



SOCIETY OF ACTUARIES

**Investment Symposium
March 2010**

A6: Default and distress in RMBS and CMBS

**Laurie Goodman
Ted Hong**

**Moderator
Daniel Hui**

Default and Distress In RMBS Securities

Laurie Goodman

Senior Managing Director

Amherst Securities

SOA Investment Symposium

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What to Expect from the Housing Market in 2010

- Home prices have 8-10% further downside. We recognize the fact that prices have dropped substantially and rates are low, making homes the most affordable they have been in 20 years. In addition, the \$8,000 tax credit has spurred first-time home buyers. However, the housing overhang is very substantial. That is, if no further action is taken, we believe 7 million units will eventually liquidate.
- And after home prices trough, we would expect them to remain flat for a long period of time, as housing overhang will contain any upward pressure.
- The bulk of the origination activity, at least early in the year, will be in the agency market. In particular, Government guaranteed mortgages will continue to maintain their prominent role.
- Outside the agency market, origination will remain limited until securitization resumes. This is likely to give higher priced homes more potential price downside than lower priced cohorts.



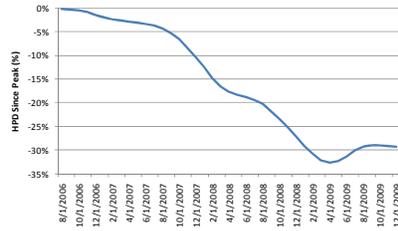
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Prices Down, Rates Low → Affordability is at a 20 Year High

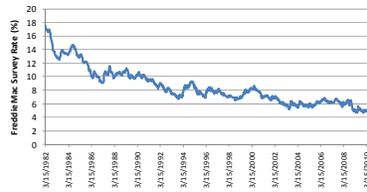
S&P/CS Cumulative HPD Since 2006 Peak



Housing Affordability Composite Index



Primary Mortgage Rate History



Source: Freddie Mac, National Association of Realtors, S&P/Case-Shiller, Amherst Securities



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Housing Overhang Looms

- Total number of homes in the United States with a mortgage: 55.9 million
- MBA Delinquency Survey Reports 44.7 million units, they have ~80% coverage

Category (seasonally adjusted)	MBA Delinquency Survey %	Probability of Liquidation (based on estimated cure rates)	Probability Weighted Liquidation (Delinquency X Probability of Default)
Foreclosure	4.58%	100.0%	4.58%
90+ Days	4.62%	97.9%	4.52%
60 Days	1.54%	93.3%	1.43%
30 Days	3.31%	69.8%	2.31%
Total Distressed Inventory	14.05%		12.84%
Number of Defaults (in million, based on 55.9 million homes)	7.85		7.18

- This suggests that 12.84% of the 55.9 million units, or 7.18 million units are already in the delinquency pipeline and will eventually liquidate. Modification may lower the number somewhat, but the re-default rate on modifications are quite high.
- These numbers encompass loans that are already delinquent. They do not capture loans that are current and will go delinquent going forward. Performing loans are going delinquent at a far more rapid pace than loans are liquidating.

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

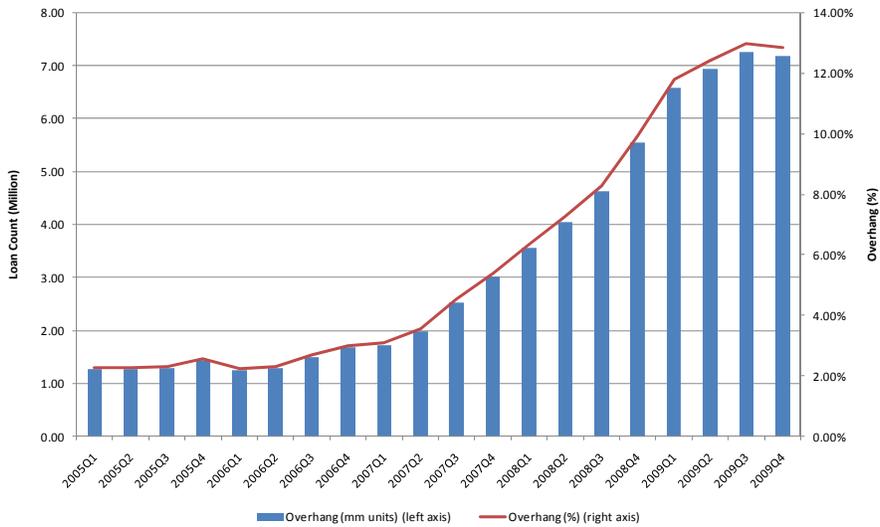


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Housing Overhang – A Growing Problem



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

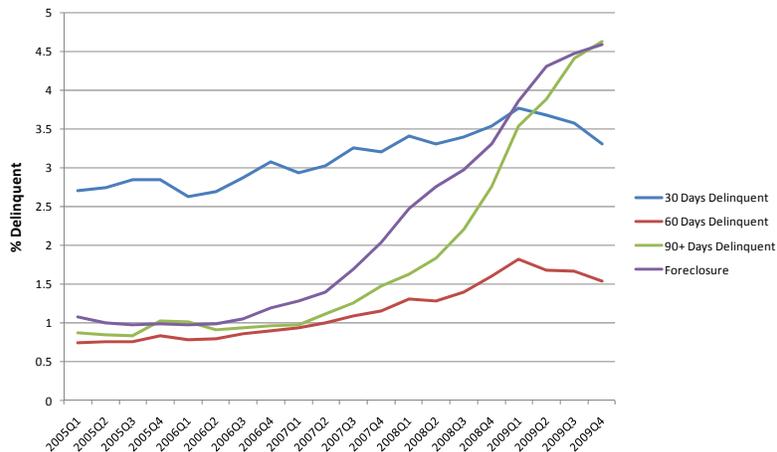
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Delinquencies Up Substantially



Source: Mortgage Bankers' Association

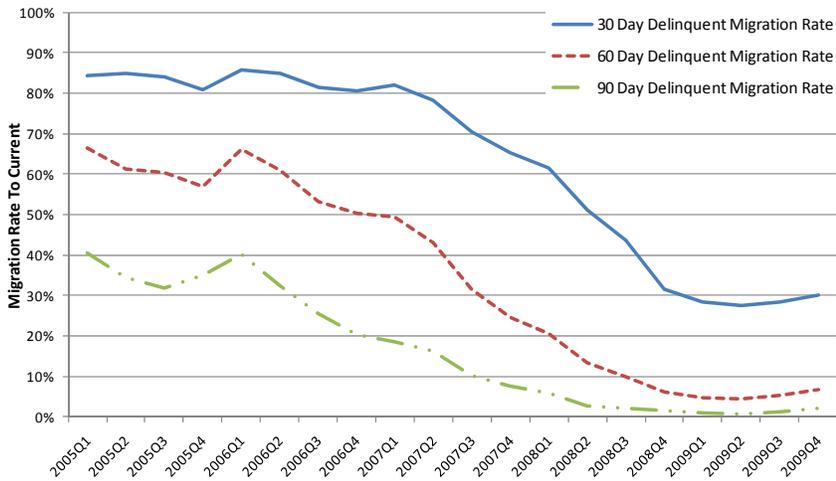
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Cure Rate Time History



Source: Loan Performance, Amherst Securities

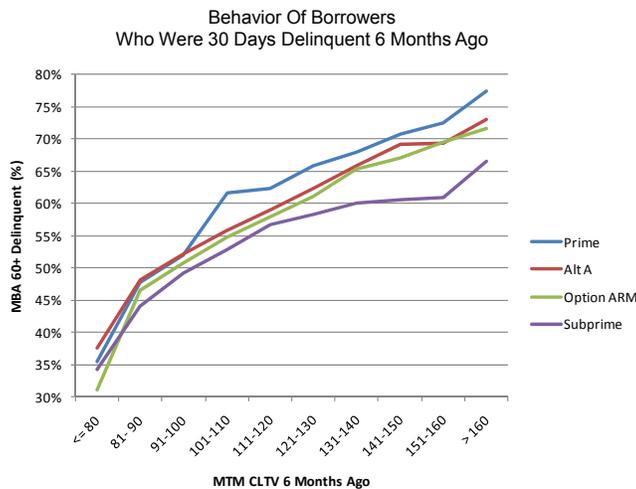
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Cure Rates Are Low: Equity Matters



Source: Loan Performance, Amherst Securities

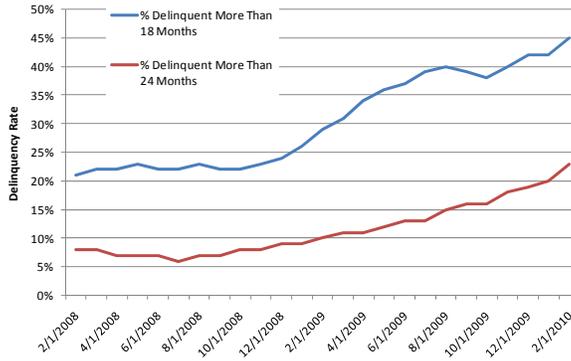
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Foreclosure Buckets Are Swelling



Source: LoanPerformance, Amherst Securities

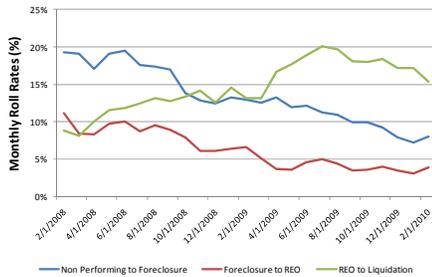
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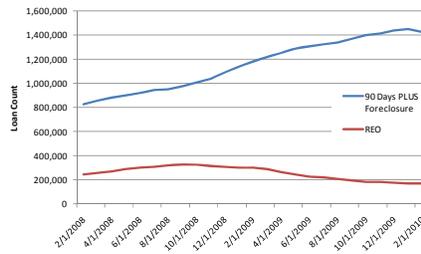
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Foreclosure Buckets Are Swelling

Foreclosure Speed Slows, Liquidation Speed Accelerates



Default Pipeline



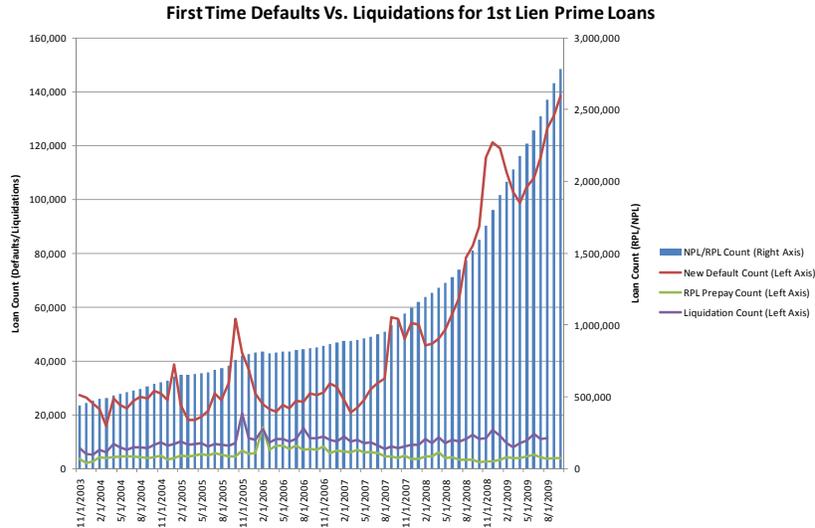
Source: LoanPerformance, Amherst Securities

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First Time Defaults vs. Liquidations (A Robust Sample of First Lien Prime Loans)



Loans are going 60+ days delinquent far more quickly than they are being liquidated.

