



January 27, 2010

Via FedEx

Mr. J. Kyle Bass
Managing Partner
Hayman Advisors, L.P.
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201

Phil Angelides
Chairman

Hon. Bill Thomas
Vice Chairman

Brooksley Born
Commissioner

Byron S. Georgiou
Commissioner

Senator Bob Graham
Commissioner

Keith Hennessey
Commissioner

Douglas Holtz-Eakin
Commissioner

Heather H. Murren, CFA
Commissioner

John W. Thompson
Commissioner

Peter J. Wallison
Commissioner

Thomas Greene
Executive Director

**Re: Financial Crisis Inquiry Commission Hearing on
January 13, 2010**

Dear Mr. Bass:

On January 20, 2010, Chairman Angelides and Vice Chairman Thomas sent you a letter thanking you for testifying at the January 13, 2010 hearing and informing you that the staff of the FCIC might be contacting you to follow up on certain areas of your testimony and to submit written questions and requests for information related to your testimony. During the hearing, some of the Commissioners asked you to answer certain questions in writing, which are listed below. Please provide your answers and any additional information requested by February 26, 2010.

1. What questions would you suggest that the Commission ask the CEOs of the banks, government regulators, or any other public or private entity related to the causes of the financial crisis?
2. Can you please explain how banks' risk models and monitoring activities take off balance sheet activities into account, and what changes, if any, you believe need to be made?
3. Given the complexity of a bank's financial statements, e.g. derivative off-balance sheet positions, do you think investors and analysts are able to determine banks' capital adequacy and risk profiles? Are current SEC disclosures sufficient? In your opinion, did the lack of disclosure contribute to the crisis or delay the diagnosis of the problems at the financial institutions?
4. Please provide, if available, the presentations that you made to both Bear Stearns and the Federal Reserve concerning the impact of subprime mortgages and any correspondence received from either party after your meetings.

1717 Pennsylvania Avenue, NW, Suite 800 • Washington, DC 20006-4614
202.292.2799 • 202.632.1604 Fax

5. Please provide the full spreadsheet of the data included in Appendix A to your written testimony.
6. Please elaborate on your testimony regarding the connection between credit default swaps and the financial crisis.

The Commissioners and staff of the FCIC sincerely appreciate your continued cooperation with this inquiry. If you have any questions or concerns, please do not hesitate to contact Chris Seefer at (202) 292-2799, or cseefer@fcic.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas Greene", with a long horizontal flourish extending to the right.

Thomas Greene
Executive Director

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission
Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission



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February 26, 2010

Via E-Mail and FedEx

Mr. Thomas Greene
Executive Director
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW, Suite 800
Washington, D.C. 20006-4614

Dear Mr. Greene:

I am writing you in response to your letter dated February 1, 2010 (the "Letter"), on behalf of the Financial Crisis Inquiry Commission (the "Commission"). The Letter requested responses to six questions and/or requests for additional information. For your convenience, I have re-type the Commission's questions/information requests below, in the order presented in the Letter, and provided my responses following each such question or request.

1) What questions would you suggest that the Commission ask the CEOs of the banks, government regulators, or any other public or private entity related to the causes of the financial crisis?

• **Questions for Banks:**

- i. Have you changed the way that you evaluate and monitor risk in your trading and securities portfolio? If so, can you please explain what changes were made and if not, do you plan on implementing changes going forward?

Issues/Considerations: I believe that banks and other market participants became over-reliant and overly confident in models to make investment decisions and monitor risk. A basic flaw in these models was that most banks only used a few years worth of history from a time period when prices were stable and realized losses were very low due to the overall

economy performing well. The false sense of security provided by these sophisticated models, gave the banks unwarranted confidence to over-leverage themselves.

- ii. Explain your policies and procedures for selecting investments in your trading and securities portfolio? Is the primary guideline for investment selection based on ratings from the NRSROs.

Issues/Considerations: As securities became more complex (CDO, CDO squares, CLOs, etc.), many institutions relied heavily on credit ratings to determine position limits and investment guidelines. While credit ratings can be useful in the overall analysis, they should not be the over-arching driver of whether a security is selected for a portfolio.

- iii. Have you changed your compensation policies for individuals that structure complicated products (such as CDOs) to align their compensation with the ultimate performance of the debt instrument?

Issues/Considerations: It is crucial that incentives be aligned to ensure that banks do not promote and reward undue risk taking.

- iv. Are all sellers of CDS contracts required to post initial margin? If not, identify the types of accounts that are not required to post initial collateral? Do you (as bank and counter party) post initial margin, and if not, why?

Issues/Considerations: Homogenous collateral posting requirements are essential to eliminate the systemic risk in the OTC derivatives market (please see issues/considerations provided in Question #6 for more details)

- v. Do you believe that you took undue risks with depositor's money?
- vi. Should mortgage originations be regulated for both bank and non-bank entities?

Issues/Considerations: Mortgage origination is the only multi-trillion dollar market that directly touches consumers and is not

regulated. Mortgage origination must be regulated by a central authority.

- **Questions for Regulators:**

- i. Please explain the process of how you evaluate risk for a financial institution when it begins to underwrite a new product like pay-option ARMs or subprime ARMs with teaser rates.

Issues/Considerations: New products should be treated with great care. High capital requirements and loss reserves should be required until there is sufficient history on the product (10+ years).

- ii. Do you feel that the methodology for a bank establishing loan loss reserves is pro-cyclical? If so, how would you change the current practices?

Issues/Considerations: This is a good question for bank executives as well. The current accounting rules do not allow companies to properly reserve for a rainy day. Current delinquency rates, recent loss history and other factors that are used to determine the allowance on the balance sheet are all very pro-cyclical. The methodology forces a bank to set aside very little in reserves during good times and consequently they are left with a gaping hole when a crisis hits. These accounting rules were established to reduce the risk that banks would “smooth” earnings by over-reserving in good times to take away from net income when they didn’t need it and “banking up” the reserves to be released when earnings were off in another quarter down the road. However, the risks are clearly greater to the system if we allow banks to become under-reserved.

- iii. What has this crisis taught you with regard to the structured leverage (based upon your minimal capital rules) that you set and oversee in the US banking system? What levels of tangible common equity will allow the US banking system to stay solvent during any future cyclical downturn (or even a crisis)?

Issues/Considerations: 10% capital should be the bare minimum requirement for government back-stopped institutions

- **Questions for Fannie and Freddie:**

- i. What leverage level do you feel is necessary to sustain a cyclical downturn?

Issues/Considerations: I believe that capital ratios for banks and Fannie and Freddie should be comparable with respect to mortgage loans. The statutory capital ratios for Fannie and Freddie were a fraction of the bank minimum capital ratios for residential mortgages prior to the crisis.

- ii. Why do you set aside less capital for loans that you guarantee versus loans that are on the books when the risk seems identical?

Issues/Considerations: I do not know of any reason why they should be treated differently.

- iii. Why should Fannie/Freddie exist in the form of a public company with shareholders, board members, bond holders and operating as a ‘for-profit’ enterprise while concurrently enjoying the implicit backing of the US taxpayer?

Issues/Considerations: I believe that they should not exist in this form. These institutions need to operate as either public companies or government agencies, but they cannot continue as public companies with the backing of the taxpayer.

- iv. What do you expect the final losses to be by the end of this crisis? Exactly what inputs are you using for default rates (frequency of default), loss severity and home price appreciation/depreciation? How do these inputs differ from what is being realized today on a real-time basis?

Issues/Considerations: I believe that Fannie and Freddie’s cumulative losses (from 2008 forward) will be approximately \$300 billion based on the following assumptions:

Loan Type	Gross Loss %	Severity
Alt-A and High-LTV	20%	50.00%
IO and Pay Option	20%	65.00%
Investment or 2nd Home	10%	55.00%
FICO <660	25%	70.00%
Prime	10%	40.00%

- 2) **Can you please explain how banks' risk models and monitoring activities take off balance sheet activities into account, and what changes, if any, you believe need to be made.**

Stand-by lines of credit, certain loans that are structured as derivatives and non-consolidated special purpose vehicles require a bank to hold very little (if any) capital against them because they are assumed to be very unlikely to come back on-balance sheet. However, as evidenced by the most recent crisis, one improbable or unanticipated event can trigger a chain reaction of events at time when banks can least afford it. Higher capital requirements should be established for contingent assets coming on the balance sheet.

- 3) **Given the complexity of a bank's financial statements, e.g. derivative off-balance sheet positions, do you think investors and analysts are able to determine banks' capital adequacy and risk profiles? Are current SEC disclosures sufficient? In your opinion, did the lack of disclosure contribute to the crisis or delay the diagnosis of the problems at the financial institutions?**

No. Current SEC disclosures are inadequate with regard to a company's derivatives holdings. Companies are only required to report high-level details concerning their portfolios, and it is impossible to discern the real level of open-ended risk that may reside at a financial institution. I believe that the opaque manner in which these derivatives were reported (i.e. at best a few lines in a footnote in a 100+ page document) contributed to the crisis because shareholders did not fully understand the associated risks, and therefore management was encouraged (or, at a minimal, undeterred) to take on additional levered bets in the derivatives market. For example, a CDS contract would not attract the same amount of capital as a loan or bond of similar risk characteristics. Therefore, it would be possible to leverage the CDS market much more than if the company owned a traditional bond – even though the risk was the same.

- 4) Please provide, if available, the presentations that you made to both Bear Stearns and the Federal Reserve concerning the impact of subprime mortgages and any correspondence received from either party after your meetings.**

See Attachment A

- 5) Please provide the full spreadsheet of the data included in Appendix A to your written testimony.**

See Attachment B

- 6) Please elaborate on your testimony regarding the connection between credit default swaps and the financial crisis.**

Credit default swaps (“CDS”) helped contribute to the financial crisis primarily as a result of the leverage afforded to sellers of protection and the lack of sufficient, up-front collateral required from such sellers by the intermediaries, such as banks/investment banks (“Banks”). For example, a seller of protection could earn a small fee (or the premium) in exchange for the obligation to pay the buyer of protection a specified amount in the event that a default occurred. CDS may be written on a specific company or bond (*e.g.* bonds linked to subprime mortgages or CDOs). In the event of a default, the amount that the seller would be required to pay is determined by the settlement price of the reference bond post default. Selling CDS is very much like buying a bond with one very significant exception – most large sellers of protection do not have to post any up-front collateral. Instead, the seller could simply enjoy the benefit of the earnings stream (from the premium payments) until an event of default occurs.

In the most recent financial crisis when defaults started to occur, counterparties that had written CDS contracts (sold protection) were forced to pay enormous insurance proceeds to the buyers of protection. This point where systemic risk enters the equation because buyers and sellers of protection usually do not face each other directly, and instead use Banks as intermediaries. When the defaults accelerated at the height of the financial crisis, Banks were contractually obligated to pay buyers of protection large payouts because the buyers of protection had purchased insurance for just such an event. When Banks went to collect from the sellers of protection, Banks experienced difficulties in collecting because, in many cases, they had not received sufficient up-front collateral to protect themselves (*e.g.* AIG could not pay for all the risk they took). Banks could not afford to take these

massive losses, and the government was called to rescue certain counterparties so that Banks would not suffer catastrophic losses.


