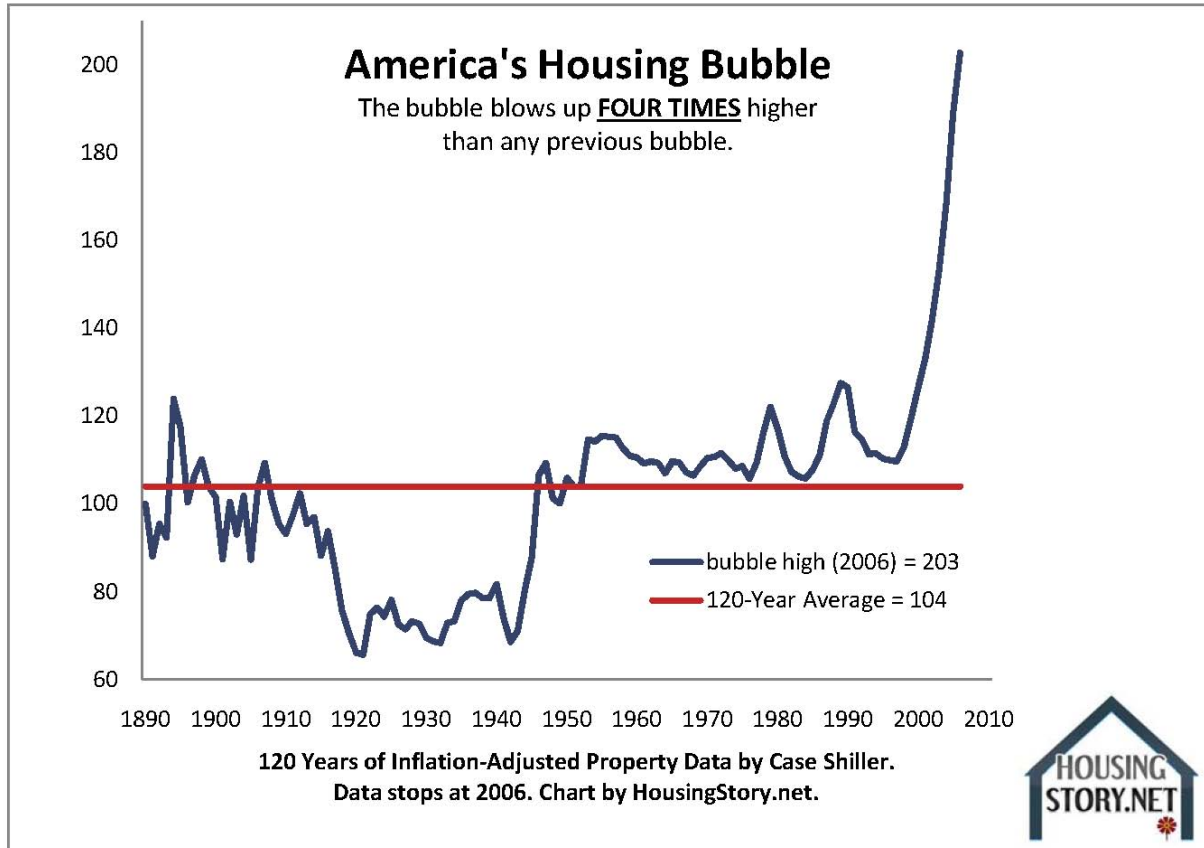
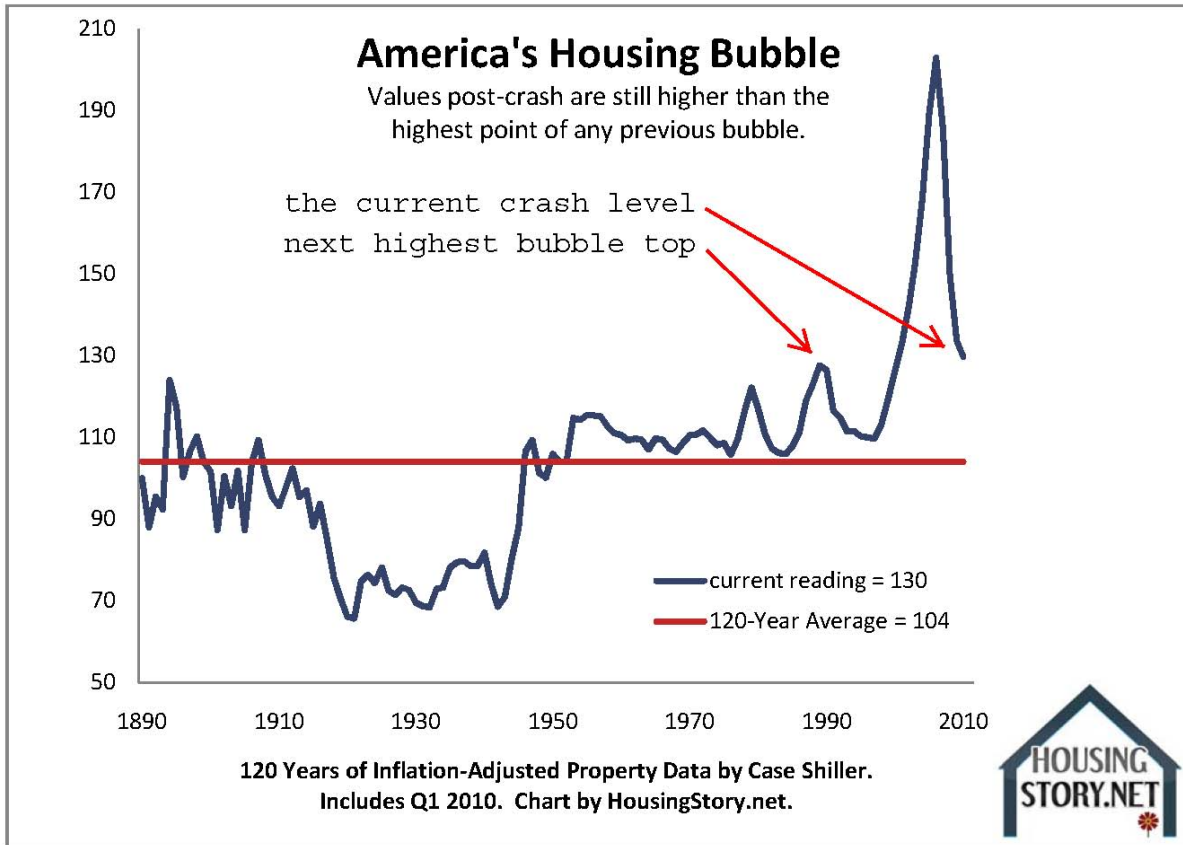