Source: First American Core Logic Loan-Level Servicing Data, Amherst Securities

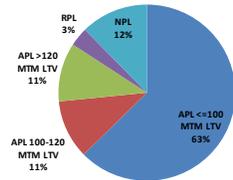
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Mortgage Market Breakdown by Equity / DQ Status



	DQ Status	Num Loans as of Dec 2009	% of Loans	Total Balance as of Dec 2009	% by Balance	3Mo sTr	3Mo cTr	3Mo vPr	3Mo D/TV
Total	APL <=100 MTM LTV	38,430,626	68.9%	6,246,971,451,662	62.7%	0.4%	5.2%	17.0%	23.4%
Total	APL 100-120 MTM LTV	4,739,036	8.6%	1,069,953,989,392	10.7%	1.6%	17.1%	12.7%	57.4%
Total	APL >120 MTM LTV	4,800,226	8.6%	1,074,463,708,417	10.6%	2.7%	28.1%	6.5%	80.7%
Total	RPL	2,301,882	4.1%	341,838,814,060	3.4%	9.2%	68.4%	5.9%	
Total	NPL	5,517,640	9.9%	1,232,504,097,903	12.4%			2.5%	
Grand Total		55,789,409		9,965,732,121,434					

	DQ Status	Num Loans as of Dec 2009	% of Loans	Total Balance as of Dec 2009	% by Balance	3Mo sTr	3Mo cTr	3Mo vPr	3Mo D/TV
NonPLS	APL <=100 MTM LTV	36,248,612	72.4%	5,677,423,584,922	67.3%	0.4%	4.6%	17.1%	21.1%
NonPLS	APL 100-120 MTM LTV	4,307,333	8.6%	918,135,896,355	10.9%	1.4%	15.8%	13.9%	53.1%
NonPLS	APL >120 MTM LTV	4,160,737	8.3%	873,688,879,351	10.4%	2.5%	25.8%	7.4%	77.7%
NonPLS	RPL	1,687,927	3.4%	223,487,983,255	2.6%	8.7%	66.3%	7.3%	
NonPLS	NPL	3,691,227	7.4%	744,156,520,540	8.8%			3.1%	
Subtotal		50,095,835		8,436,892,864,423					

	DQ Status	Num Loans as of Dec 2009	% of Loans	Total Balance as of Dec 2009	% by Balance	3Mo sTr	3Mo cTr	3Mo vPr	3Mo D/TV
PLS	APL <=100 MTM LTV	2,182,014	38.3%	569,547,866,740	37.3%	1.0%	11.3%	15.2%	42.5%
PLS	APL 100-120 MTM LTV	431,703	7.6%	151,818,093,037	9.9%	2.4%	25.4%	5.1%	83.2%
PLS	APL >120 MTM LTV	639,489	11.2%	200,774,889,666	13.1%	3.9%	38.2%	2.6%	93.7%
PLS	RPL	613,955	10.8%	118,350,830,805	7.7%	10.2%	72.5%	3.4%	
PLS	NPL	1,826,413	32.1%	488,347,577,363	31.9%			1.6%	
Subtotal		5,693,574		1,528,839,257,011					

Legend:

PLS = Private Label Securitized
APL = Always Performing Loan
RPL = Re-Performing Loan
NPL = Non-Performing Loan

sTr = Monthly New Default Rate
cTr = Annualized Monthly New Default Rate
vPr = Annualized Voluntary Prepay Rate

Source: LoanPerformance, Amherst Securities

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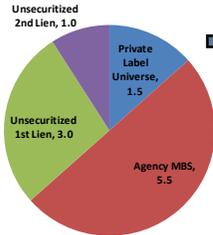


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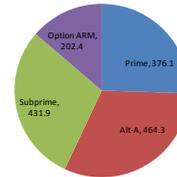
Overall Size of the Mortgage Market

Size of the U.S. Mortgage Market
(Dollars in Trillion, \$11 Trillion Total)



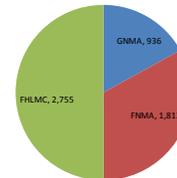
Source: Loan Performance, Amherst Securities, Fannie Mae, Freddie Mac, Ginnie Mae

Size of the Private Label Universe
(Dollars in Billion, \$1.5 Trillion Total)



Source: Loan Performance, Amherst Securities

Size of the Agency MBS Market
(Dollars in Billion, \$5.5 Trillion Total)



Source: Fannie Mae, Freddie Mac, Ginnie Mae

2010 Projections

Agency MBS: ↑
Private Label: ↓↓
Unsecured: ↑↑

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Residential MBS Issuance

Date	Total MBS (\$million)	% of Total							Total Non-Agency	
		GNMA	FHLMC	FNMA	Total Agency	AR-A	Jumbo	Subprime		Other
1995	318,058	22.9	27.0	34.7	84.6	0.2	8.1	5.6	1.5	15.4
1996	440,241	22.9	27.2	34.6	84.1	0.4	7.1	7.0	1.4	15.9
1997	487,016	21.3	23.5	30.7	75.5	1.3	10.3	11.7	1.2	24.5
1998	929,163	16.0	27.0	35.1	78.1	2.3	10.5	8.2	0.9	21.9
1999	832,977	18.2	28.0	36.1	82.3	1.4	9.0	6.7	0.6	17.7
2000	614,970	18.8	26.9	34.2	77.9	2.7	8.7	8.5	2.2	22.1
2001	1,354,819	12.7	28.8	38.8	80.3	0.8	10.5	6.4	2.0	19.7
2002	1,858,381	9.3	29.4	38.9	77.6	2.9	9.2	6.6	3.7	22.4
2003	2,718,170	8.0	26.3	44.1	78.4	2.7	8.7	7.2	3.0	21.6
2004	1,982,836	6.7	19.4	29.0	54.1	8.4	12.4	19.3	8.8	45.8
2005	2,156,007	4.0	18.5	22.3	44.8	15.4	13.0	21.6	5.2	58.2
2006	2,070,388	4.0	17.4	22.1	43.5	17.7	12.6	21.7	4.5	66.5
2007	1,867,676	5.3	23.8	33.1	62.2	13.4	9.7	10.8	3.9	37.8
2008	1,248,488	22.4	29.2	44.2	95.8	0.2	0.6	0.2	3.3	4.2
2009	1,176,386	25.0	27.6	44.8	97.3	0.0	0.1	0.0	2.6	2.7
2007-Q1	537,136	3.4	21.3	24.7	49.4	18.0	11.2	16.5	4.9	50.8
2007-Q2	548,248	4.0	21.6	27.3	52.8	18.4	11.0	13.6	4.2	47.2
2007-Q3	433,291	6.1	25.7	30.9	71.3	8.8	9.3	6.2	4.4	28.7
2007-Q4	349,000	9.1	28.8	47.0	84.9	3.9	5.5	3.3	2.4	15.1
2008-Q1	340,350	11.2	33.8	48.9	93.0	0.1	1.8	0.6	4.1	6.6
2008-Q2	403,814	16.9	32.7	44.1	93.7	0.4	0.3	0.0	5.6	6.3
2008-Q3	296,132	31.8	29.8	41.7	96.1	0.0	0.2	0.0	0.7	0.9
2008-Q4	243,616	37.5	21.0	40.3	98.0	0.0	0.0	0.0	3.2	3.2
2009-Q1	351,600	25.4	29.5	43.7	98.6	0.0	0.0	0.0	1.4	1.4
2009-Q2	697,897	19.2	25.1	51.6	96.2	0.0	0.0	0.0	3.8	3.8
2009-Q3	457,980	28.0	26.7	43.5	98.1	0.0	0.0	0.0	1.9	1.9
2009-Q4	327,848	30.7	31.1	34.8	96.5	0.0	0.0	0.0	3.5	3.5
2008-Jan	101,000	11.1	29.1	46.9	89.2	0.0	2.5	2.1	9.3	10.9
2008-Feb	132,338	8.8	32.5	52.5	93.8	0.3	1.5	0.0	4.4	6.2
2008-Mar	111,000	13.7	39.0	44.5	97.6	0.0	1.2	0.0	1.2	2.4
2008-Apr	130,488	14.9	31.2	44.9	91.0	0.3	0.5	0.0	8.2	8.9
2008-May	136,194	16.8	34.7	46.7	97.2	0.5	0.3	0.0	2.0	2.8
2008-Jun	139,872	19.9	32.1	40.6	92.6	0.4	0.2	0.1	6.7	7.4
2008-Jul	84,872	30.0	26.4	42.8	98.2	0.0	0.2	0.0	0.6	0.8
2008-Aug	93,828	35.1	25.8	38.4	99.1	0.0	0.2	0.0	0.7	0.8
2008-Sep	87,631	30.4	24.7	44.0	99.1	0.0	0.2	0.0	0.7	0.8
2008-Oct	86,463	40.1	18.9	39.2	98.3	0.0	0.0	0.0	1.7	1.7
2008-Nov	81,147	40.7	21.9	35.5	98.1	0.0	0.0	0.0	1.9	1.9
2008-Dec	73,886	32.0	22.2	45.6	99.8	0.0	0.0	0.0	0.2	0.2
2009-Jan	66,197	42.0	25.0	32.7	99.1	0.0	0.0	0.0	0.9	0.9
2009-Feb	103,640	27.0	28.6	43.7	99.3	0.0	0.0	0.0	0.7	0.7
2009-Mar	182,763	18.7	31.6	47.0	97.9	0.0	0.0	0.0	2.1	2.1
2009-Apr	145,991	23.1	31.8	37.8	98.0	0.0	0.2	0.0	4.0	4.2
2009-May	216,202	17.9	20.2	58.2	98.2	0.0	0.0	0.0	3.8	3.8
2009-Jun	235,704	17.9	25.5	54.8	98.4	0.0	0.0	0.0	1.6	1.6
2009-Jul	170,669	26.5	25.7	46.7	98.9	0.0	0.0	0.0	1.1	1.1
2009-Aug	155,636	28.4	30.5	38.7	97.7	0.0	0.0	0.0	2.3	2.3
2009-Sep	131,676	29.2	23.4	45.0	97.7	0.0	0.0	0.0	2.3	2.3
2009-Oct	94,900	27.3	27.4	42.9	97.6	0.0	0.0	0.0	2.4	2.4
2009-Nov	101,688	32.8	26.4	36.4	94.1	0.0	0.0	0.0	5.1	5.1
2009-Dec	131,059	31.5	38.2	27.3	97.0	0.0	0.0	0.0	3.0	3.0
2010-Jan	112,119	33.2	25.7	38.7	97.7	0.0	0.0	0.0	2.3	2.3
2010-Feb	103,058	26.7	27.6	42.8	97.0	0.0	0.0	0.0	3.0	3.0

Source: Inside MBS & ABS, LoanPerformance, Amherst Securities

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Origination And Securitization Volumes