This situation could have been avoided by imposing homogenous collateral requirements requiring sellers of protection to post sufficient up-front collateral to cover the liability (or the majority thereof) in case of a sudden surge in defaults. Instead, many firms (*i.e.* AIG) took on risk much greater than their capital base through the leverage afforded by the CDS market. Below is an example of collateral requirements for buying a cash bond versus selling protection (CDS). The chart also reflects how selling CDS without appropriate collateral requirements may lead to counter party risk if a default or series of defaults occur. As shown below, in the event of a default, the amount due from a seller of protection may be three times the amount due from a cash bond purchaser.

	Cash Bonds	AAA/Broker Dealers	Private-Market Participants
Up-Front Collateral	40%	None	10%
Maintenance Margin	Yes	Yes After Threshold	Yes
Amount Due if Default Occurs (Assumes default prior to collection of margin and 40% recovery rate)	20%	60%	50%

* Assumes a standard corporate credit with a maturity of 5-years

I appreciate the opportunity to respond to the Commission's questions. Should the Commission or any member of its staff have any further questions, please do not hesitate to contact me.

Sincerely,



J Kyle Bass

Enclosures

Attachment A

Subprime Credit Strategies Fund, L.P.

Corriente Capital Management

301 Commerce St.

Suite 1840

Fort Worth, TX 76102

817-870-0400- Main

817-870-0401- Fax



Rayman Capital Partners

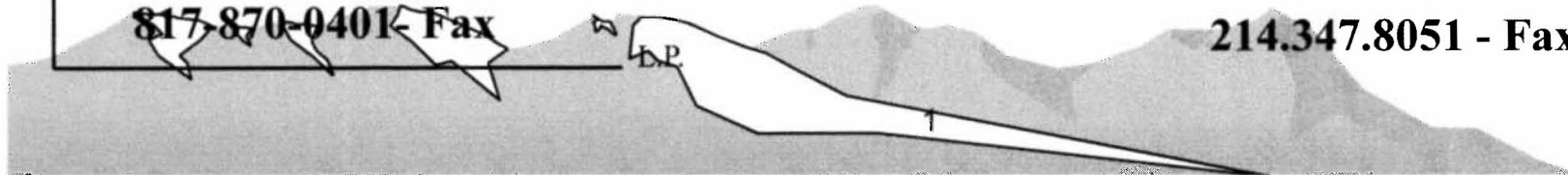
2626 Cole Avenue

Suite 200

Dallas, Texas 75204

214.347.8050 - Main

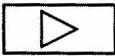
214.347.8051 - Fax



Legal Disclaimer

This presentation, furnished on a confidential basis to the recipient, is neither an offer to sell nor a solicitation of any offer to buy any securities, investment product or investment advisory services including interests in Subprime Credit Strategies Fund, LP. This presentation is subject to a more complete description and does not contain all the information necessary to make an investment decision, including but not limited to, the risks, fees and investment strategies of the Subprime Fund. Any offering is made only pursuant to the relevant information memorandum, together with the current financial statements of Corriente and Hayman, if available, and a relevant subscription application, all of which must be read in their entirety. No offer to purchase interests will be made or accepted prior to receipt by an offeree of these documents and the completion of all appropriate documentation. All investors must be “accredited investors” as defined in the securities laws before they can invest in the Subprime Credit Strategies Fund.

General Market Data

- Total US Mortgage Debt Outstanding = \$9.176T (82% of US GDP)
- Subprime Mortgage Issuance has grown from  approximately \$20B in 1995 to approximately \$450B in 2005
- More than \$250B adjustable rate mortgage loans have reset in 2006
- In 2007, more than \$1T of adjustable loans are scheduled to reset

Source: Fannie Mae



General Subprime Market Data

- 17.3% of all mortgage loans outstanding at the end of June were made to borrowers considered most likely to default (subprime) – up from **2.4%** in 1998
- The Serious Delinquency Rate (90 days or more past due) for subprime borrowers is in excess of 7%, whereas the Serious Delinquency Rate for prime borrowers is less than 1%
- The 140+% rise in gasoline prices and the 68% rise in electricity prices since Jan 2004 has had a significant impact on subprime consumers
- Adjustable Rate Mortgages accounted for 80.7% of the \$259B in subprime loans securitized through the end of June

Source: Inside Mortgage Finance



Refinancing Stress

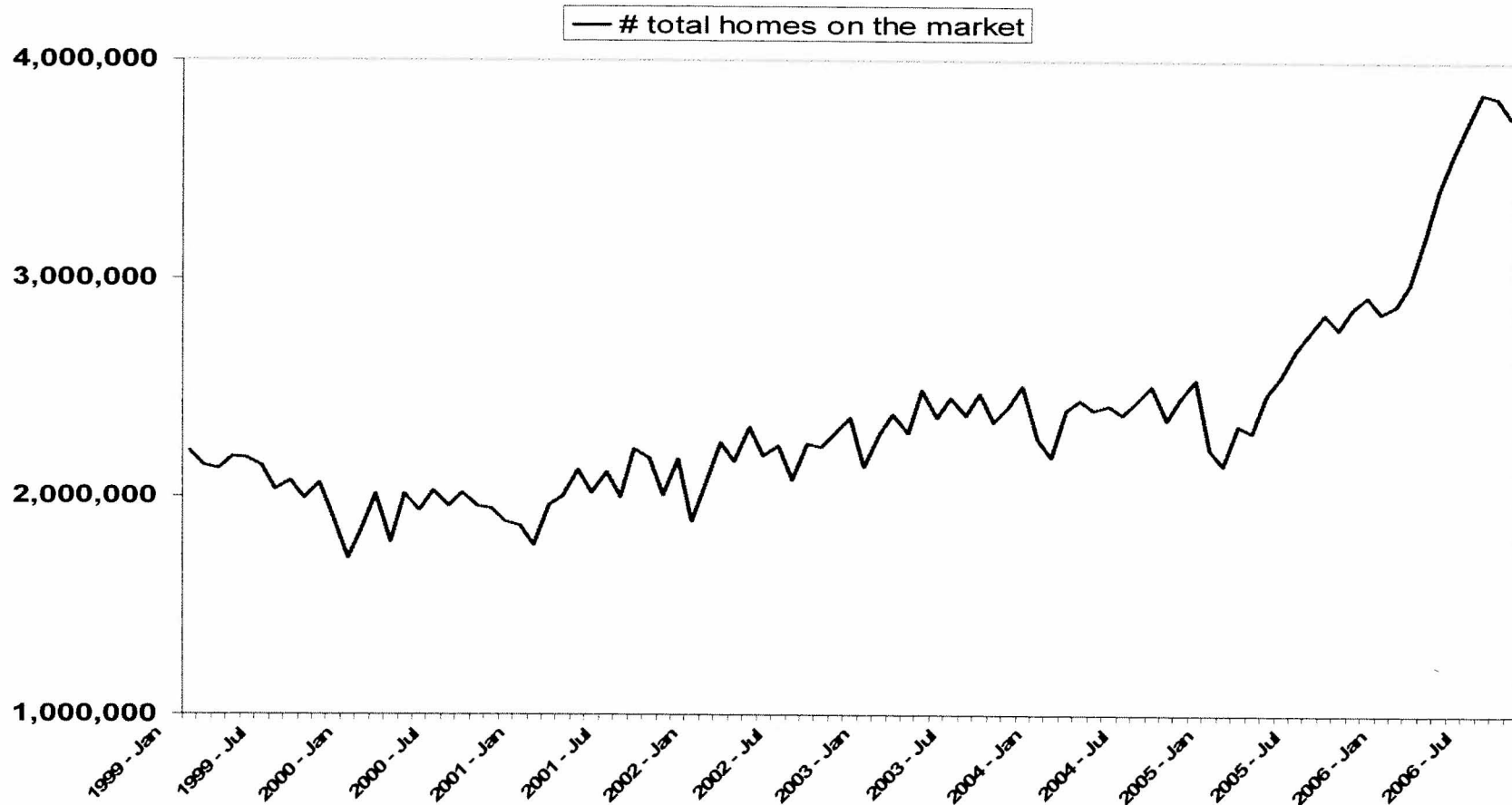
Year/Quarter	Share with 5% Higher Loan Amount	Median Ratio of Old to New Rate
1999	64%	1.09
2000	79%	0.94
2001	55%	1.16
2002	52%	1.18
2003	38%	1.25
2004	50%	1.18
2005	73%	1.07
2006 Q1	86%	0.98
2006 Q2	88%	0.93
2006 Q3	89%	0.89

Source: Freddie Mac



Existing Homes Inventory

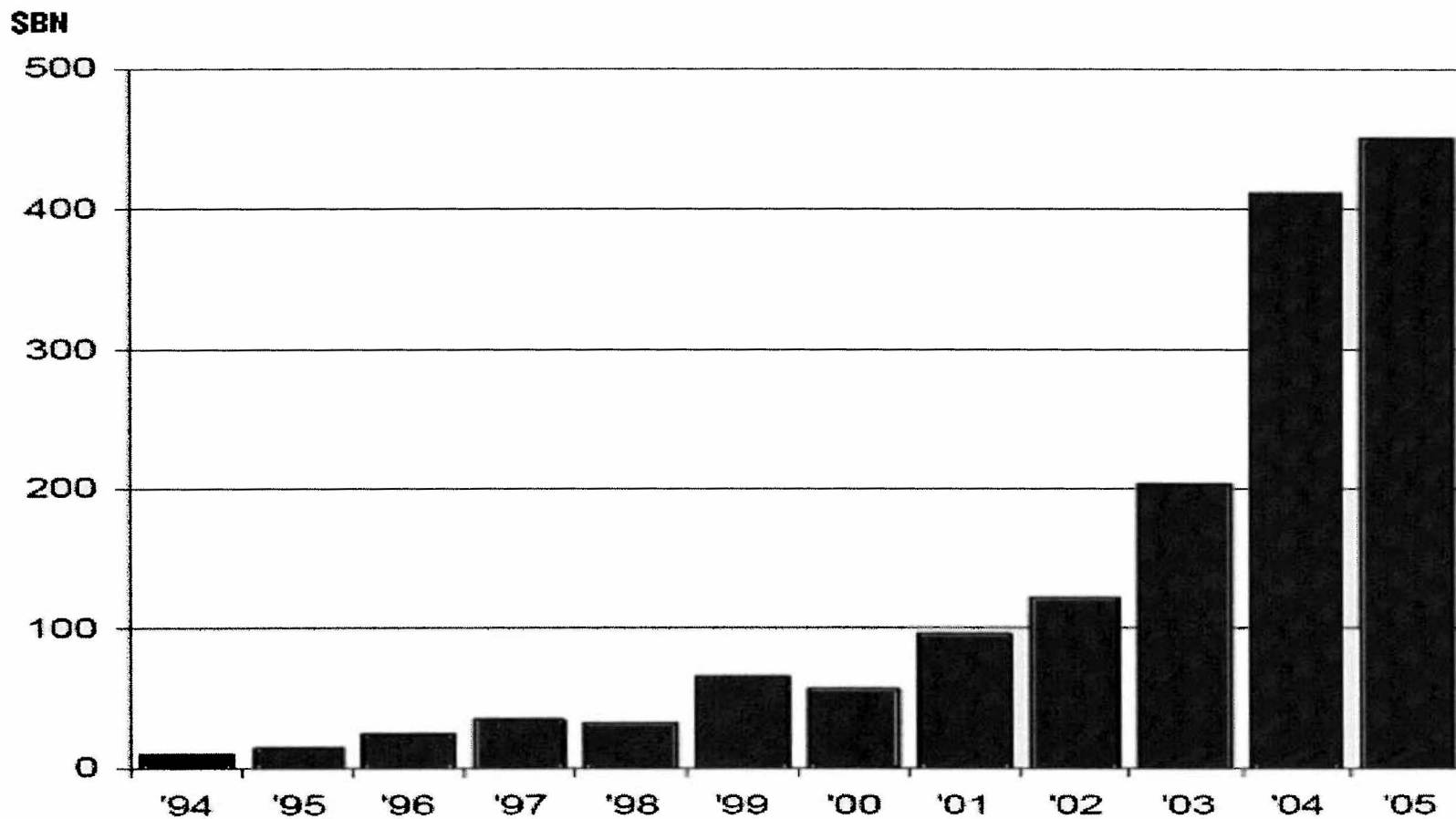
Existing home inventory has recently spiked to its highest level ever