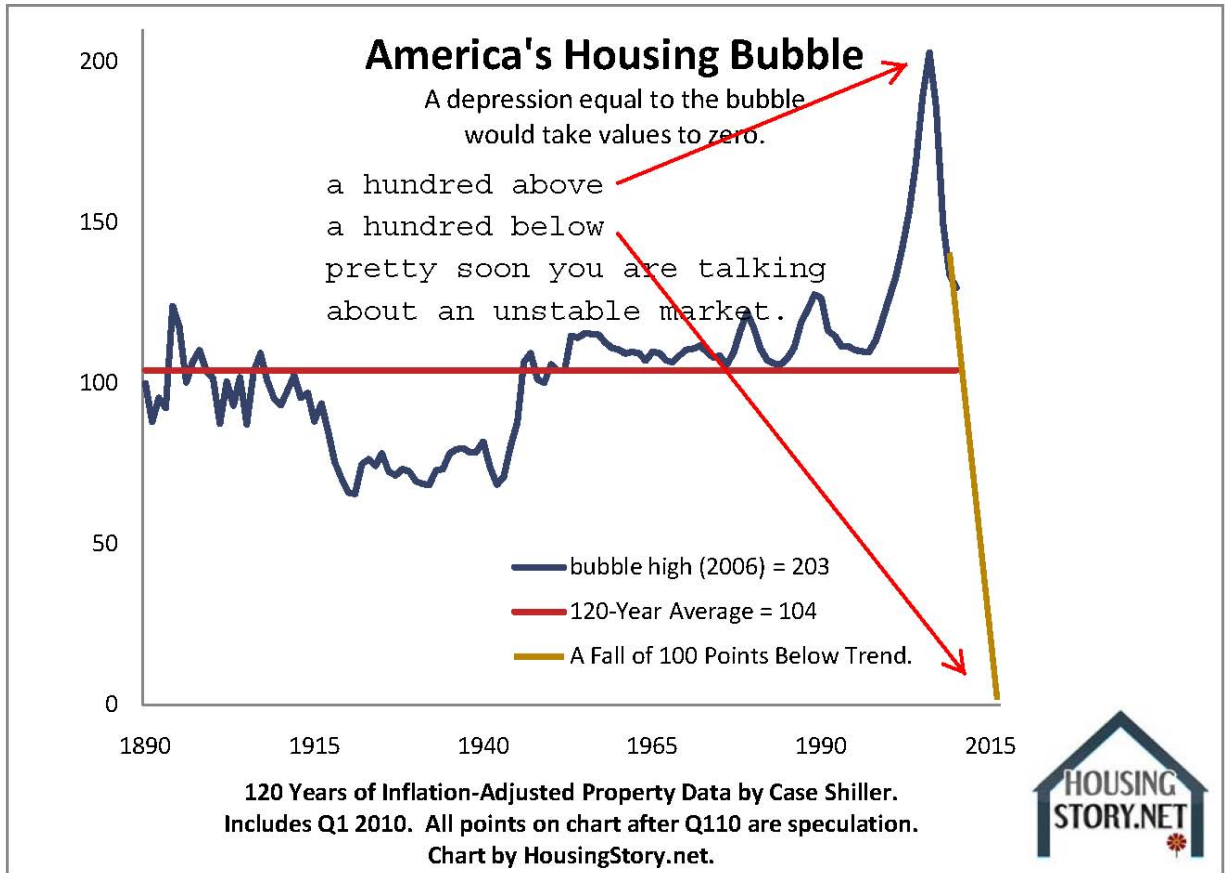
The Five Stages of America's Housing Bubble