	(Dollars in Billions)					
	Total	Conforming	Prime Jumbo	Sub/AH/A	FHA/VA	Seconds
Estimated originations	\$ 2,215.0	\$ 1,265.0	\$ 445.0	\$ 215.0	\$ 175.0	\$ 115.0
2001 Securitization rate	60.7%	72.3%	32.0%	45.8%	98.7%	13.5%
MBS Issuance	\$ 1,344.7	\$ 914.9	\$ 142.2	\$ 98.4	\$ 172.7	\$ 15.5
Portfolio Origination	\$ 870.3	\$ 350.1	\$ 302.8	\$ 116.6	\$ 2.3	\$ 99.5
Estimated originations	\$ 2,885.0	\$ 1,706.0	\$ 571.0	\$ 267.0	\$ 176.0	\$ 165.0
2002 Securitization rate	63.0%	74.5%	30.0%	66.0%	97.8%	15.0%
MBS Issuance	\$ 1,817.4	\$ 1,270.4	\$ 171.5	\$ 176.1	\$ 172.2	\$ 24.8
Portfolio Origination	\$ 1,067.6	\$ 435.6	\$ 399.5	\$ 90.9	\$ 3.8	\$ 140.2
Estimated originations	\$ 3,945.0	\$ 2,460.0	\$ 650.0	\$ 395.0	\$ 220.0	\$ 220.0
2003 Securitization rate	67.5%	77.7%	35.5%	68.1%	99.3%	9.3%
MBS Issuance	\$ 2,662.4	\$ 1,912.4	\$ 237.5	\$ 269.1	\$ 218.5	\$ 20.4
Portfolio Origination	\$ 1,282.6	\$ 547.6	\$ 412.5	\$ 125.9	\$ 1.5	\$ 199.6
Estimated originations	\$ 2,920.0	\$ 1,210.0	\$ 515.0	\$ 715.0	\$ 132.0	\$ 355.0
2004 Securitization rate	62.6%	73.7%	45.3%	72.9%	95.6%	13.8%
MBS Issuance	\$ 1,826.8	\$ 892.3	\$ 233.4	\$ 521.1	\$ 126.4	\$ 49.1
Portfolio Origination	\$ 1,093.2	\$ 317.7	\$ 281.6	\$ 193.9	\$ 5.6	\$ 305.0
Estimated originations	\$ 3,120.0	\$ 1,992.0	\$ 570.0	\$ 1,005.0	\$ 86.0	\$ 365.0
2005 Securitization rate	67.7%	80.5%	49.2%	79.3%	99.5%	16.6%
MBS Issuance	\$ 2,111.8	\$ 879.1	\$ 280.7	\$ 797.4	\$ 85.6	\$ 60.7
Portfolio Origination	\$ 1,008.2	\$ 212.9	\$ 289.3	\$ 207.6	\$ 0.4	\$ 304.3
Estimated originations	\$ 2,980.0	\$ 980.0	\$ 480.0	\$ 1,000.0	\$ 83.0	\$ 430.0
2006 Securitization rate	67.7%	82.5%	45.6%	81.4%	100.2%	17.3%
MBS Issuance	\$ 2,016.0	\$ 816.9	\$ 219.0	\$ 814.3	\$ 83.2	\$ 74.2
Portfolio Origination	\$ 964.0	\$ 173.1	\$ 261.0	\$ 185.7	\$ (0.2)	\$ 355.8
Estimated originations	\$ 2,430.0	\$ 1,162.0	\$ 347.0	\$ 466.0	\$ 101.0	\$ 355.0
2007 Securitization rate	74.2%	91.4%	51.3%	92.8%	97.6%	9.3%
MBS Issuance	\$ 1,804.2	\$ 1,062.0	\$ 178.1	\$ 432.5	\$ 98.6	\$ 32.9
Portfolio Origination	\$ 625.8	\$ 100.0	\$ 168.9	\$ 33.5	\$ 2.4	\$ 322.1
Estimated originations	\$ 1,485.0	\$ 920.0	\$ 97.0	\$ 64.0	\$ 290.0	\$ 114.0
2008 Securitization rate	79.3%	97.8%	6.8%	3.0%	92.8%	0.0%
MBS Issuance	\$ 1,177.3	\$ 899.9	\$ 6.9	\$ 1.9	\$ 269.0	\$ -
Portfolio Origination	\$ 307.7	\$ 20.2	\$ 90.4	\$ 62.1	\$ 21.0	\$ 114.0
Estimated originations	\$ 1,405.0	\$ 845.0	\$ 73.0	\$ 7.0	\$ 340.0	\$ 40.0
9M 2009 Securitization rate	88.5%	96.3%	0.0%	0.0%	98.0%	0.0%
MBS Issuance	\$ 1,243.5	\$ 910.3	\$ -	\$ -	\$ 333.2	\$ -
Portfolio Origination	\$ 161.5	\$ 34.7	\$ 73.0	\$ 7.0	\$ 6.8	\$ 40.0

Source : Inside MBS & ABS

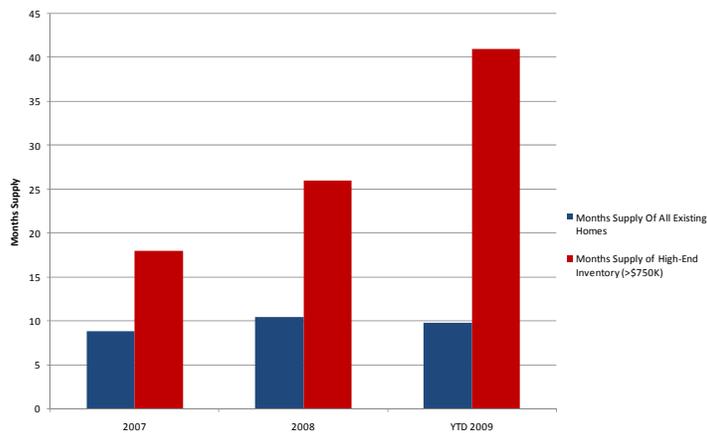
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Months Supply of High-End Inventory On The Rise



Source : National Association of Realtors

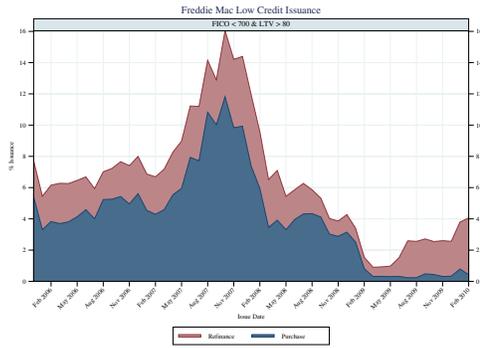
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GSE Credit Has Tightened



FHA Delinquency Rates

Origination Year	Total Delinquent / In Bankruptcy / In Foreclosure*
2004	21.5%
2005	24.5%
2006	26.9%
2007	32.3%
2008	24.0%
All Loans	17.7%

Source: Freddie Mac, Fannie Mae, Ginnie Mae, Amherst Securities

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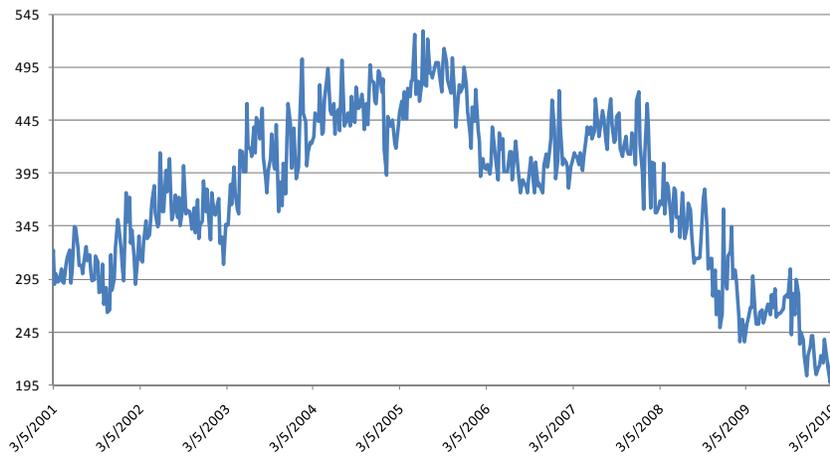


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Purchase Index Near 10-Year Low

MBA Composite Purchase Index (Seasonally Adjusted)



Source: Mortgage Bankers' Association

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Mortgage Technicals Are Strong

- FASB relief on the OTTI front (mark to expected credit losses rather than mark-to-market) suggests minimal selling by regulated entities. If this relief was not forthcoming, ratings downgrades would have triggered selling.
- Changes in NAIC capital rules will reduce capital charges on non-agency securities and may promote purchases by insurance companies.
- The Re-REMIC bid, which puts a floor on prices.
- Rapid prepayments in certain segments of the non-agency market (particularly prime).
- The PPIP bid.
- Financing has become more available.
- A contraction of risk premiums across the globe. Mortgages don't look rich versus other asset classes.

Comparable Security Yields:	Average Life (Yrs)	Yield (%)
Inv Grade Corporates	9.2	3.59
BBB Rated Corporates	10.8	4.88
BB Rated Corporates	7.1	7.50
B Rated Corporates	6.1	8.84
High Yield Corporates	6.6	8.88
Non-Agency MBS	6.5	6 to 10

Source: Yieldbook, Amherst Securities

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Indicative Pricing Levels on Selected Securities

	Prime			Alt - A			Option Arm	ABX		Corporates		
	Hybrid	30 Yr Fixed	15 Yr Fixed	Hybrid	30 Yr Fixed	15 Yr Fixed	Super Senior	06.2 PEN	06.2 LCF	BB Rated	B Rated	High Yield
Jan-08	97	97	99	96	87	95	76	n/a	86.3	99.1	94.4	93.0
Feb-08	95	96	98	94	84	94	74	n/a	73.2	98.5	92.8	91.4
Mar-08	90	94	95	89	78	91	70	n/a	75.2	98.1	87.5	89.4
Apr-08	88	93	94	87	75	90	65	n/a	83.4	97.8	85.5	88.3
May-08	86	93	94	85	72	90	62	93.0	77.7	98.8	89.4	91.4
Jun-08	85	93	94	84	69	91	60	85.4	69.3	96.3	89.4	91.4
Jul-08	85	91	93	84	65	90	60	86.5	66.9	93.8	82.6	87.5
Aug-08	80	90	92	79	62	87	54	85.8	66.3	93.3	80.5	85.4
Sep-08	78	87	91	77	60	84	50	85.8	68.8	93.2	90.2	84.9
Oct-08	72	84	91	71	57	80	48	82.1	61.3	88.6	84.1	77.5
Nov-08	65	70	90	64	47	65	37	66.8	47.6	76.3	70.6	64.7
Dec-08	78	80	97	47	50	70	42	70.3	49.4	74.7	66.1	57.7
Jan-09	84	86	99	54	56	75	44	67.3	46.3	75.3	68.6	62.1
Feb-09	74	78	98	46	51	72	36	63.0	42.0	80.5	74.1	65.5
Mar-09*	47	55	96	38	42	64	30	60.0	36.0	n/a	n/a	n/a
Apr-09	59	63	98	52	56	71	37	54.8	30.4	80.2	71.4	62.4
Apr-09	65	72	98	56	58	78	39	53.0	29.0	79.9	73.1	64.7
May-09	68	76	98.5	58	61	78	41	64.8	35.5	85.6	80.2	74.2
Jun-09	62	70	98	50	56	78	43	57.3	31.1	86.9	86.3	78.6
Jul-09	67	82	99	56	63	83	47	69.8	39.7	88.9	89.4	83.0
Aug-09	70	83	99.5	60	65	83	48	64.8	35.5	93.5	92.6	87.3
Sep-09	74	84	100	63.5	69	84	49	71.7	41.8	93.1	92.2	88.3
Oct-09	75	87	102	66	74	87	54	70.6	42.3	97.1	96.7	93.4
Nov-09	71	83	101	60	71	85	50	67.4	39.3	97.1	96.0	94.6
Dec-09	74	85	102	64	72	87	53	74.0	45.5	97.1	97.2	96.8
Jan-10	73	83	101	61	70	88	51	71.7	47.2	99.8	99.1	97.0
Feb-10**	73	83	101	61	70	88	51	73.1	47.4	99.1	99.3	97.2