Source: National Association of Realtors



Subprime Mortgage Issuance Has Grown Exponentially

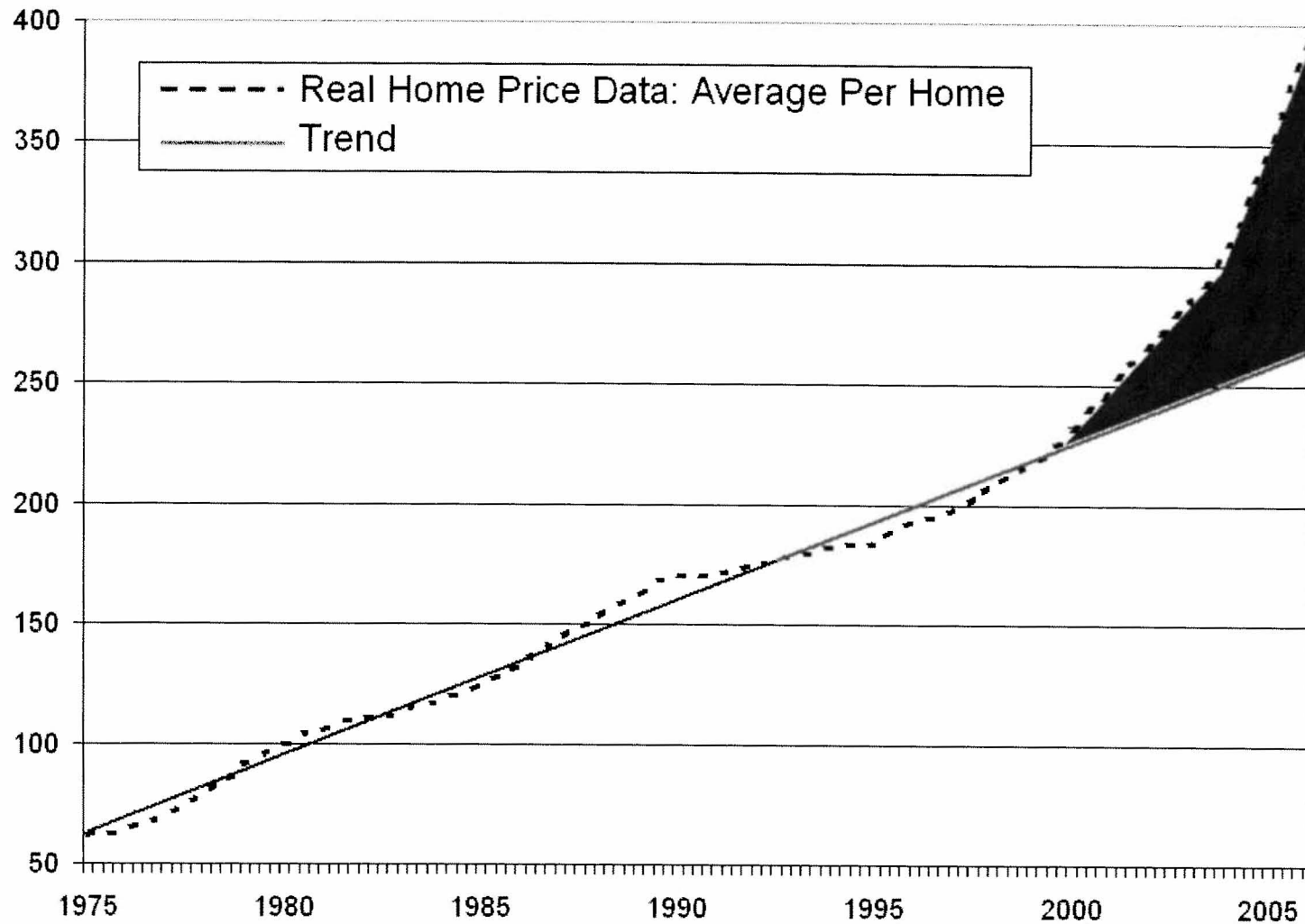


Source: National Mortgage Bankers Association

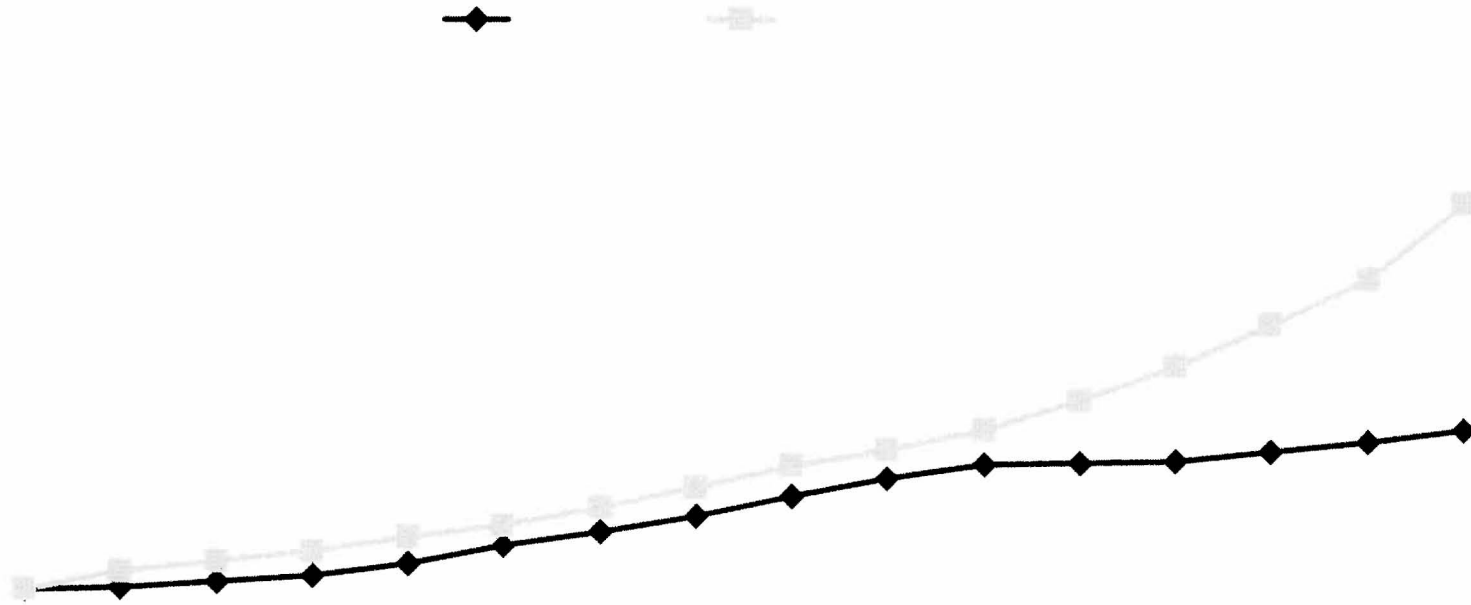
CORRIENTE
CAPITAL
MANAGEMENT
L.P.



US Home Values



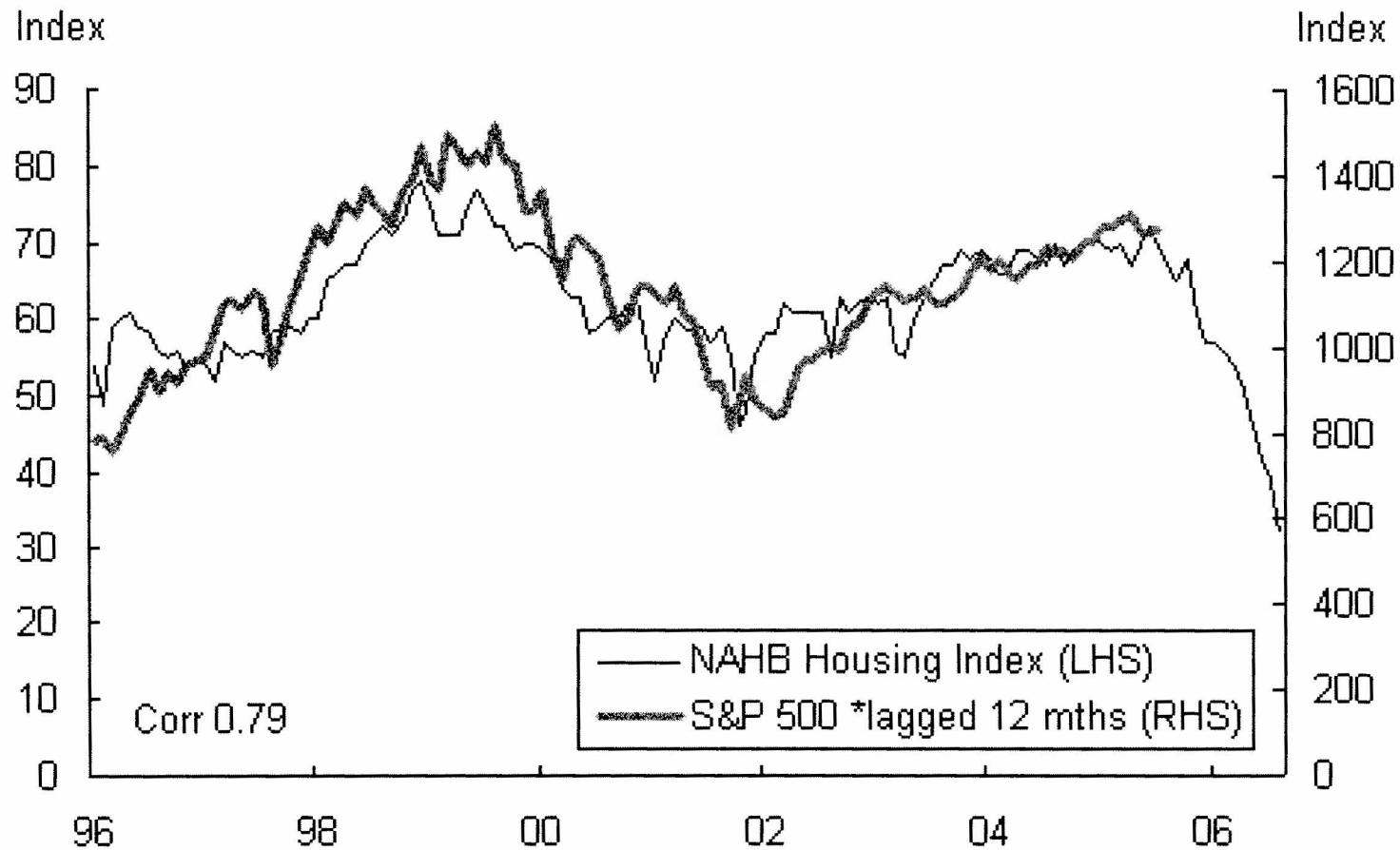
Income Not Keeping Pace With Home Prices



Source: National Association of Realtors



79% Correlation: NAHB to Lagged S&P 500



Foreclosures

- California foreclosure activity has more than tripled from the previous year.
- Year over year, Florida's foreclosures were up nearly 50% in October.
- In Nevada, during the month of October there was one new foreclosure filing for every 389 households.
- In October, national foreclosures were up 42% from October of 2005 with 115,568 new properties entering some stage of foreclosure the most of any month this year.

