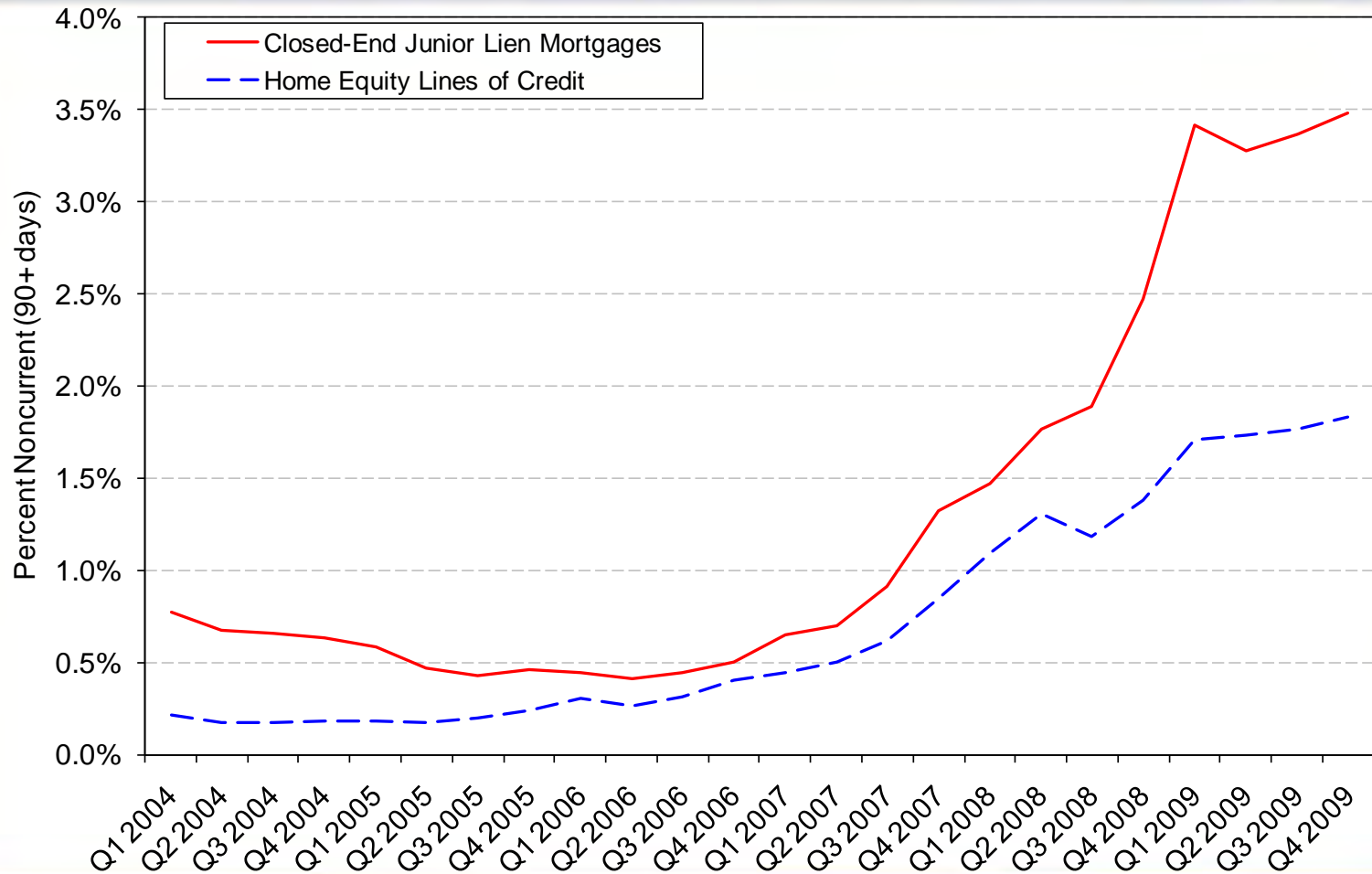
More Than Half of HELOCs and Second Liens (\$442B) Are Owned by the Big 4 Banks



Originator	1-4 Family Servicing (Dollars in Billions)		Non-Agency MBS Securities	1st Liens	Closed-End 2nd Liens	Residential Revolving Lines of Credit*	Share of Total Revolving	Total Revolving and 2nd Liens
	Q3 09	Q3 Share						
Bank of America	\$ 2,148.10	19.7%	\$ 28.67	\$ 208.43	\$ 28.91	\$ 115.82	10.8%	\$ 144.72
Wells Fargo / Wachovia	\$ 1,793.65	16.4%	\$ 32.56	\$ 152.75	\$ 19.98	\$ 100.91	9.4%	\$ 120.89
JP Morgan Chase	\$ 1,419.60	13.0%	\$ 12.37	\$ 178.77	\$ 13.30	\$ 107.98	10.1%	\$ 121.28
Citibank, NA	\$ 743.56	6.8%	\$ 29.37	\$ 113.10	\$ 23.57	\$ 31.61	2.9%	\$ 55.17
Total Top 4	\$ 6,104.91	56.0%	\$ 102.97	\$ 653.06	\$ 85.76	\$ 356.31	33.2%	\$ 442.06
Total	\$ 10,910.00					\$ 672.90		

* - Total refers to total revolving lines of credit at FDIC insured institutions. Overall market size is \$1074.1 billion.