* - March Lows

** - As of February 24, 2010

All MBS Prices Are Month-End Levels for 2006/2007 Vintages

Source: Yieldbook, Amherst Securities

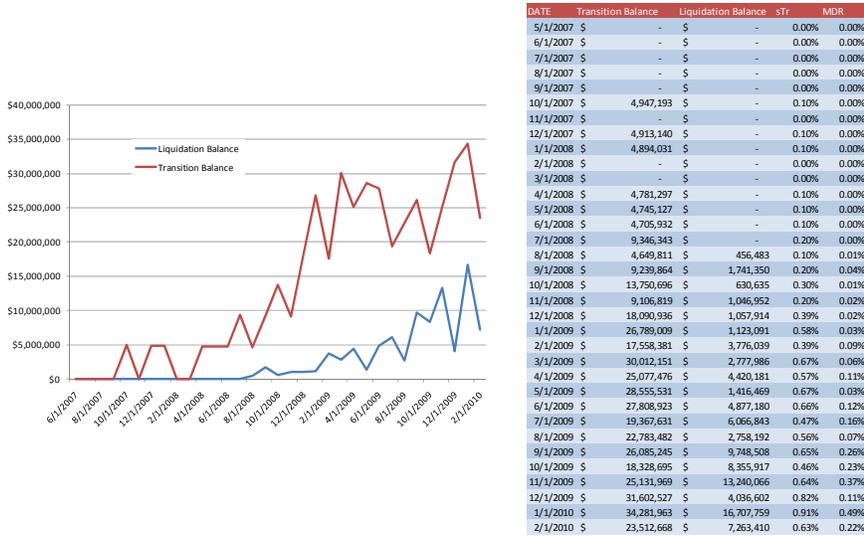
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Monthly Transition Rates (sTr) Are A Leading Indicator Cash Flow History From WFMB 2007-7 A1



Source: LoanPerformance, Intex, Amherst Securities



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Performance Of Defaulted Loans

Performance Of Defaulted Loans
After 6 Months

ASG Default Date	Not Modified				Modified			
	Liquidated	Non-Performing	Re-Performing	Voluntarily Prepaid	Liquidated	Non-Performing	Re-Performing	Voluntarily Prepaid
1/1/2006	15.8%	41.3%	36.6%	5.0%	0.0%	0.1%	0.8%	0.0%
2/1/2006	14.8%	44.4%	34.5%	4.5%	0.0%	0.1%	0.6%	0.0%
3/1/2006	15.8%	44.6%	34.1%	5.1%	0.0%	0.0%	0.4%	0.0%
4/1/2006	16.2%	50.4%	28.7%	4.2%	0.0%	0.2%	0.3%	0.0%
5/1/2006	14.2%	46.1%	38.0%	4.2%	0.0%	0.1%	0.3%	0.0%
6/1/2006	15.8%	53.5%	28.7%	3.4%	0.0%	0.1%	0.4%	0.0%
7/1/2006	16.0%	56.2%	24.0%	3.2%	0.0%	0.1%	0.4%	0.0%
8/1/2006	16.0%	56.3%	24.1%	3.0%	0.0%	0.1%	0.5%	0.0%
9/1/2006	14.4%	58.2%	24.0%	2.7%	0.0%	0.1%	0.5%	0.0%
10/1/2006	13.3%	56.6%	26.9%	2.9%	0.0%	0.1%	0.5%	0.0%
11/1/2006	13.1%	59.0%	24.5%	2.0%	0.0%	0.1%	0.6%	0.0%
12/1/2006	12.0%	60.3%	24.7%	2.1%	0.0%	0.1%	0.8%	0.0%
1/1/2007	11.2%	61.2%	24.8%	1.9%	0.0%	0.1%	0.7%	0.0%
2/1/2007	9.0%	64.8%	23.5%	1.8%	0.0%	0.1%	0.8%	0.0%
3/1/2007	8.2%	65.9%	23.2%	1.6%	0.0%	0.3%	0.8%	0.0%
4/1/2007	7.5%	71.7%	18.3%	1.1%	0.0%	0.3%	1.0%	0.0%
5/1/2007	6.6%	73.6%	17.2%	0.9%	0.0%	0.4%	1.3%	0.0%
6/1/2007	6.1%	76.1%	15.1%	0.7%	0.0%	0.5%	1.5%	0.0%
7/1/2007	5.5%	77.3%	14.6%	0.5%	0.0%	0.5%	1.6%	0.0%
8/1/2007	4.6%	78.3%	13.6%	0.5%	0.0%	0.5%	2.0%	0.0%
9/1/2007	4.0%	79.5%	13.0%	0.4%	0.0%	0.6%	2.2%	0.0%
10/1/2007	4.2%	78.8%	13.6%	0.4%	0.0%	0.6%	2.4%	0.0%
11/1/2007	4.3%	79.6%	12.1%	0.3%	0.0%	0.7%	2.8%	0.0%
12/1/2007	4.4%	79.3%	11.7%	0.2%	0.0%	0.9%	3.4%	0.0%
1/1/2008	4.3%	78.4%	12.0%	0.3%	0.0%	1.1%	4.0%	0.0%
2/1/2008	4.5%	76.6%	12.1%	0.3%	0.0%	1.2%	5.0%	0.0%
3/1/2008	4.9%	77.5%	10.5%	0.2%	0.0%	1.5%	5.3%	0.0%
4/1/2008	5.2%	76.6%	8.9%	0.2%	0.0%	1.8%	6.9%	0.0%
5/1/2008	5.2%	77.4%	8.2%	0.1%	0.0%	2.2%	6.8%	0.0%
6/1/2008	4.9%	78.1%	6.9%	0.1%	0.1%	2.8%	7.1%	0.0%
7/1/2008	4.5%	77.0%	6.6%	0.1%	0.1%	3.2%	7.9%	0.0%
8/1/2008	4.2%	76.0%	6.5%	0.1%	0.1%	3.3%	9.2%	0.0%
9/1/2008	3.6%	75.4%	7.2%	0.1%	0.1%	3.7%	9.8%	0.0%
10/1/2008	3.9%	74.4%	7.0%	0.1%	0.1%	3.5%	10.9%	0.0%
11/1/2008	3.6%	73.9%	7.4%	0.1%	0.1%	3.7%	11.3%	0.0%
12/1/2008	3.3%	75.8%	7.8%	0.1%	0.1%	3.7%	11.4%	0.0%
1/1/2009	3.3%	74.3%	7.1%	0.1%	0.1%	3.7%	11.4%	0.0%
2/1/2009	3.9%	74.3%	7.9%	0.1%	0.1%	3.5%	10.7%	0.0%
3/1/2009	3.1%	74.9%	8.6%	0.1%	0.2%	3.3%	9.3%	0.0%
4/1/2009	4.1%	77.3%	7.7%	0.1%	0.2%	3.2%	7.4%	0.0%
5/1/2009	4.4%	76.6%	8.4%	0.1%	0.2%	3.1%	6.9%	0.0%
6/1/2009	4.7%	76.1%	8.8%	0.1%	0.2%	3.6%	6.5%	0.0%
7/1/2009	4.7%	75.4%	8.9%	0.2%	0.2%	3.9%	7.0%	0.0%

Source: LoanPerformance, Amherst Securities

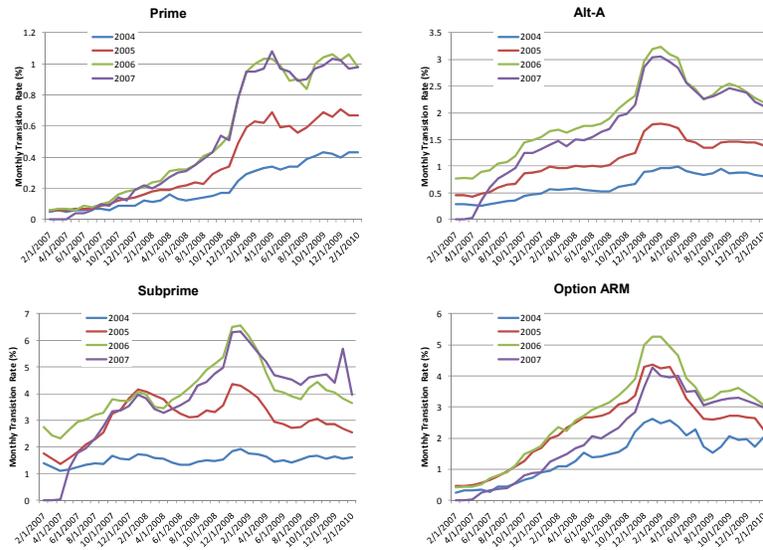
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Transition Rates of 2004-2007 Vintages by Product Type



SMALL CAPITAL SECURITIES

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Performance Characteristics Of Select Cohorts

Aggregate Private Label Securitized Universe

Product	Performance	Balance (\$Bil)	%Balance	Loan Count	%Loan	% CA	% FL	% IO	% Full	Orig	% No	Curr	Over	0 to	Under	%			
									Doc	CLTV	Money	% Piggy	HPD	20%	20%	Negative			
										CLTV	Down	Back	[d]	Equity	Equity	Equity			
All	Always Performing	\$868.5	59%	3,054,684	55%	38%	7%	40%	45%	75	7%	23%	95.45	-20%	37%	25%	17%	21%	38%
All	Re-Performing	\$122.9	8%	608,192	11%	30%	8%	28%	48%	83	16%	26%	117.97	-35%	21%	22%	19%	38%	57%
All	Non-Performing	\$483.4	33%	1,862,565	34%	35%	16%	35%	35%	85	18%	34%	134.55	-50%	10%	18%	20%	53%	73%
Prime	Always Performing	\$332.0	88%	683,137	87%	43%	5%	48%	52%	72	2%	22%	82.82	-11%	49%	24%	15%	12%	27%
Prime	Re-Performing	\$8.0	2%	18,374	2%	46%	6%	59%	47%	76	3%	26%	96.45	-21%	36%	22%	18%	24%	42%
Prime	Non-Performing	\$36.1	10%	82,843	11%	52%	10%	68%	36%	79	4%	32%	115.49	-36%	16%	22%	23%	39%	62%
Alt A	Always Performing	\$303.6	65%	1,220,642	68%	35%	8%	52%	34%	77	11%	29%	98.65	-22%	34%	25%	18%	23%	41%
Alt A	Re-Performing	\$28.5	6%	110,763	6%	36%	8%	60%	23%	83	19%	40%	118.90	-36%	19%	20%	20%	40%	60%
Alt A	Non-Performing	\$132.2	28%	456,086	26%	35%	16%	68%	17%	85	23%	46%	134.01	-49%	9%	17%	20%	54%	74%
Option ARM	Always Performing	\$95.3	47%	245,746	49%	54%	10%	12%	16%	76	1%	23%	122.89	-47%	12%	21%	23%	44%	67%
Option ARM	Re-Performing	\$14.0	7%	34,806	7%	60%	8%	9%	11%	79	2%	30%	138.86	-60%	6%	14%	21%	59%	80%
Option ARM	Non-Performing	\$93.1	46%	223,348	44%	56%	17%	9%	9%	81	2%	36%	150.99	-70%	3%	10%	17%	70%	87%
Subprime	Always Performing	\$137.7	32%	905,159	37%	22%	8%	13%	71%	81	16%	16%	99.85	-19%	34%	27%	17%	22%	39%
Subprime	Re-Performing	\$72.3	17%	444,249	18%	20%	9%	16%	66%	84	20%	19%	115.95	-32%	23%	24%	19%	34%	53%
Subprime	Non-Performing	\$221.9	51%	1,100,288	45%	24%	15%	20%	57%	86	25%	26%	131.08	-45%	12%	21%	20%	47%	67%