Source: Realty Trac



Subprime Delinquencies and Foreclosures

- ❑ October 2005 = 7.70%
- ❑ October 2006 = 11.93%
- ❑ YOY Change = **55%**

Source: Loan Performance



Qualifying Payment Changes

• *Subprime 2/28s and Secure Option ARM loan originations are most likely to be impacted*

	Pre-guidance qualifying amount	Post guidance qualifying amount	Percentage increase
Subprime (1)	\$1,433	\$1,953	36%
Alt-A Hybrid (2)	\$2,917	\$3,520	21%
MTA Option ARM (3)	\$3,672	\$4,040/\$4,223	10%/15%
Secure Option ARM (4)	\$2,917	\$4,068	39%

- (1) Assuming a loan balance of \$200k, start rate of 8.5%, margin of 6.0% and 1Y-LIBOR at 5.32%
- (2) Assuming a loan balance of \$500k, start rate of 7.0%, margin of 2.25% and 1Y-LIBOR at 5.32%
- (3) Assuming a loan balance of \$550k, MTA at 4.76%, margin of 3.25% and a Neg-Am factors of 110% and 115%
- (4) Assuming a loan balance of \$500k, start rate of 7.00%, 6M-LIBOR at 5.37%, margin of 2.25%



Impact on Secondary Market

- Cash strapped near prime- and subprime-stated income borrowers qualified at the 10 payment appear to be in the primary focus of the guidance.
- Implies lower refinancing opportunities for fringe borrowers.
- Caution against tail risk from a credit perspective.



Opportunity

Subprime Credit Strategies Fund, L.P. (SCSF) has identified a compelling investment opportunity to hedge against adverse economic events and a possible hard landing in the housing market.

*Credit default swaps, short positions in residential sub-prime Mortgage Backed Securities and total return swaps are instruments that allow an investor to hedge against defaults in residential Mortgage Backed Securities. We believe that these instruments are fundamentally mis-priced given the substantial deterioration that has recently afflicted the US housing market. **The significant acceleration of delinquencies and foreclosures in the subprime housing market is not effectively being priced into these instruments as additional risk premium.***

We have developed a proprietary method of screening portfolios of mortgage backed securities to determine which ones have the highest likelihood of default.



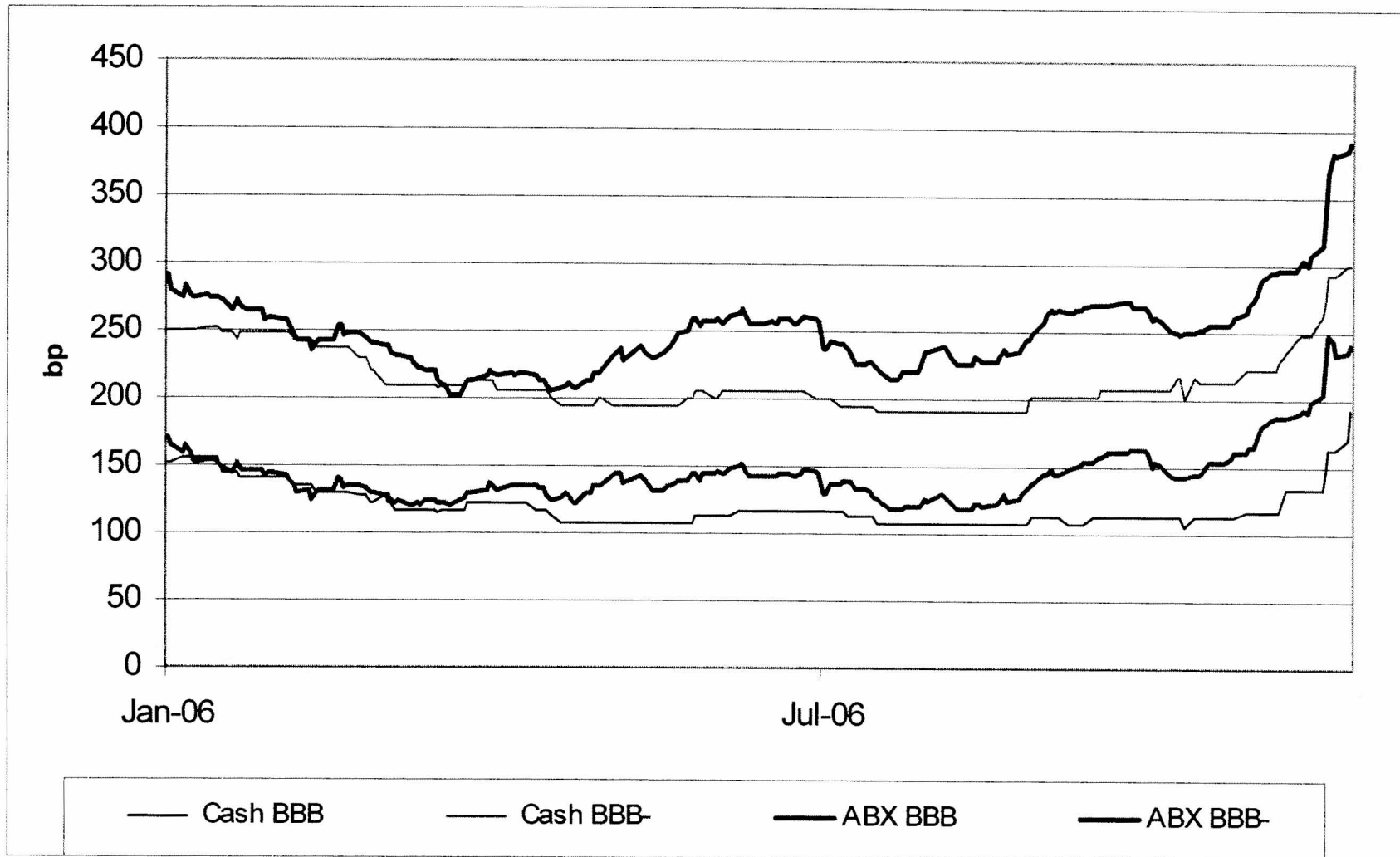
Case Study Portfolio

Tranche	Moody's Rating (at issue)	ACE 2004-HE1 Securitization	Percentage
A1	AAA (A1)	\$201,112,000	56.5%
A2A	AAA (A2A)	\$35,535,000	10.0%
A2B	AAA (A2B)	\$20,230,000	5.7%
A3	AAA (A3)	\$22,346,000	6.3%
M1	AA	\$24,543,000	6.9%
M2	A	\$20,453,000	5.8%
M3	A-	\$5,335,000	1.5%
M4	BBB+	\$5,335,000	1.5%
M5	BBB	\$5,335,000	1.5%
M6	BBB-	\$4,446,000	1.2%
B	OC (B)	\$8,892,000	2.5%
CE	OC (CE)	\$2,135,000	0.6%

Source: Prospectus



Subprime Cash and CDS Spreads



Current Index Situation (as of 12-13-2006)

- **ABX.HE.06-2**

Cpn	Price	Ch	Spread	Ch	Size	SpDur
AAA 11	100-01 /	100-05 0-001	10 /	8 -0.1	100x 100	4.75
AA 17	100-00 /	100-06 0-001	17 /	12 -0.1	50x 50	3.5
A 44	99-04 /	99-14 -0-007	70 /	61 +0.9	50x 50	3.35
BBB 133	96-09 /	96-21 -0-02	248 /	237 +1.9	25x 25	3.23
BBB- 242	95-01 /	95-13 -0-025	401 /	389 +2.6	25x 25	3.13

- **ABX.HE.06-1**

Cpn	Price	Ch	Spread	Ch	Size	SpDur
AAA 18	100-04+ /	100-10+ -0-001	15 /	10 +0.1	100x 100	4.27
AA 32	100-16+ /	100-22+ 0-002	16 /	10 -0.3	50x 50	3.15
A 54	100-02 /	100-12 -0-01	52 /	41 +1.1	50x 50	2.95
BBB 154	99-29 /	100-09 -0-05	157 /	144 +5.6	25x 25	2.81
BBB- 267	99-17 /	99-29 -0-013	284 /	270 +1.5	25x 25	2.78