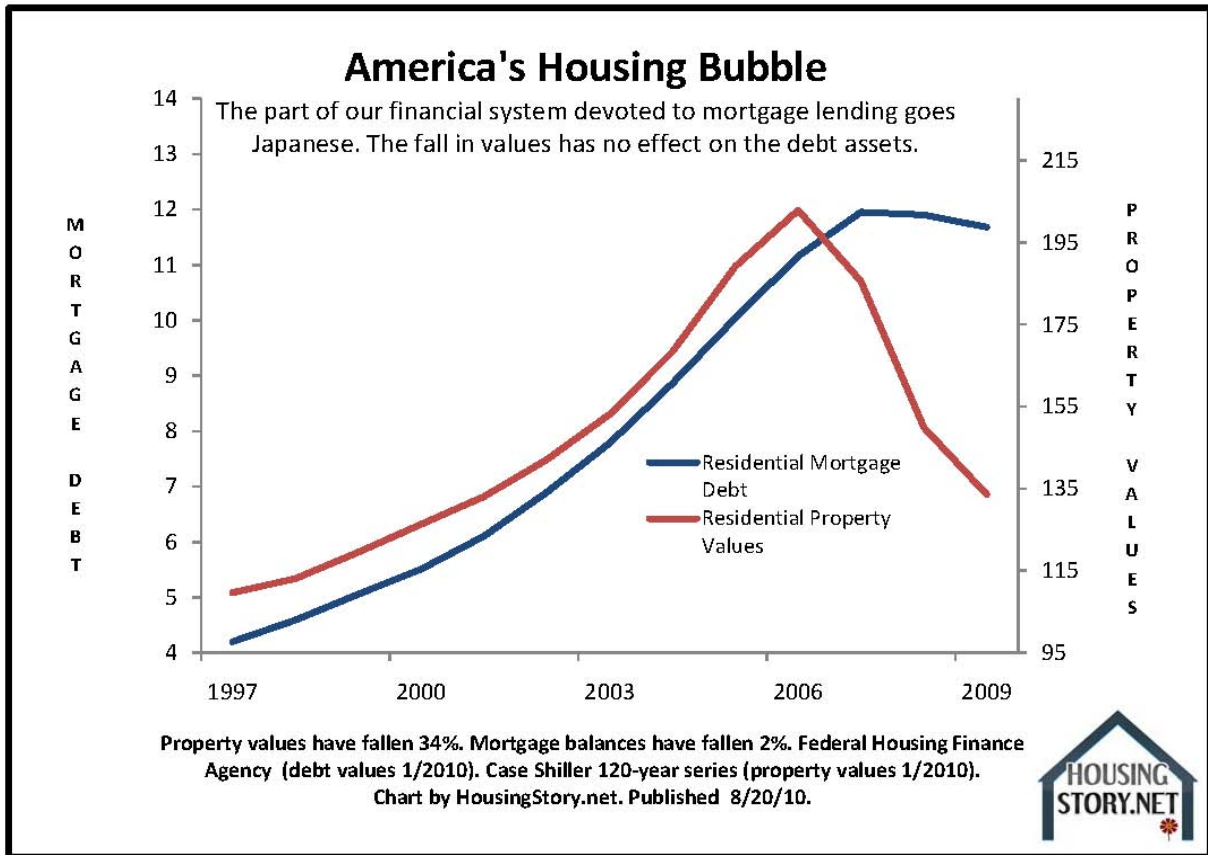
Our current bubble blew up four times higher than any previous bubble.