Source: LoanPerformance, Amherst Securities

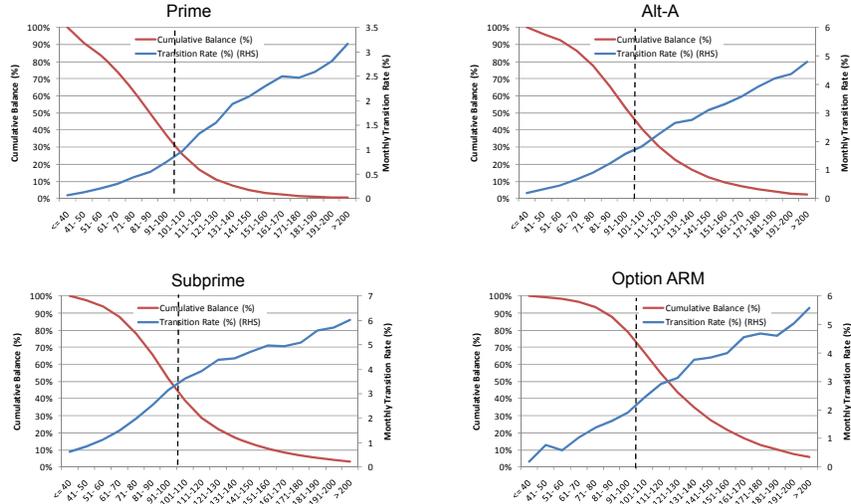
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Transition Rates by CLTV – Performing Loans By Product Type



Source: LoanPerformance, Amherst Securities

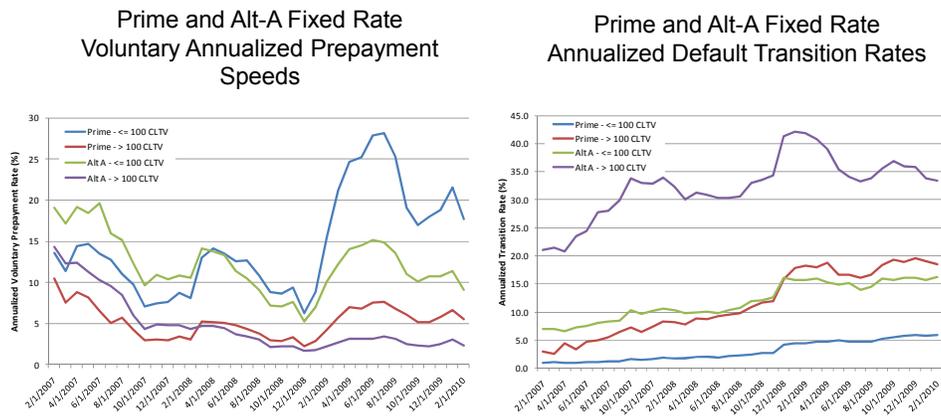
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Equity Matters For Both Prepay Speeds and Default Transitions



Source: LoanPerformance, Amherst Securities

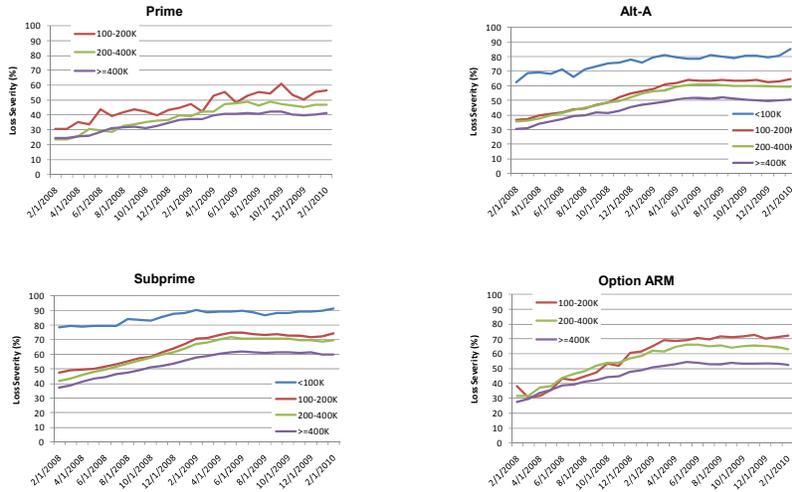
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National Average Severity by Loan Size



Source: LoanPerformance, Amherst Securities

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Future Liquidations Have Less Favorable Geographic Distribution

Product	State	CA	FL	Judicial	Non-Judicial
Prime	Severity	53	72	63	55
	%Liq Bal	55%	9%	6%	31%
	%FC REO Bal	45%	15%	14%	25%
	%NP Bal	52%	10%	13%	25%
	%Bal	44%	6%	18%	32%
Alt A	Severity	56	66	53	56
	%Liq Bal	39%	13%	10%	38%
	%FC REO Bal	29%	23%	20%	28%
	%NP Bal	35%	16%	18%	31%
	%Bal	35%	10%	18%	36%
Option ARM	Severity	41	52	43	43
	%Liq Bal	60%	13%	4%	23%
	%FC REO Bal	46%	26%	10%	18%
	%NP Bal	56%	17%	8%	18%
	%Bal	55%	13%	10%	22%
Subprime	Severity	65	86	77	66
	%Liq Bal	32%	14%	17%	36%
	%FC REO Bal	22%	22%	28%	28%
	%NP Bal	24%	15%	26%	34%
	%Bal	23%	12%	27%	38%

Source: LoanPerformance, Amherst Securities

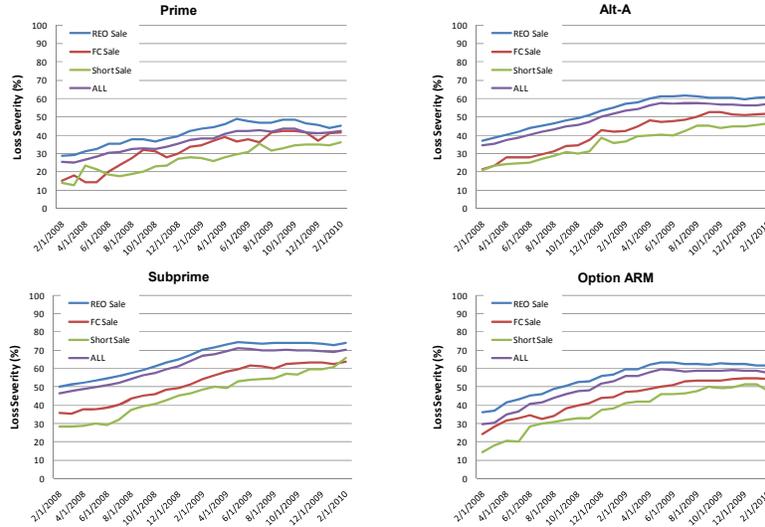
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Loss Severities By Distressed Sale Type



Source: LoanPerformance, Amherst Securities

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Amherst Cumulative Loss and Loss Severity Expectations

Product	Vintage	%Default (Curr Bal)	%Severity (Curr Bal)	%Loss (Curr Bal)	%Loss (Orig Bal)
Prime Fixed	2007	36%	55%	20%	15%
	2006	35%	59%	21%	14%
	2005	26%	54%	14%	9%
	2004	12%	42%	5%	2%
Prime Hybrid	2007	47%	52%	24%	19%
	2006	46%	55%	26%	17%
	2005	36%	52%	19%	12%
	2004	24%	43%	10%	4%
Alt-A Fixed	2007	65%	67%	43%	37%
	2006	68%	74%	50%	36%
	2005	52%	68%	35%	23%
	2004	37%	60%	22%	10%
Alt-A Hybrid	2007	77%	65%	50%	43%
	2006	79%	71%	56%	41%
	2005	69%	67%	47%	25%
	2004	55%	57%	31%	8%
Option ARM	2007	84%	64%	54%	50%
	2006	88%	70%	61%	47%
	2005	84%	69%	58%	27%
	2004	71%	59%	41%	9%
Subprime	2007	92%	79%	73%	61%
	2006	92%	83%	77%	53%
	2005	88%	80%	70%	29%
	2004	74%	74%	54%	11%

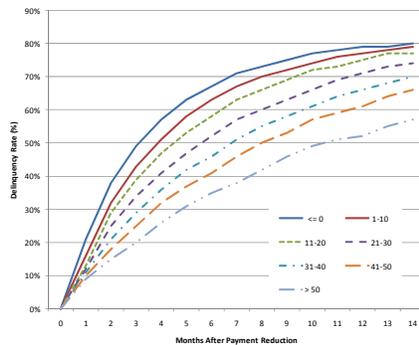
Source: Amherst Securities

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Modification Recidivism Rate vs. Payment Reduction



HAMP "like" Modifications have a near 100% chance of re-default over the loan's life

Source: Loan Performance, Amherst Securities

- > Under HAMP, borrowers front end DTI went from 45% before the modification to 31% after, a drop of 31%. This translates into a drop in the average payment from \$1,430.96 to \$837.86, an average savings of \$595.97 per month.
- > The back-end DTI went from 76.4% before the modification to 59.8% afterwards, a still unsustainable level.
- > HAMP has increased negative equity modestly. Average LTV ratios under HAMP increased from 134.13 to 136.61.