- **ABX.HE.06-2/ABX.HE.06-1 Roll**

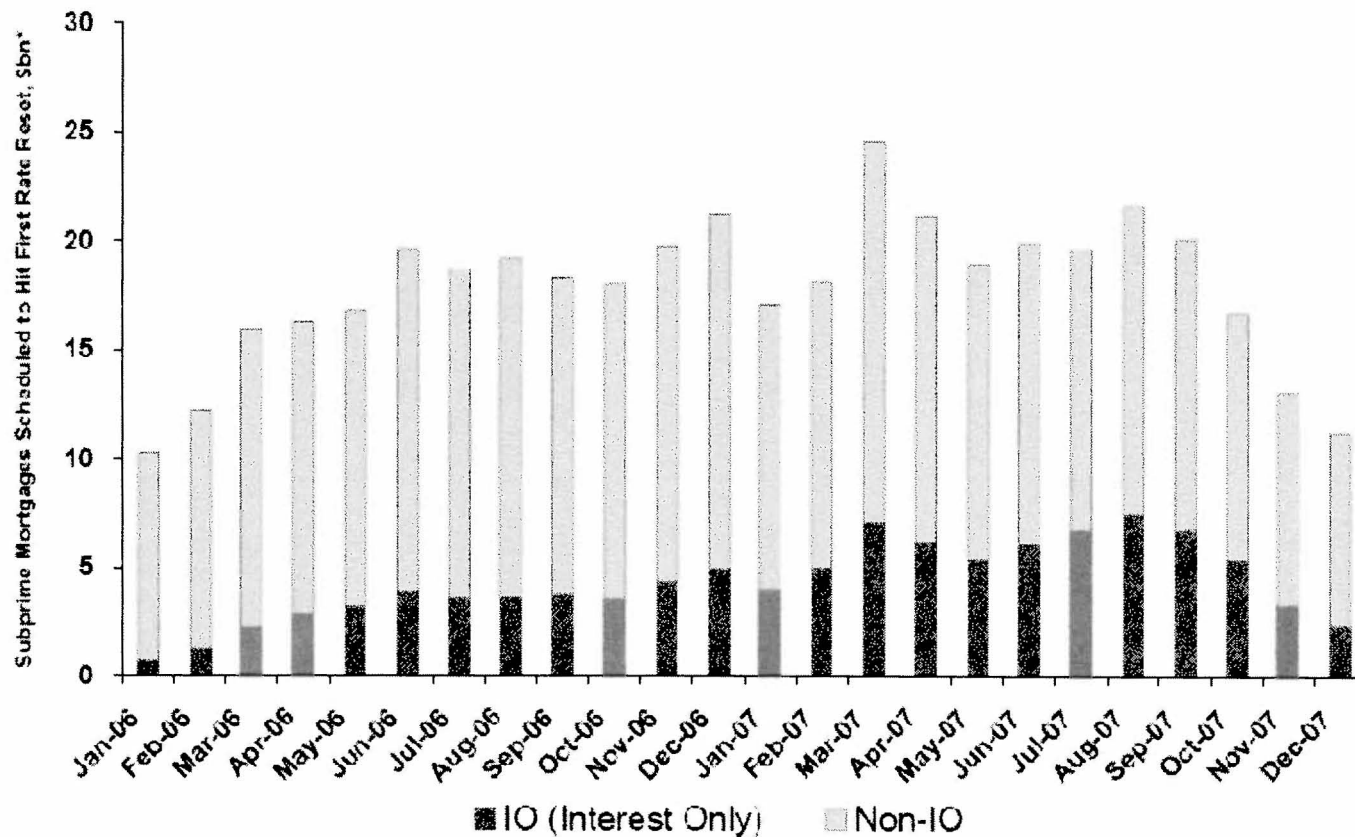
	Price	Ch	Spread	Ch	Size
AAA	0-02+ /	0-06+ -0-002	5 /	2 +0.2	100x 100
AA	0-14+ /	0-18+ 0-001	0 /	-3 -0.2	50x 50
A	0-26 /	1-02 -0-001	-15 /	-23 +0.2	25x 25
BBB	3-14 /	3-26 -0-03	-86 /	-97 +3.7	10x 10
BBB-	4-10 /	4-22 0-012	-112 /	-124 -1.1	10x 10

**Spreads computed from prices using a weighted average spread duration (generated at the base Bloomberg speed) for all 20 reference obligations in the index.



ARM Resets Increasing

Subprime 2/28 Hybrid ARMs scheduled to hit initial rate reset



* Note: Based on original balance of loans originated. Not adjusted for amortization, prepayments and losses subsequent to origination.
 Source: Loanperformance, Goldman Sachs Research.

Goldman Sachs Global Investment Research



Case Study Portfolio

Deutsche Bank ACE - 2004

- Total Issue = \$355,697,387
- Weighted Average Cost at Issue was 7.765%
- Lead Manager: Deutsche Bank
- BBB- Tranche = \$4,446,000
- Over collateralization in the pool = 3.1% (Loan Purpose = 50.2% Purchase, 38% Equity Takeout (Occupancy = 85% Owner Occupied, 15% Investment))
- Geographic Diversity = 41% CA, 8% FL, 5% IL, 4% MI
- WAVG LTV = 80%...but it is Barbelled because 32.8% is fully above 90%. With 38% of the loans for equity takeout, the 32.8% number is arguably MUCH HIGHER (+8-10%)
- WAVG FICO = 621....but 37.5% is below 600
- Over 80% of the loans in this portfolio have usurious prepayment penalties (6 months interest of any payments over 20% of LA)
- This portfolio deteriorated rapidly when the 2/28 coupons reset hit and the rates adjusted
- CDS for this M6 Tranche is bid at 35 points as of 7/20/06 and the losses are still to be settled out. If cumulative losses reach 4.35%, this ENTIRE TRANCHE will be written down 100%



Case Study Continued

Pool Total

Collateral Type	Original Balance (000)	Original WAM	Seller	Servicer
Home Equity	355,697	344.000000	Deutsche Bank AG (NY Branch)	Ocwen Federal Bank FSB

Distribution Date	----- Delinquencies -----			FCL	BK	REO	Cumulative Net Loss Rate	Prepayment Rate (CPR)	Pool Balance (000)
	30 Day	60 Day	90 Day						
Oct 2006	3.77%	2.03%	1.00%	7.29%	4.51%	5.58%	2.73%	25.18%	81,013
Sep 2006	3.66%	2.04%	2.05%	7.89%	4.56%	5.30%	2.60%	49.86%	83,078
Aug 2006	3.18%	1.62%	1.30%	8.35%	4.67%	5.38%	2.49%	28.65%	88,084
Jul 2006	4.12%	1.79%	1.65%	6.75%	4.57%	4.68%	2.41%	32.30%	90,684
Jun 2006	3.35%	2.26%	1.44%	5.74%	4.34%	4.41%	2.32%	44.15%	93,770
May 2006	3.08%	1.63%	0.66%	6.57%	4.53%	4.18%	2.18%	40.83%	98,526

Other Credit Supports

Name	Current Support	Initial Support	Provider	Classes Supported
Overcollateralization	2.63%	0.60%		A-1,A-2A,A-2B,A-3,M-1,M-2,M-3,M-4,M-5,M-6,B,P,R
Reserve Account	0.00%	0.00%		A-1,A-2A,A-2B,A-3,M-1,M-2,M-3,M-4,M-5,M-6,B,P,R

Source: ABS Net



50<Go> for alternate group

Bloomberg
CASH**ACE 2004-HE1**

ACE SECURITIES CORP.

Page 1

A-#BAL
B-#LOAN
C-BOTH

Collateral Performance Group: ALL collateral

Issued

✓\$Bal Weight

Oct06

Sep06

Aug06

Jul106

Jun06

May06

Mar04

Balance (000)	81,014	83,078	88,084	90,684	93,770	98,527	855,697
Pool Factor	0.228	0.234	0.248	0.255	0.264	0.277	1.000
Number of Loans	1183	1216	1258	1289	1323	1368	3419
WAC	9.29	9.23	9.19	9.13	9.10	9.09	7.76
WAM/AGE	307/ 38	308/ 37	310/ 36	311/ 35	313/ 34	314/ 33	345/ 6
WALTV	79.8 %	79.9 %	80.2 %	80.1 %	80.0 %	80.2 %	78.2 %
ΔTV > 80%	50.7 %	50.9 %	51.6 %	51.7 %	51.1 %	51.8 %	43.6 %
ΔDelinq 30 days	3.93%	3.91%	3.36%	4.28%	3.34%	3.35%	na
✓ 60 days	2.18%	2.17%	1.85%	1.78%	2.42%	1.77%	na
✓ 90 days	9.96%	9.77%	8.60%	9.21%	8.45%	7.93%	na
Foreclosure	7.24%	7.84%	8.30%	6.70%	5.70%	5.53%	.00%
✓FED	5.53%	5.25%	5.31%	4.63%	4.86%	4.13%	.00%
Δlimited Document	na	na	na	na	na	na	na
✓\$Bal Loan>500	.9 %	.9 %	.8 %	.8 %	.8 %	.7 %	1.5 %
✓ 300-500	7.5 %	7.4 %	10.0 %	10.2 %	10.3 %	10.9 %	21.7 %
✓Geographics 1st	CA 12%	CA 12%	CA 13%	CA 14%	CA 14%	CA 15%	CA 41%
✓ 2nd	MI 9%	MI 9%	MI 8%	MI 8%	FL 8%	FL 8%	FL 8%
✓ 3rd	OH 8%	FL 8%	FL 8%	FL 8%	MI 8%	MI 8%	IL 5%
✓ 4th	FL 8%	OH 8%	OH 7%	OH 7%	OH 7%	OH 7%	MI 4%
Credit Support	90.2%	88.4%	83.7%	81.5%	79.0%	75.5%	21.5%

Australia 61 2 9777 8600
Hong Kong 852 2977 6000 Japan 81 3 3201 8900Brazil 5511 3048 4500
Singapore 65 6212 1000

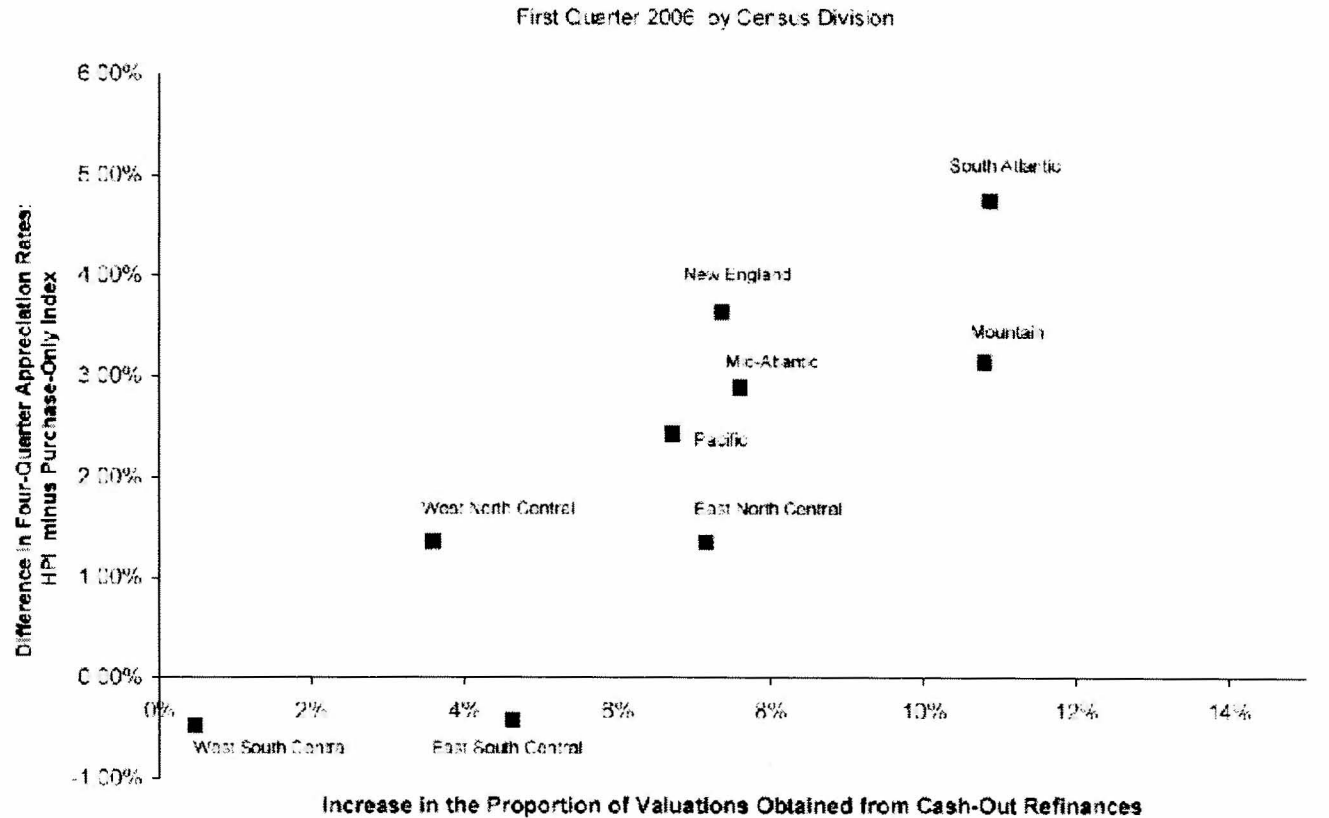
U.S. 1 212 318 2000

Europe 44 20 7330 7500
Germany 49 69 920410Copyright 2006 Bloomberg L.P.
G659-1164-1 20-Nov-06 13:42:20