While nobody doubts that a fall of 34% from the peak is a crash, do observers know that values remain higher above trend than the top of any previous bubble?



If the depression falls as hard as the mania exploded up, then values will fall to zero. That might be a time to look at buying.



A \$7 trillion loss of property values suggests a \$4 trillion loss of mortgage values. To date mortgage balances have fallen by \$271 billion. Here's the math: \$4 trillion - \$271 billion = Japanese Zombie.

PLAN ORANGE FOR MORTGAGES

PROPERTY VALUES

$21 \times 40\% = 8.4$
 $21 - 8.5 = 12.5$

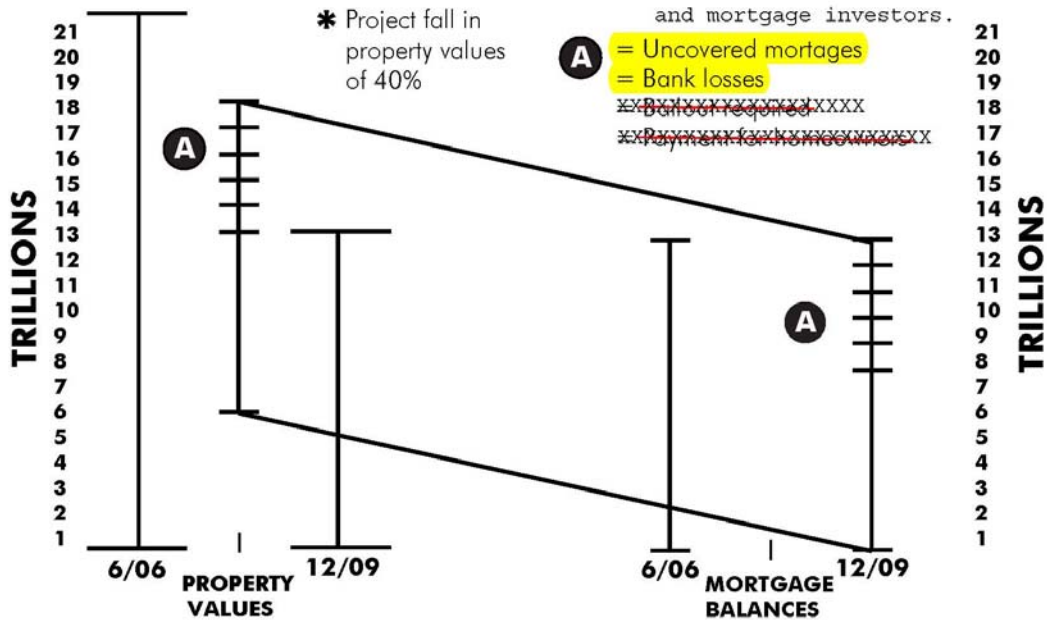
Total Value of All Residential Property (USA circa 6/2006)	21
Projected Loss of Values All Residential Property (USA)	40%
Total Equity Loss Based Upon 40% Fall (Trillions)	8.5

MORTGAGE BALANCES

$12 \times 40\% = 4.8 \text{ Trillion}$
 $12 - 5 = 7 \text{ Trillion}$

Total Value All Mortgages (USA circa 6/2006)	12
% of portfolio to write off or to go to negative equity	40%
Total of mortgages lost or unsecured (Trillions)	5

= debt to be extinguished via bankruptcy of individuals and mortgage investors.



It's all very simple. Write off \$5 trillion of mortgages and call me in the morning.