Source: Congressional Oversight Panel, October Oversight Report: An Assessment of Foreclosure Mitigation Efforts After Six Months

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HAMP Modifications Are Likely To Be Largely Ineffective

Percentages of Each Type of Modification by Investor in Third Quarter 2009

Mod Type	Fannie Mae	Freddie Mac	Government Guaranteed	Private Investor	Portfolio	Overall
Capitalization	87.3%	86.9%	67.0%	73.6%	16.8%	54.7%
Rate Reduction	76.8%	40.3%	88.0%	75.5%	87.4%	81.1%
Rate Freeze	0.2%	5.1%	0.1%	1.7%	5.1%	2.5%
Term Extension	60.3%	73.0%	59.5%	7.4%	68.4%	48.0%
Principal Reduction	0.4%	1.6%	0.0%	0.0%	36.7%	13.2%
Principal Deferral	0.4%	1.5%	0.0%	6.6%	2.9%	3.1%
Unknown	4.2%	6.3%	2.1%	1.8%	2.5%	2.6%

Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)*

Investor Loan Type	Three Months After Modification	Six Months After Modification	Nine Months After Modification	12 Months After Modification
Fannie Mae	27.0%	44.0%	54.1%	58.6%
Freddie Mac	33.4%	47.4%	51.2%	55.1%
Government Guaranteed	31.4%	53.1%	63.7%	65.9%
Private	35.4%	49.7%	56.5%	61.3%
Portfolio Loans	12.1%	24.9%	35.1%	41.7%

* Data include only modifications that have had time to age the indicated number of months.

Source: OCC/OTS Mortgage Metrics Report – Third Quarter 2009

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Prevalence of Second Liens By Vintage Year

Vintage	2000	2001	2002	2003	2004	2005	2006	2007	Grand Total
Single Lien	18.88%	26.29%	29.20%	28.34%	27.61%	29.32%	35.09%	41.58%	33.10%
Second Lien Paid Off	0.32%	0.28%	0.22%	0.88%	1.28%	1.72%	1.64%	2.11%	1.63%
Simultaneous Second Lien	0.33%	0.58%	0.44%	1.09%	5.02%	11.23%	17.01%	15.67%	12.40%
Single Lien with Subsequent Higher Lien	6.41%	13.40%	24.90%	30.66%	26.67%	22.01%	12.84%	11.75%	18.19%
Simultaneous Second with Subsequent Higher Lien	0.21%	0.47%	0.56%	2.99%	6.42%	7.18%	5.62%	5.66%	5.89%
Single Lien & Subsequent Lien Data Missing	70.08%	56.73%	43.69%	33.50%	27.60%	20.84%	18.62%	17.26%	21.58%
Simultaneous Second & Subsequent Lien Data Missing	3.78%	2.26%	0.99%	2.54%	5.39%	7.69%	9.19%	5.98%	7.21%
Grand Total	100.00%								

Vintage	2000	2001	2002	2003	2004	2005	2006	2007	Grand Total
Single Lien	71.2%	63.9%	52.8%	44.4%	41.6%	41.2%	48.7%	55.0%	47.0%
Second Lien Paid Off	1.7%	0.8%	0.4%	1.3%	1.8%	2.4%	2.3%	2.6%	2.2%
Simultaneous Second Lien	1.8%	1.6%	0.8%	1.6%	7.2%	15.5%	23.4%	19.7%	16.9%
Single Lien with Subsequent Higher Lien	24.2%	32.6%	45.0%	48.1%	40.2%	31.0%	17.8%	15.6%	25.8%
Simultaneous Second with Subsequent Higher Lien	1.2%	1.3%	1.0%	4.5%	9.1%	9.9%	7.7%	7.1%	8.0%
Grand Total	100.0%								

Total Second Liens	2000	2001	2002	2003	2004	2005	2006	2007	Grand Total
	27.1%	35.4%	46.8%	54.2%	56.5%	56.4%	49.0%	42.3%	50.8%

Missing Data Distributed Proportionally

Source: LoanPerformance, Amherst Securities

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Largest Servicers Also Own A Large Share Of Second Liens

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		\$ 1,053.14

All Commercial Banks	\$ 766.74
Credit Unions	\$ 97.00
Savings Institutions	\$ 87.90
Finance Companies	\$ 69.00
ABS Issuers	\$ 32.50
TOTAL	\$ 1,053.14

Source: Inside Mortgage Finance, Federal Reserve, FDIC, Amherst Securities

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Security Analysis: Jumbo Prime 30 year Fixed Rate Pass-Thru

WFMB5 07-7 A1, 4.31% Credit Enhancement

Ratings
Fitch: CCC
Moody's: B3

	Scenarios				
	Standard	Stress 1	Stress 2	Upside 1	Upside 2
Price -- Yield	80 -- 7.7	80 -- 6.3	80 -- 4.8	80 -- 8.0	80 -- 10.4
	82 -- 7.2	82 -- 5.7	82 -- 4.0	82 -- 8.4	82 -- 9.6
	84 -- 6.7	84 -- 5.2	84 -- 3.5	84 -- 7.7	84 -- 8.8
	86 -- 6.3	86 -- 4.7	86 -- 3.0	86 -- 7.1	86 -- 8.1
	88 -- 5.8	88 -- 4.2	88 -- 2.5	88 -- 6.6	88 -- 7.5
	90 -- 5.4	90 -- 3.8	90 -- 2.0	90 -- 6.0	90 -- 6.8
	92 -- 5.0	92 -- 3.4	92 -- 1.6	92 -- 5.5	92 -- 6.2
Weighted Average Life	7.7	6.5	5.6	5.8	4.8
Duration	5.1	4.9	4.3	4.0	3.4
Group Collateral Liquidation	39%	50%	58%	34%	29%
Group Collateral Loss	19%	26%	33%	15%	11%
Group Avg Severity	48	53	57	44	39
Aggregate Collateral Liquidation	39%	50%	58%	34%	29%
Aggregate Collateral Loss	19%	26%	33%	15%	11%
Aggregate Avg Severity	48	53	57	44	39
Tranche Writedown	20%	28%	35%	15%	11%
Period of First Writedown	20	18	17	22	25
Minimum Support %	0.00 In Period 20	0.00 In Period 18	0.00 In Period 17	0.00 In Period 22	0.00 In Period 25
Loss at Min Support	795,254	669,803	3,127,534	456,886	1,043,696
Cum Loss at 1st Writedown	186,918,950	186,864,095	192,336,201	185,533,628	185,873,145

CUSIP	Collateral Bucket	Curr Balance	% of Total	Avg Loan Size	Con-forming Bal	GSE Eligible	GWAC	NWAC	WAM	WALA	FICO	IO	Occupied	2nd Lien	Sim %	Mod % (HAMPT)	HPA CS	LTV Orig	MTM CS	CLTV Orig	MTM CS	GM vPr	GM vPr	GM vPr
94985IAA8	Non Performing Loans	336,322,701	9.02	500,480	61.26	0.00	6.09	5.83	326	34	723	71.1	97.6	25.6	0.0	63.0	78.5	76.4	130.2	85.3	146.5	100.0	0.7	46.1
	Non-Performing Loans	23,733,557	0.64	515,947	64.41	0.00	6.35	6.09	322	34	721	50.8	94.7	27.8	0.0	55.0	82.7	71.7	107.7	80.7	121.1	9.4	0.5	0.0
	Always Performing Loans CLTV >=140	725,704,898	19.47	528,170	58.19	0.00	6.31	6.05	325	34	743	70.1	94.3	33.2	0.0	76.4	77.1	77.4	146.0	89.0	169.8	1.7	4.1	32.7
	Always Performing Loans CLTV 120 - 140	687,281,599	18.44	575,613	57.89	0.00	6.29	6.03	325	34	749	69.4	95.9	36.8	0.0	69.0	67.4	76.6	114.9	86.3	128.9	1.3	6.8	19.4
	Always Performing Loans CLTV 100 - 120	901,620,297	24.19	597,891	46.85	0.00	6.29	6.03	325	34	744	60.3	94.7	46.4	0.0	59.0	63.2	75.3	100.4	82.6	109.8	0.7	11.6	24.2
	Always Performing Loans CLTV 80 - 100	715,554,019	19.30	611,585	32.66	10.55	6.29	6.03	322	34	744	48.2	93.3	51.5	0.0	31.2	56.3	71.2	86.7	75.0	91.2	0.3	18.3	26.7
	Always Performing Loans CLTV <=80	336,625,128	9.03	596,653	28.49	27.95	6.28	6.02	321	34	747	47.6	90.6	46.3	0.0	16.7	29.5	57.7	64.0	59.3	66.1	0.2	25.8	0.0
	Grand Total	3,726,842,199	100.00	570,901	48.12	4.95	6.27	6.01	324	34	743	61.3	94.5	41.1	0.0	55.4	65.9	73.6	108.8	81.2	120.9	0.7	14.2	44.0

Source: LoanPerformance, Amherst Securities

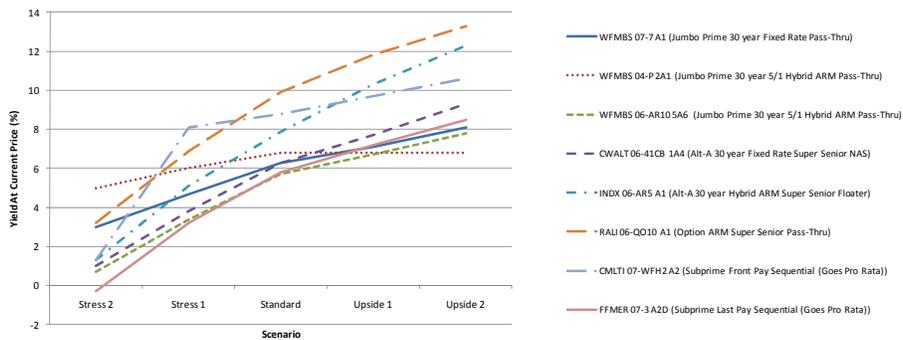
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Scenario Analysis — Summary



Source: LoanPerformance, Amherst Securities

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CMBS 2010 Outlook

Dr. Ted Hong
Beyondbond, Inc.
Investor Symposium Presentation
March 2010



Outline

- Forward
 - Macro View
 - News and Trend
 - US
- CMBS Basics
- Default Modeling
 - Real Estate Fundamentals
 - Our Approach
- Future Opportunity

Macro View

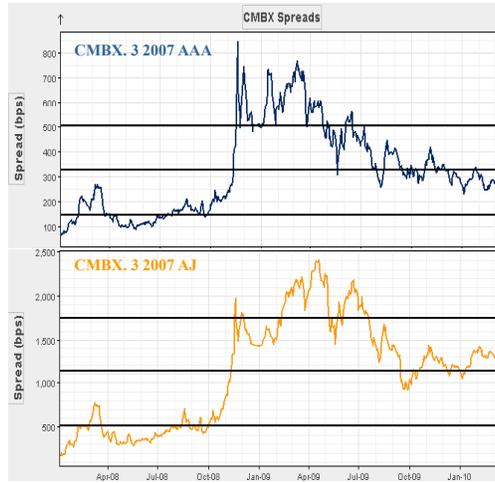
- The Subprime crisis in 2007 triggered a series of credit events and is still jeopardizing global financial markets
- US Economic Base Case
 - Recession / recovering
 - Current distress will last through 2010 and linger for up to two years
- Who is coming to the rescue – Fed?
 - TALF program
 - “Commercial real-estate loans should not be marked down because the collateral value has declined. It depends on the income from the property, not the collateral value.” Ben Bernanke, Feb. 24, 2010
- US Real Estate Debt Markets
 - Wall Street lending curtailed
 - Banks/Life Co’s not as active
 - More conservative lending standards
 - CMBS Delinquency Rate Hit All-Time High on Feb, 2010
- US Real Estate Equity Market
 - Property value declines not at bottom yet
 - Delinquency will continue to surge through the year