V in LTV Deceiving in Cash-Out Financing

Homes tend to appraise at higher values for cash-out refinance loans

Figure 1: The Difference Between the HPI^Δ and Purchase-Only Appreciation Rates and the Growing Popularity of Cash-Out Refinances



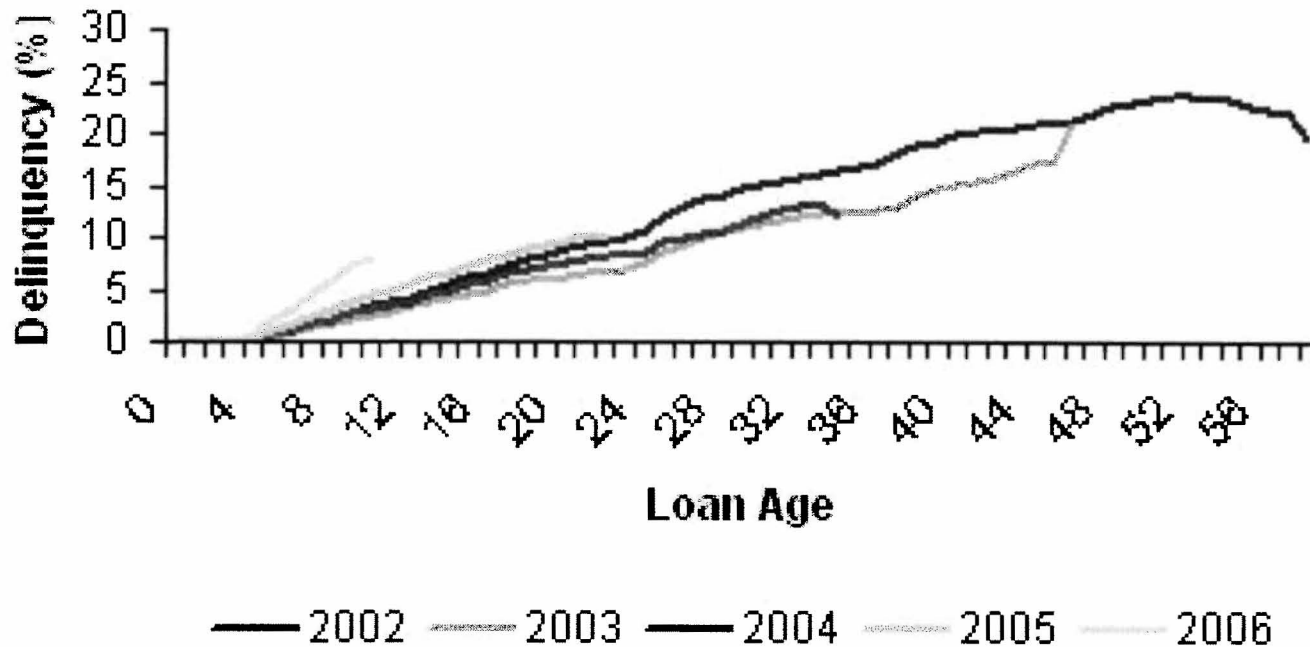
*Home Price Index

Source: St. Louis Fed.



Subprime Delinquency

Companies citing weaker underwriting and performance in the 2005 and 2006 vintages



Source: Goldman Sachs



Impact of Slower HPA on Subprime Losses

HPA/CPR/LS Combination	Housing Appreciation	CPR ARM*	CPR Fixed*	CDR**	Cum Defaults	Loss Severity	Cum Loss
A	7 - 12%	70	30	Base	6.67	20	1.50
B	5 - 7%	50	25	Base	11.58	35	4.09
C	2 - 3%	45	20	Base	13.35	45	6.07
D	0%	40	18	Base	14.99	55	8.33
E	-2 - 3%	35	15	Base x 1.20	20.04	60	12.15

* ARM CPR Vectors identified by peak speed at 24 months.

Fixed CPR Vectors identified by speed at end of 12 month seasoning ramp.

**Base CDR curve based on historical current losses.

For combination E, base CDR multiplied by 1.20 to account for recession.



Escalating Risks to RMBS and US Economy

- Some markets could see substantial decreases in home values as they revert to trend growth:
 - California has seen appreciation from 2005-2006 of 19.2%
 - Florida has appreciated 26.62%



Supporting Quotes

Louis Ranieri: Creator of Mortgage Backed Securities

June 16, 2006

When speaking about the housing related credit risk being repackaged and passed on, he said:

“When you start divorcing the creator of risk from the ultimate holder of the risk, it becomes an issue.”

When asked about his concerns he stated the following:

His immediate concerns are with subprime mortgages, whose securitization market he called untested by tough times, and with certain housing markets -particularly condos- where he believes a speculative frenzy was greatly underestimated.

Source: The American Banker



Supporting Quotes

David Rosenberg: Merrill Lynch North American Economist

July 26, 2006

Yesterday's existing home sales report for June was telling and we expect to hear less of this refrain going forward – “but house prices never go down nationwide.” We were early in the game in terms of identifying the mania-like conditions permeating the US housing market when we published our inaugural report on the topic in August 2004. While we listed a variety of "bubbly" characteristics at the time, what was missing was the catalyst for a price reversal. That catalyst being: inventories, the oversupply response that has inevitably unwound every bubble back to the tulips in the 17th century. We had been told repeatedly in the past two years how we sounded like the boy who cried wolf. Well, just remember - the wolf showed up at the end of that story. After yesterday's existing home sales report for June, we expect to hear less of this refrain going forward - "but house prices never go down nationwide." And once home prices do deflate - considering that 60% of the country experienced an excessive valuation run-up this cycle (double the dispersion of the late-1980s) - we also expect the standard Pollyanna line "never count the American consumer out" to fall by the wayside as well. The housing boom had become so big that it accounted for more than a third of overall job growth in the past three years. Moreover, the ability and willingness to tap ever-rising home equity made the difference between 2% average annual real consumer spending growth and actual trend of 3.5%. When you tack on (i) the "volume" impact from lower construction activity and (ii) the "price" impact from lower real estate values and hence lower household cash flow from all the various forms of equity-tapping, then the "recession" and "deflation" underway in the housing market could very easily on its own end up shaving as much as two percentage points from baseline GDP growth (of around 3½%) in the coming 4-6 quarters. Something tells us that sub-2% growth, let alone a full-scale recession, would come as quite a surprise to the consensus economics community who still cling to near-3% GDP forecasts for 2007 and the equity analysts who continue to pen in 11% EPS growth.



Supporting Quotes

Richard Dugas: President and CEO of Pulte Homes

July 27, 2006

“...I think all have been surprised by the speed with which conditions have changed and by the breadth of the slowdown in terms of the number of cities that have been impacted.”

Chad Dreier: Chairman/President/CEO of Ryland

July 19, 2006

“The slowdown is broad based, but profound in areas that experienced significant price appreciation over the last few years.”



Supporting Quotes

Angelo Mozilo: CEO of Countrywide

August 8, 2006

“I have never seen a soft landing in 53 years.”

Lon Witter: Founding Partner at Witter & Westlake Investments

August 21, 2006

“By any traditional valuation, housing prices at the end of 2005 were 30% to 50% too high. Others have pointed this out, but few have had the nerve to state the obvious: Even if wages and GDP grow, the national median price of housing will probably fall by close to 30% in three years. That’s simple reversion to the mean.”

“32% of new mortgages and home-equity loans in 2005 were interest only, up from .6% in 2000”

“43% of first-time home buyers in 2005 put no money down”

“15.2% of 2005 buyers owe at least 10% more than their home is worth”

“10% of all home owners with mortgages have no equity in their homes”

“\$2.7 trillion dollars in loans will adjust to higher rates in 2006 and 2007.”



Benefits

- Quantified Risk
- Inexpensive to Short
- Annual Negative Carry is Small in Relation to Notional Value of Transaction
- Targeting 10X Notional Exposure
- Target Negative Carry of 19% Gross / 14% Net for 3 Years
- Significant Upside - Approximately 10X Invested Capital is Maximum Upside



Projected Potential Downside Scenario

Assuming \$1MM Investment

➤ Current Money Market Interest	5.25%
➤ Projected Negative Carry	1.9%
➤ Anticipated Leverage	10X
➤ Projected Average Duration (YRS)	3.2
➤ Estimated \$ Loss of Principal	\$486,000
➤ Potential Net % Loss of Principal	48.6%

(Assumes spreads do not narrow)



J. Kyle Bass

J. Kyle Bass currently is the Managing Member and Principal of the General Partner of Hayman Capital Partners, LP as well as Hayman Offshore Partners, LP. Hayman Capital Master Fund, LP is a Special Situations Investment Fund that launched in February 2006.

Prior to forming Hayman Capital Partners, Mr. Bass formed, in April 2001, the first institutional equity office in Texas for Legg Mason, Inc. where he was the Managing Director in charge of advising special situation accounts on investments. While overseeing all of Legg Mason's institutional equity business in Texas, Mr. Bass covered key special situation accounts for the firm in New York, Connecticut and Texas.

Prior to joining Legg Mason, Mr. Bass was employed from August 1994 to April 2001 at Bear Stearns & Co. Inc., where he became one of the youngest Senior Managing Directors in the firm's history (at the age of 28). While at Bear Stearns he primarily advised event-driven hedge funds on investment strategy. He began his career in September 1992 at Prudential Securities where he was a top broker in his nationwide training group. He remained at Prudential until August 1994.

Mr. Bass graduated with honors with a B.S. in Finance and Real Estate Finance from Texas Christian University in May of 1992. He attended TCU on a Division I scholarship for both academic achievement and diving.

Mark L. Hart III

Mark L. Hart III is Founder, Chairman and Chief Investment Officer of Corriente Advisors, L.L.C. Mr. Hart is responsible for all investment decisions for Corriente Partners, L.P., the firm's flagship fund. Corriente Partners has returned in excess of 290% since the firm's inception in July 2001.