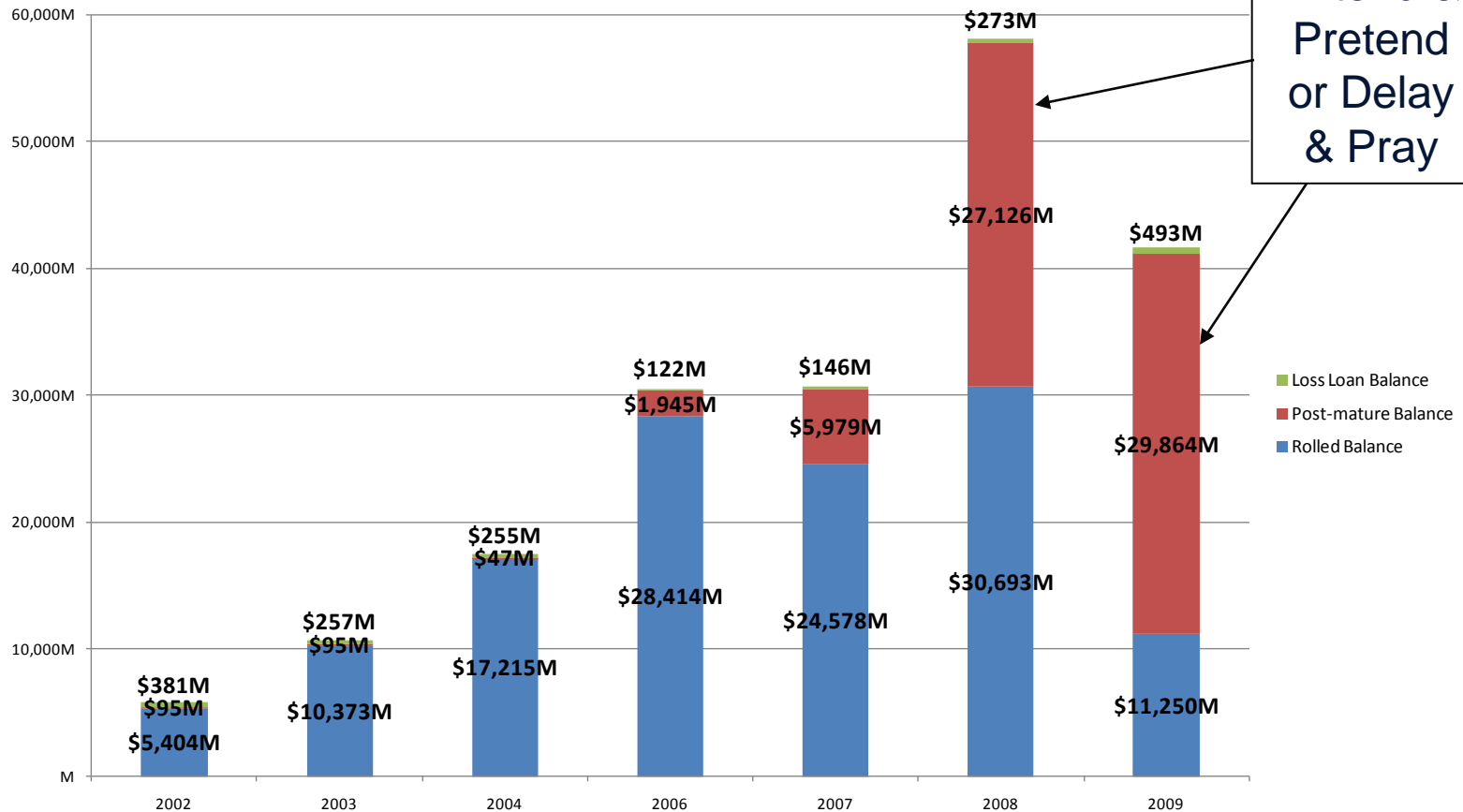
Delinquencies of HELOCs and CESs Are Soaring



When They Mature, Most CMBS Loans Today Are Simply Being Extended, With No Loss Taken

Source: LoanPerformance, Amherst Securities

Matured Loans By Outcome



**Investment: Short Homebuilders Via iShares Dow
Jones U.S. Home Construction Index (ITB)**

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Background on the U.S. Housing Market

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