News and Trend

- Simon Property bidding for bankrupt General Growth Properties
 - Mar. 17, 2010, Wall Street Journal
- Commercial Mortgage Debt Rallies as TALF Ending
 - Mar. 14, 2010, Bloomberg
- Fitch Announces Another Record In CMBS Delinquencies
 - Office 3.5%, Hotel 16.61%, Retail 5.09%, Multifamily 8.97%, Industrial 4.16%, Mar. 8, 2010, Zero Hedge
- CW Capital up for sale
 - Mar. 12, 2010, Commercial Mortgage Alert
- Centerline Servicing sold to Island Capital
 - Mar. 8, 2010, Wall Street Journal
- Tishman’s Strategic Default on Stuyvesant Town
 - Jan. 25, 2010, Wall Street Journal
- Berkadia acquired Capmark mortgage servicing business from GMAC
 - Dec. 24, 2009, NY Post

TALF Effect

- Beginning in 2006, the advent of CMBX offered investors with an ability to take a macro economic view on commercial real estate. CMBX originators were able to hedge more than just the AAA risk
- CMBX offers the potential for significant leverage, typically 40:1
- Although CMBS spreads began gapping out in late 2007, the cash-synthetic basis remained mostly intact until March, 2008
- Banks sold inventories, lifting hedges (sell protection) caused CMBX spreads to tighten sharply. This technical phenomenon caused the basis to fall precipitously in March and April, 2008, and even further during the recent collapse of Fannie, Freddie, AIG and Lehman.
- Our relative value models can determine optimal relative value and basis trades which provide leveraged returns with minimal capital outlay
- Carefully monitoring the Rating Agency and regulatory landscape are key with any derivative strategy



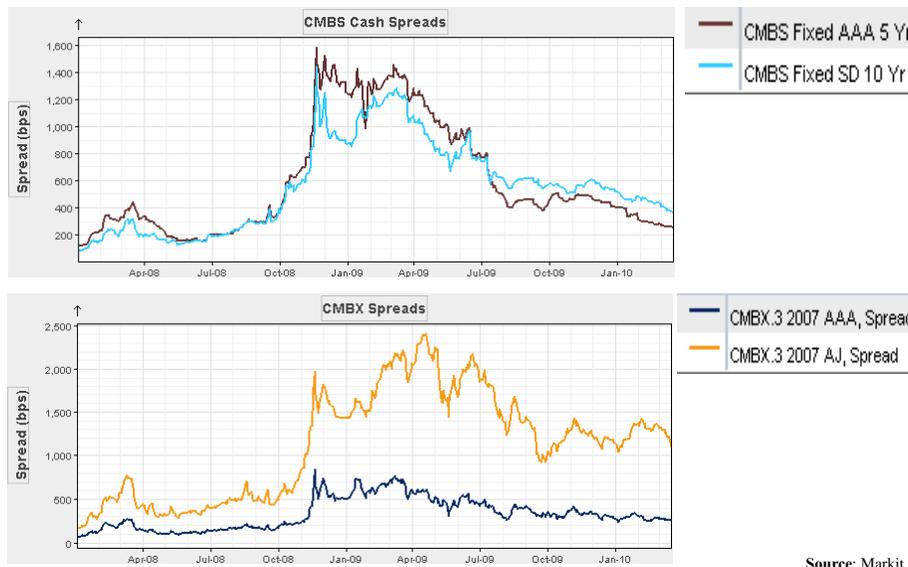
Source: Markit

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Basis Trade



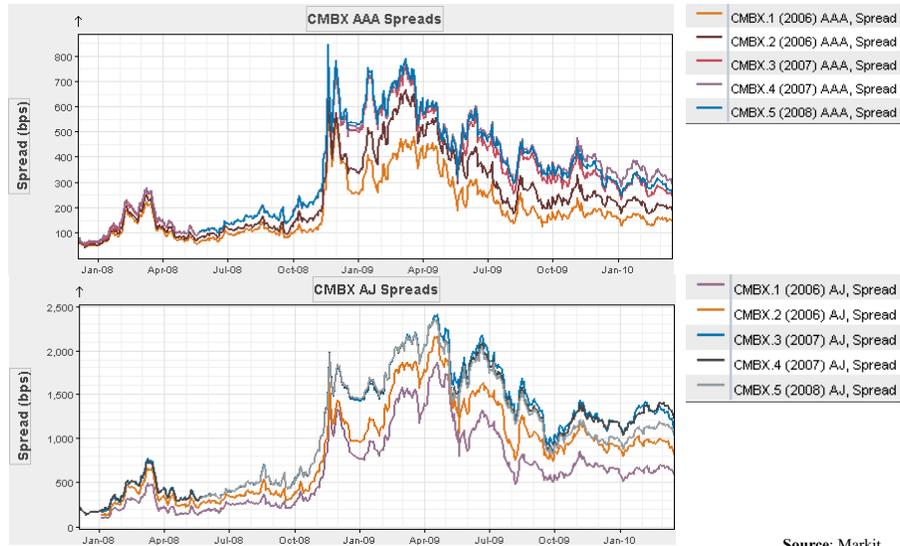
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CMBX Series 1~5 Spread History 2008-present



Source: Markit

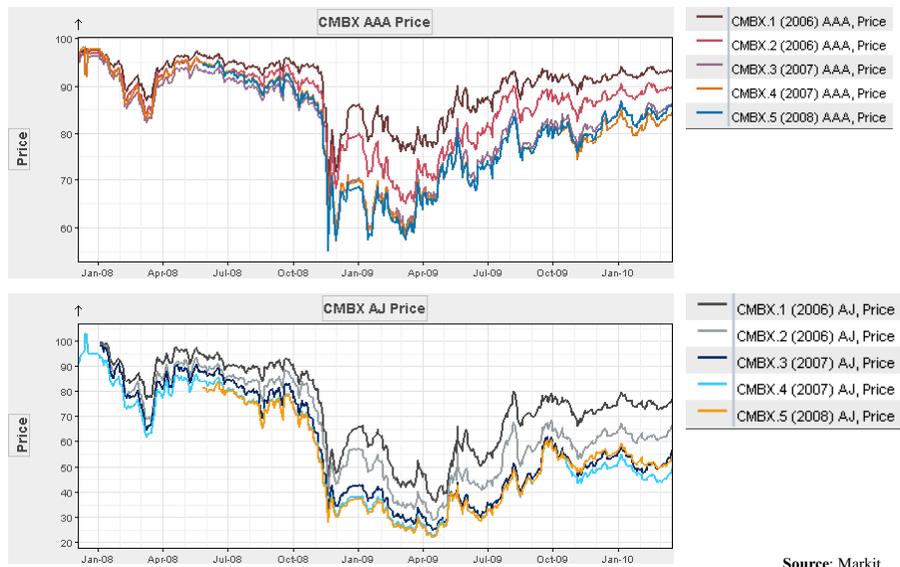
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CMBX Series 1~5 Price History 2008-present



Source: Markit

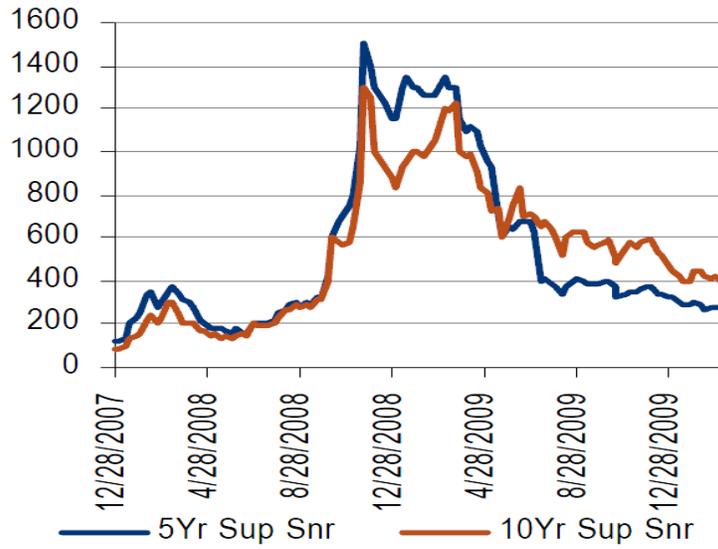
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Super Senior Spread History 2008-Present



Source: Bank of America Merrill Lynch

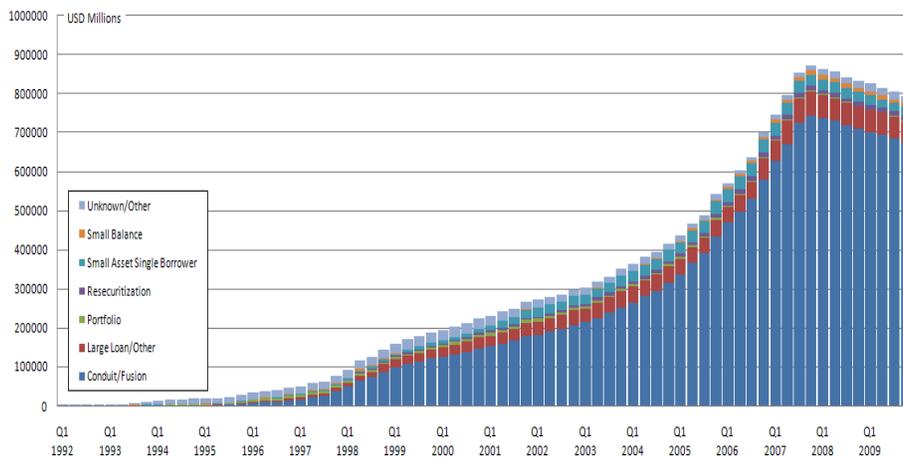
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CMBS Basic Outstanding 1992-2009



Source: Bloomberg, Fitch Ratings, Moody's, S&P, Thomson Reuters, SIFMA

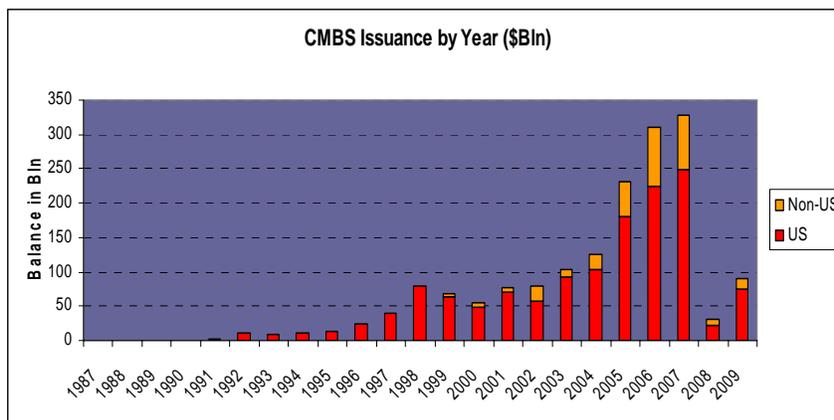
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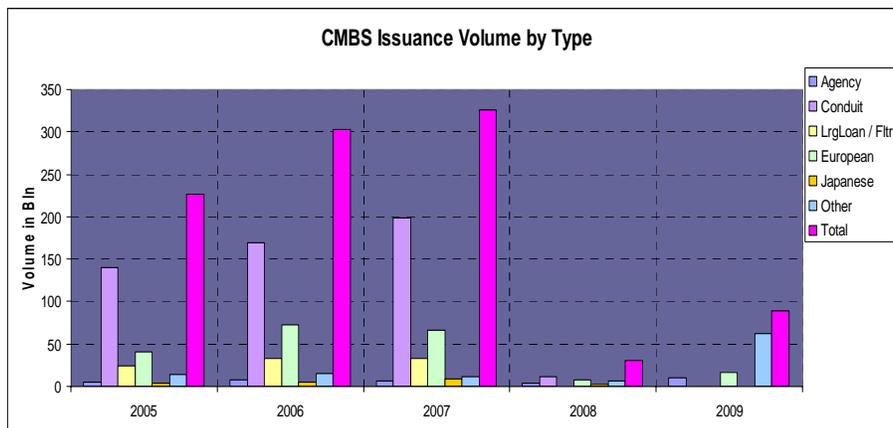