Prior to forming Corriente Advisors in 2001, Mr. Hart was a Founder, Principal and Managing Director of Tarpon Advisors, Inc., a hedge fund in Dallas, Texas. Before forming Tarpon Advisors, Inc., Mr. Hart was a Managing Director with Culmen Group, L.P., a Fort Worth, Texas investment firm. During his tenure with Culmen, he sought acquisitions and investments in the entertainment and media industries, in addition to monitoring Seven Network's investments in MGM Studios and Brillstein Grey Entertainment.

Prior to joining Culmen, Mr. Hart was an Analyst and then an Associate in New York and Beverly Hills with Bannon & Company, Inc., an investment banking firm founded by former Goldman, Sachs & Co. bankers. At Bannon, his responsibilities included performing fundamental research and analysis of companies. He also analyzed and structured entertainment industry acquisitions for clients such as CBS (formerly Westinghouse) and PolyGram Filmed Entertainment.

Mr. Hart earned a B.A. in the Plan II Honors Program from the University of Texas at Austin in 1994.

Subprime Credit Strategies Fund, LP - Terms

- Prime Broker: Goldman Sachs, Inc.
- Auditor: Deloitte & Touche, L.L.P.
- \$250,000 minimum investment
- Projected closing date: 9/18/06
- Fee structure: 1% annual management fee and 20% incentive allocation
- Three year lock up -- Quarterly redemptions thereafter with 45 days written notice
- Quarterly capital statements with year-end audits (1st audit will be 12/31/07)



“Irresponsible Financing Causes Bubbles”

“It causes individuals to buy houses they can’t afford. It causes speculation to run wild by lowering the bar to entry. Finally, it leads individuals who bought houses years ago at reasonable prices into the speculative borrowing trap. The home-equity credit line has supported American consumer spending, but at a steep price: Families that tapped into their home equity with creative loans are now in the same trap as those who bought homes they couldn’t afford at the top of the market.”

Lon Witter: Barron’s

August 21, 2006

CORRIENTE
CAPITAL
MANAGEMENT
L.P.

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Attachment B

All as of Fiscal year-end 2007 (Nov 31, 2007 or Dec 31, 2007)

ASSETS AND CAPITAL

	Lehman	Bear	Wachovia	Wamu	Goldman	BofA	MS	JP Morgan
<i>in thousands of \$'s</i>	11/30/2007	11/30/2007	12/31/2007	12/31/2007	11/30/2007	12/31/2007	11/30/2007	12/31/2007
Total Assets	\$ 691,063,000	\$ 395,362,000	\$ 782,896,000	\$ 327,913,000	\$ 1,119,796,000	\$ 1,715,746,000	\$ 1,045,409,000	\$ 1,562,147,000
Net Adjusted Assets (1)	\$ 372,959,000	\$ 214,393,000	N/A	N/A	\$ 747,300,000	N/A	\$ 565,585,000	N/A
Risk-Adjusted Assets	N/A	N/A	\$ 592,065,000	\$ 252,330,000	N/A	\$ 1,212,833,792	N/A	\$ 1,051,879,104
Tier 1 Capital	N/A	N/A	\$ 43,528,000	\$ 21,610,000	NA	\$ 83,264,703	NA	\$ 88,746,000
Total Stockholders' Equity	\$ 22,490,000	\$ 11,793,000	\$ 76,872,000	\$ 24,584,000	\$ 42,800,000	\$ 146,803,000	\$ 32,897,000	\$ 123,221,000
Tangible Equity (includes pref stock and certain hybrids)	\$ 18,363,000	\$ 11,104,000	\$ 43,528,000	\$ 21,387,000	\$ 42,728,000	\$ 80,897,000	\$ 28,826,000	\$ 89,160,000
Tangible Common Equity	\$ 17,268,000	\$ 10,752,000	\$ 33,538,100	\$ 17,477,000	\$ 34,608,000	\$ 59,625,000	\$ 26,098,000	\$ 74,155,000

CAPITAL & LEVERAGE RATIOS

Tier 1 Ratio - Equity (Inc pref stock)/risk-adjusted assets	N/A	N/A	7.35%	8.6%	N/A	6.9%	N/A	8.4%
Tier 1 Implied Leverage	N/A	N/A	13.6x	11.7x	N/A	14.6x	N/A	11.9x
Tangible Equity/Total Assets	2.7%	2.8%	5.6%	6.5%	3.8%	4.7%	2.8%	5.7%
Tangible Common Equity/Total Assets	2.5%	2.7%	4.3%	5.3%	3.1%	3.5%	2.5%	4.7%
Tangible Equity/Net (or R/A) Assets	4.9%	5.2%	7.4%	8.5%	5.7%	6.7%	5.1%	8.5%
Tangible Common Equity/Net (or R/A) Assets	4.6%	5.0%	5.7%	6.9%	4.6%	4.9%	4.6%	7.0%
Gross Leverage to Tangible Equity	37.6x	35.6x	18.0x	15.3x	26.2x	21.2x	36.3x	17.5x
Gross Leverage to Tangible Common Equity	40.0x	36.8x	23.3x	18.8x	32.4x	28.8x	40.1x	21.1x
Net Leverage to Tangible Equity (1)	20.3x	19.3x	13.6x	11.8x	17.5x	15.0x	19.6x	11.8x
Net Leverage to Tangible Common Equity (1)	21.6x	19.9x	17.7x	14.4x	21.6x	20.3x	21.7x	14.2x

OFF-BALANCE SHEET EXPOSURES

Lending-related commitments, open credit card lines & Stand-by LOCs (2)	\$ 191,346,000	\$ 7,219,000	\$ 66,221,000	\$ 122,968,000	\$ 82,747,000	\$ 1,487,619,000	\$ 108,618,000	\$ 1,262,588,000
Other commitments and/or indemnification exposure	\$ 20,286,000	\$ 7,128,000	\$ 78,531,000	\$ -	\$ 70,121,000	\$ 36,415,000	\$ 988,000	\$ 471,020,000
Total Assets + Contingent Funding Commitments	\$ 902,695,000	\$ 409,709,000	\$ 927,648,000	\$ 450,881,000	\$ 1,272,664,000	\$ 3,239,780,000	\$ 1,155,015,000	\$ 3,295,755,000
Tangible Common Equity/Total Assets + Commitments	1.9%	2.6%	3.6%	3.9%	2.7%	1.8%	2.3%	2.3%
Gross Leverage to Tangible Common Equity	52.3x	38.1x	27.7x	25.8x	36.8x	54.3x	44.3x	44.4x
Derivative Notional (3)	\$ 737,937,000	\$ 13,396,700,000	\$ 5,006,809,000	N/A (FV = \$2bln)	\$ 2,045,341,000	\$ 34,270,664,000	\$ 7,120,380,000	\$ 77,249,000,000

LEVEL 3 ASSETS

Level 3 Assets	\$ 38,884,000	\$ 28,169,000	N/A	N/A	\$ 69,151,000	\$ 31,470,000	\$ 57,996,000	\$ 43,103,000
Level 3 Assets/Tangible Common Equity	225.2%	262.0%	N/A	N/A	199.8%	52.8%	222.2%	58.1%

(1) Excludes certain assets including securities purchased under repo agreements, but may be calculated differently between firms.

(2) These contingent loans may be fully, partially or not committed.

(3) Notional doesn't represent true risk, but disclosure is inadequate to determine ultimate exposure.

Source: SNL Financial and 10-Ks.

All as of Fiscal year-end 2007 (Nov 31, 2007 or Dec 31, 2007)

(\$ in Thousands)	All as of Fiscal year-end 2007 (Nov 31, 2007 or Dec 31, 2007)							
	<u>Lehman</u>	<u>Bear</u>	<u>Wachovia</u>	<u>Wamu</u>	<u>Goldman</u>	<u>BofA</u>	<u>MS</u>	<u>JP Morgan</u>
	11/30/2007	11/30/2007	12/31/2007	12/31/2007	11/30/2007	12/31/2007	11/30/2007	12/31/2007
Total Assets	\$ 691,063,000	\$ 395,362,000	\$ 782,896,000	\$ 327,913,000	\$ 1,119,796,000	\$ 1,715,746,000	\$ 1,045,409,000	\$ 1,562,147,000
Net Adjusted Assets (1)	\$ 372,959,000	\$ 214,393,000	N/A	N/A	\$ 747,300,000	N/A	\$ 565,585,000	N/A
Risk-Adjusted Assets	N/A	N/A	\$ 592,065,000	\$ 252,330,000	N/A	\$ 1,212,833,792	N/A	\$ 1,051,879,104
Tier 1 Capital	N/A	N/A	\$ 43,528,000	\$ 21,610,000	NA	\$ 83,264,703	NA	\$ 88,746,000
Total Stockholders' Equity	\$ 22,490,000	\$ 11,793,000	\$ 76,872,000	\$ 24,584,000	\$ 42,800,000	\$ 146,803,000	\$ 32,897,000	\$ 123,221,000
Tangible Equity (includes pref stock and certain hybrids)	\$ 18,363,000	\$ 11,104,000	\$ 43,528,000	\$ 21,387,000	\$ 42,728,000	\$ 80,897,000	\$ 28,826,000	\$ 89,160,000
Tangible Common Equity	\$ 17,268,000	\$ 10,752,000	\$ 33,538,100	\$ 17,477,000	\$ 34,608,000	\$ 59,625,000	\$ 26,098,000	\$ 74,155,000

CAPITAL & LEVERAGE RATIOS

Tier 1 Ratio - Equity (inc pref stock)/risk-adjusted assets	N/A	N/A	7.35%	8.6%	N/A	6.9%	N/A	8.4%
Tier 1 Implied Leverage	N/A	N/A	13.6x	11.7x	N/A	14.6x	N/A	11.9x
Tangible Equity/Total Assets	2.7%	2.8%	5.6%	6.5%	3.8%	4.7%	2.8%	5.7%
Tangible Common Equity/Total Assets	2.5%	2.7%	4.3%	5.3%	3.1%	3.5%	2.5%	4.7%
Tangible Equity/Net (or R/A) Assets	4.9%	5.2%	7.4%	8.5%	5.7%	6.7%	5.1%	8.5%
Tangible Common Equity/Net (or R/A) Assets	4.6%	5.0%	5.7%	6.9%	4.6%	4.9%	4.6%	7.0%
Gross Leverage to Tangible Equity	37.6x	35.6x	18.0x	15.3x	26.2x	21.2x	36.3x	17.5x
Gross Leverage to Tangible Common Equity	40.0x	36.8x	23.3x	18.8x	32.4x	28.8x	40.1x	21.1x
Net Leverage to Tangible Equity (1)	20.3x	19.3x	13.6x	11.8x	17.5x	15.0x	19.6x	11.8x
Net Leverage to Tangible Common Equity (1)	21.6x	19.9x	17.7x	14.4x	21.6x	20.3x	21.7x	14.2x

Off-Balance Sheet Exposures

Lending-related commitments, open credit card lines & Stand-	\$ 191,346,000	\$ 7,219,000	\$ 66,221,000	\$ 122,968,000	\$ 82,747,000	\$ 1,487,619,000	\$ 108,618,000	\$ 1,262,588,000
Other commitments and/or indemnification exposure	\$ 20,286,000	\$ 7,128,000	\$ 78,531,000	\$ -	\$ 70,121,000	\$ 36,415,000	\$ 988,000	\$ 471,020,000
Total Assets + Contingent Funding Commitments	\$ 902,695,000	\$ 409,709,000	\$ 927,648,000	\$ 450,881,000	\$ 1,272,664,000	\$ 3,239,780,000	\$ 1,155,015,000	\$ 3,295,755,000
Tangible Common Equity/Total Assets + Commitments	1.9%	2.6%	3.6%	3.9%	2.7%	1.8%	2.3%	2.3%
Gross Leverage to Tangible Common Equity	52.3x	38.1x	27.7x	25.8x	36.8x	54.3x	44.3x	44.4x
Derivative Notional (3)	\$ 737,937,000	\$ 13,396,700,000	\$ 5,006,809,000	N/A (FV = \$2bln)	\$ 2,045,341,000	\$ 34,270,664,000	\$ 7,120,380,000	\$ 77,249,000,000

LEVEL 3 ASSETS

Level 3 Assets	\$ 38,884,000	\$ 28,169,000	N/A	N/A	\$ 69,151,000	\$ 31,470,000	\$ 57,996,000	\$ 43,103,000
Level 3 Assets/Tangible Common Equity	225.2%	262.0%	N/A	N/A	199.8%	52.8%	222.2%	58.1%

(1) Excludes certain assets including securities purchased under repo agreements, but may be calculated differently between firms.

(2) These contingent loans may be, as of fiscal year-end 2007, fully, partially or not committed.

(3) Notional doesn't represent true risk, but disclosure is inadequate to determine ultimate exposure.

All as of Fiscal year-end 2007 (Nov 31, 2007 or Dec 31, 2007)

<u>ASSETS AND CAPITAL</u>	<u>Lehman</u>	<u>Bear</u>	<u>Wachovia</u>	<u>Wamu</u>	<u>Goldman</u>	<u>BofA</u>	<u>MS</u>	<u>JP Morgan</u>
<i>in thousands of \$'s</i>	9/30/2009	9/30/2009	9/30/2009	9/30/2009	9/30/2009	9/30/2009	9/30/2009	9/30/2009
Total Assets	N/A	N/A	N/A	N/A	882,185,000	2,251,043,000	769,503,000	2,041,009,000
Net Adjusted Assets (1)	N/A	N/A	N/A	N/A	556,229,000	N/A	N/A	N/A
Risk-Adjusted Assets	N/A	N/A	N/A	N/A	#NAME?	1,549,193,344	299,415,744	1,237,760,128
Tier 1 Capital	N/A	N/A	N/A	N/A	#NAME?	193,089,155	45,962,000	126,541,000
Total Stockholders' Equity	N/A	N/A	N/A	N/A	N/A	257,683,000	46,349,000	162,253,000
Tangible Equity (includes pref stock and certain hybrids)	N/A	N/A	N/A	N/A	65,420,000	#VALUE!	49,148,000	123,808,000
Tangible Common Equity	N/A	N/A	N/A	N/A	53,463,000	#NAME?	28,850,000	98,687,000
<u>CAPITAL & LEVERAGE RATIOS</u>								
Tier 1 Ratio - Equity (inc pref stock)/risk-adjusted assets	N/A	N/A	N/A	N/A	14.5%	12.5%	15.4%	10.2%
Tier 1 Implied Leverage	N/A	N/A	N/A	N/A	6.9 x	8 x	6.5 x	9.8 x
Tangible Equity/Total Assets	N/A	N/A	N/A	N/A	7.4%	#VALUE!	6.4%	6.1%
Tangible Common Equity/Total Assets	N/A	N/A	N/A	N/A	6.1%	#VALUE!	3.7%	4.8%
Tangible Equity/Net (or R/A) Assets	N/A	N/A	N/A	N/A	11.8%	#VALUE!	16.4%	10.0%
Tangible Common Equity/Net (or R/A) Assets	N/A	N/A	N/A	N/A	9.6%	#VALUE!	9.6%	8.0%
Gross Leverage to Tangible Equity	N/A	N/A	N/A	N/A	13.5 x	#VALUE!	15.7 x	16.5 x
Gross Leverage to Tangible Common Equity	N/A	N/A	N/A	N/A	16.5 x	#VALUE!	26.7 x	20.7 x
Net Leverage to Tangible Equity (1)	N/A	N/A	N/A	N/A	8.5 x	#VALUE!	6.1 x	10 x
Net Leverage to Tangible Common Equity (1)	N/A	N/A	N/A	N/A	10.4 x	#VALUE!	10.4 x	12.5 x
<u>OFF-BALANCE SHEET EXPOSURES</u>								
Lending-related commitments, open credit card lines & Stand-by LOCs (2)	N/A	N/A	N/A	N/A	135,454,000	1,116,765,000	124,644,000	1,011,902,000
Other commitments (including assets of unconsolidated VIEs)	N/A	N/A	N/A	N/A	68,459,000	60,403,000	23,001,000	263,578,000
Total Assets + Contingent Funding Commitments	N/A	N/A	N/A	N/A	1,086,098,000	3,428,211,000	917,148,000	3,316,489,000
Tangible Common Equity/Total Assets + Commitments	N/A	N/A	N/A	N/A	4.9%	#VALUE!	3.1%	3.0%
Gross Leverage to Tangible Common Equity	N/A	N/A	N/A	N/A	20.3 x	#VALUE!	31.8 x	33.6 x
Derivative Notional (3)	N/A	N/A	N/A	N/A	44,068,482,160	69,384,712,933	36,348,471,104	73,022,096,072
<u>LEVEL 3 ASSETS (4)</u>								
Level 3 Assets	N/A	N/A	N/A	N/A	50,466,000	110,227,000	51,377,000	130,000,000
Level 3 Assets/Tangible Common Equity	N/A	N/A	N/A	N/A	94.4%	#VALUE!	178.1%	131.7%

(1) Excludes certain assets including securities purchased under repo agreements, but may be calculated differently between firms.

(2) These contingent loans may be fully, partially or not committed.

(3) Notional doesn't represent true risk, but disclosure is inadequate to determine ultimate exposure

Source: SNL Financial, 10-Ks and 10-Qs

(\$ in thousands)	As of 12/31/2007	
	<u>Fannie Mae</u>	<u>Freddie Mac</u>
Assets:		
Cash, fed funds and securities purchased on repo	\$ 53,543,000	\$ 50,237,000
Loans net of reserves (this includes PCs for Freddie)	\$ 403,524,000	\$ 438,872,000
Securities (includes FNM, FRE and other RMBS)	\$ 357,513,000	\$ 281,685,000
Other Assets	\$ 64,809,000	\$ 23,574,000
Total Assets	\$ 879,389,000	\$ 794,368,000
MBS and other gaurantees (not held in portfolio above)	\$ 2,160,497,000	\$ 1,370,305,000
Total Assets + Loan Guarantees	\$ 3,039,886,000	\$ 2,164,673,000
Total Stockholder's equity	\$ 44,011,000	\$ 26,724,000
Total Equity/Assets+Guarantees	1.4%	1.2%
Leverage to Total Equity	69.1x	81.0x
Core Capital (see below)	\$ 45,373,000	\$ 37,900,000
Core Capital /Assets+Guarantees	1.5%	1.8%
Leverage to Core Capital (see below)	67.0x	57.1x
Statutory Minimum Capital Requirement (see below)	\$ 31,927,000	\$ 26,500,000
Statutory Minimum Capital/Assets+Guarantees	1.1%	1.2%
Leverage to Statutory Minimum Capital (see below)	95.2x	81.7x
Allowance %	0.18%	0.31%

From Fannie Mae and Freddie Mac filings:

Statutory Minimum Capital Requirement . *The existing ratio-based minimum capital standard ties our capital requirements to the size of our book of business. For purposes of the statutory minimum capital requirement, we are in compliance if our core capital equals or exceeds our statutory minimum capital requirement. Core capital is defined by statute as the sum of the stated value of outstanding common stock (common stock less treasury stock), the stated value of outstanding non-cumulative perpetual preferred stock, paid-in capital and retained earnings, as determined in accordance with GAAP. Our statutory minimum capital requirement is generally equal to the sum of:*

- * 2.50% of on-balance sheet assets;
- * 0.45% of the unpaid principal balance of outstanding Fannie Mae MBS held by third parties; and
- * up to 0.45% of other off-balance sheet obligations, which may be adjusted by the Director of FHFA under certain circumstances.

as of Jan 1, 2010

	<u>Gross Notional</u>	<u># of Contracts</u>	<u>% of Total Notional</u>
<u>Single-name CDS</u>			
Dealer	\$ 13,937,006,458,092	1,937,980	55.5%
Non-Dealer	\$ 1,195,005,257,613	170,453	4.8%
Total	<u>\$ 15,132,011,715,705</u>	<u>2,108,433</u>	
<u>Credit Indices</u>			
Dealer	\$ 5,871,744,351,641	74,916	23.4%
Non-Dealer	\$ 1,390,830,279,384	19,985	5.5%
Total	<u>\$ 7,262,574,631,025</u>	<u>94,901</u>	
<u>Credit Default Index Tranches</u>			
Dealer	\$ 2,668,851,779,150	46,244	10.6%
Non-Dealer	\$ 55,430,018,096	2,012	0.2%
Total	<u>\$ 2,724,281,797,246</u>	<u>48,256</u>	
<u>Total CDS product</u>			
Dealer	\$ 22,477,602,588,883	2,059,140	89.5%
Non-Dealer	\$ 2,641,265,555,093	192,450	10.5%
Total	<u>\$ 25,118,868,143,976</u>	<u>2,251,590</u>	100.0%

Source: DTCC Website

<i>(\$ in Millions)</i>	<u>Cumulative</u>		<u>Years of Historical</u>
	<u>Net Income (Loss):</u>		<u>Cumulative Profits Erased</u>
	<u>3Q07 - 3Q09</u>		
Fannie Mae	\$	(120,459)	> 20.5 years
AIG	\$	(103,572)	> 17.5 years
Freddie Mac	\$	(67,904)	> 11.5 years
Merrill Lynch*	\$	(37,492)	> 11.0 years
Wachovia*	\$	(31,608)	> 4.5 years
Washington Mutual*	\$	(6,148)	< 2.5 years
Citigroup	\$	(29,332)	< 1.5 years
Lehman Brothers*	\$	(4,439)	< 1.5 years
Bear Stearns*	\$	(567)	< .5 years
Morgan Stanley	\$	391	n/a
Bank of America	\$	14,444	n/a
JP Morgan	\$	20,399	n/a
Wells Fargo	\$	15,641	n/a
Goldman Sachs	\$	16,828	n/a

* These institutions ultimately filed for bankruptcy and/or were acquired in a distressed sale. Cumulative losses reflect total loss up to the point at which each respective institution ceased to report as a standalone entity. Actual losses for these institutions are likely greater.

Net Income includes unusual charges.

Bear Stearns financials are through 1Q08.

Lehman Brothers financials are through 3Q08.

Wachovia financials are through 3Q08.

Washington Mutual financials are through 2Q08.

Freddie Mac and Fannie Mae financials are only available beginning in 1996 and 1988, respectively.