Global CMBS Issuance 1987 - 2009



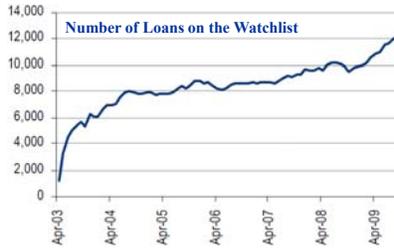
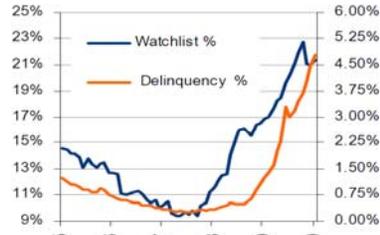
Source: Bloomberg

Global CMBS Issuance (by Type) 2005 - 2009



Source: Bloomberg

Watchlist Leads Delinquency



Source: Bank of America Merrill Lynch

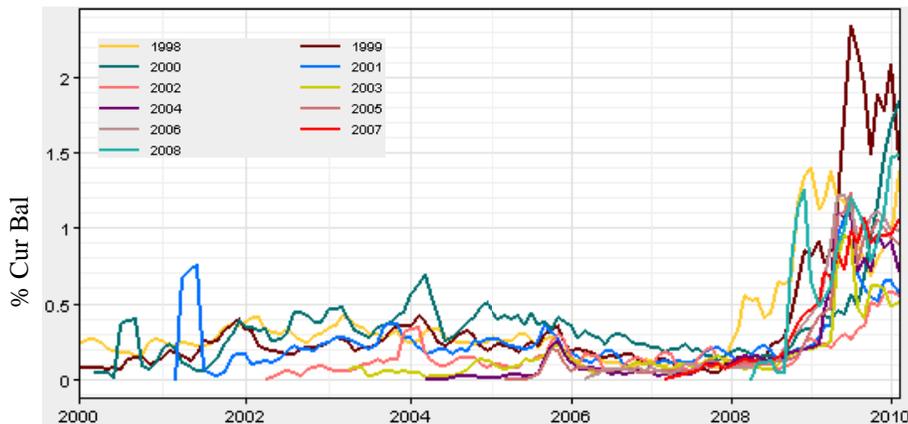
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30 Days Delinquency by Vintage 2000-2010

30 Days Delq (3Mth Moving Avg, % Cur Bal)



Source: Markit

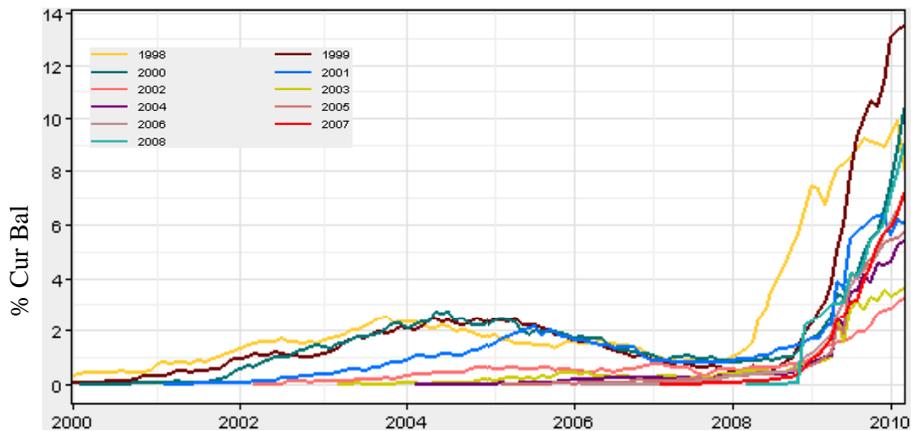
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60+ Days Delinquency by Vintage 2000-2010

60+ Days Delq (% Cur Bal)



Source: Markit

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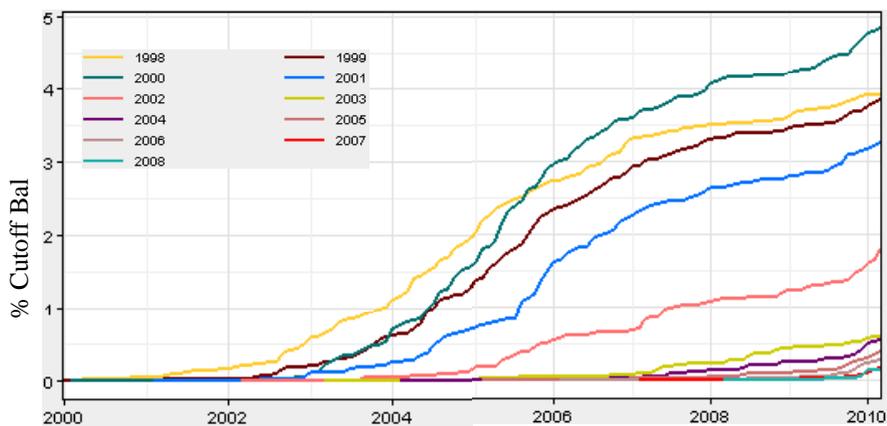
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Loss by Vintage 2000-2010

Loss Liquidation (% Cutoff Bal)



Source: Markit

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Real Estate Fundamental

Concentration of Watchlist Portfolio by Master Servicer and Major Trigger Category

Trigger	Berkadia	Keybank	Midland	NCF	Pru	Wachovia	Wells	Total
Financial Conditions (DSCR)	85.40%	80.90%	82.00%	93.60%	91.80%	85.10%	86.90%	84.70%
Borrower Issues	0.10%	0.00%	6.50%	0.00%	67.80%	0.30%	0.00%	1.30%
Property Condition Issues	3.60%	1.00%	0.20%	0.00%	2.80%	4.20%	1.00%	2.80%
Lease Rollover, Tenant Issue and Vacancy	26.80%	42.30%	41.00%	72.80%	82.40%	32.40%	51.70%	37.50%
Other	8.40%	3.20%	5.10%	0.00%	0.00%	21.40%	6.30%	13.30%

Source: Bank of America Merrill Lynch

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Real Estate Fundamental : Cap Rates

Retail



Multifamily



Industrial



Office



Source: Bloomberg

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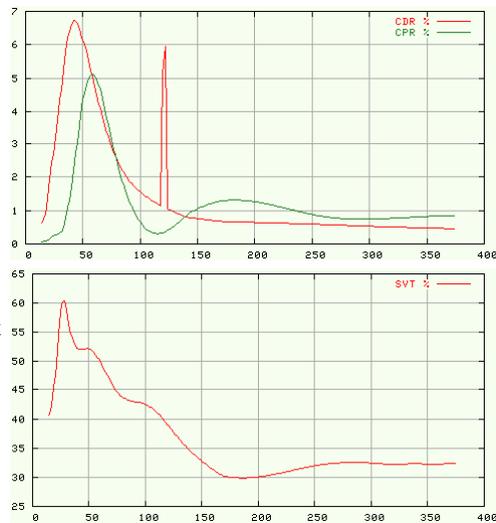
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Default Modeling: Our Approach

- Factors include LTV, DSCR, Debt-Yield, property value, NOI, vacancy rate, and loan characteristics for econometric loss analysis.
- Option approach is adopted to generate the prepayment and default baselines due to the insufficient past performance data.
- Delinquency roll rates serve as error correction portion for default forecasts.
- Property type, NOI, geography location are the most important drivers in our model.



Source: Beyondbond

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Forward Looking and Opportunity

- (-30%+) from peak values
- Opp Funds focused on distressed
- Cash Buyers extremely selective
- Investor sideline with cash
- At least \$80 BB distressed fund can take advantage of market dislocation
- Foreign investors

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Selected Seminars Sponsored by Beyondbond

06/11-12/07	2007 International Symposium on Financial Engineering and Risk Management: Global Securitization Trend Investor's favorite or risk manager's challenge	China-Beijing	China Center for Economic Research/HSBC
06/04/08	The Society for Financial Econometrics Conference Dynamic Econometric Loss Model	New York	New York University/Journal of Financial Econometrics
12/02/08	Taiwan FSC & NYTFA year-end conference "What is happening to market volatility and why?"	New York	Taiwan Financial Supervisory Commission/NTFA
04/03/09	Conference on "Volatilities and Correlations in Stressed Markets"	New York	NYU/Volatility Institute
11/13-14/09	Financial Economics and Accounting Conference	New Jersey	Rutgers University/National Taiwan University
11/16/09	2009 Global Economic and Financial Master Forum	Taiwan-Taipei	Taiwan Stock Exchange/Beyondbond
11/17-18/09	Conference on "Systemic Skewness and Long Run Risk 2009"	Taiwan	National Central University/ National Tsing-Hua University
01/15/10	NYTFA Entrepreneur Series Event: Chatfe.com	New York	Beyondbond Inc. /NYTFA

Biography

Dr. Ted Hong is the president of Beyondbond, Inc. During the past 10 years, Dr. Hong has provided fixed income research, investment and risk management analytics, and trading platforms to major global investment banks, mortgage lenders, large private equity and hedge funds, fixed income exchanges, and clearing houses.

Dr. Hong was previously a director at Nomura Securities International where he oversaw the mortgage analytics and securitization business. According to Fortune Magazine, he and his core team were instrumental in developing the commercial mortgage-backed securities industry and "jump-started the national real estate market" during the 1990's.

Dr. Hong has advised on the securitization markets to regulators and financial institutions in the US, Taiwan, and China including the People's Bank of China, Peking University, Financial Supervisory Commission (FSC), Central Bank of China, GreTai Securities Market, National Taiwan University, Asia Money, and Taiwan Academy of Banking and Finance (TABF). He is currently a senior advisor to FSC, TABF, and GreTai in Taiwan.

Dr. Hong received his Ph.D. in Economics from the University of California at San Diego. His thesis was non-stationary volatility modeling across a time series, and his research, such as "An Options Approach to Commercial Mortgages and CMBS Evaluation and Risk Analysis", has been widely quoted and referenced. Dr. Hong has also jointly published several research articles with Dr. Robert Engle, the 2003 Nobel Prize Laureate in Economics.

For Additional Information contact



233 Broadway, Suite 711

New York, NY 10279

646.313.3330 TEL

646.313.3339 FAX

Ted@beyondbond.com