

****Note - the attached chart is intended to be used in context with the text below.**

Based upon my real-time official Default and Foreclosure data in Feb and March -- in contrast to all of 2009 -- several of the nationals top banks went into proactive loan liquidation mode.

Month after month new monthly resi official Notice-of-Defaults and Foreclosures have been flat to dropping, artificially. Among other things, this has translated into very optimistic earnings calls and projections by the banks with respect to the health of their loan assets quarter after quarter. But official Defaults and Foreclosures are suddenly surging with some of the biggest banks taking the lead.

The recent surge at all stages of the Default and Foreclosure process (official NODs, NTS's, and Foreclosures) is something brand new. It fits exactly with my new-year thesis that -- based upon my proprietary data findings --beginning in January something changed with the way the large servicers are managing their resi default and foreclosure pipeline and process. At first the move was subtle but I brought it to your attention anyway. By Feb, the move became clearer and by March the trend is confirmed. Back in Jan, my immediate thought back then was "perhaps the age of extreme extend and pretend is in fact coming to an end". I stand by this.

In fact, the "permanent loan mod drive" that began in November, which most think will prevent Foreclosures, has a significant unintended consequence that will increase them...the same consequence as defining and streamlining the foreclosure process through the various new gov't initiatives recently announced. This is to flush out the millions that don't qualify, re-default, don't want a mod, or have been using the highly unstructured process to date as a way of kicking the can, and get them identified taken to foreclosure much quicker and to get new modification applicants decisioned and slotted much quicker in the process going forward.

Attached is a chart of the aggregate official Default through Foreclosure resi pipeline from various large banks with large mortgage and servicing divisions.

It is important to note I used several filters on the sort to only capture loans I believe are still on balance sheet, which accounts for the much lower number of results than a full default and foreclosure report run. Therefore, what is most important in this chart is previous peak levels and recent rate-of-change.

Bottom line: based upon this drill-down sampling, on loans bank's originated and likely still own, a decisive move to liquidate assets has been made. Most of the banks are doing the exact same thing. The move banks are making with loans to which they still have exposure is far more pronounced than if I were to run the same report on loans they just service. Perhaps this is why capital raising has been so far and few in between.

April is already starting off with a bank with respect to Foreclosures. If the first week run-rate holds all month, Foreclosures will be up another 25% MoM far above record highs. With eight million loans somewhere in the Default and Foreclosure pipeline, this could get really interesting in the coming months.

Best Regards,

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TOP BANK ORIGINATOR - RETAINED PORTFOLIO SAMPLING

EventType..	Count of Number of R..	EventDate
Notice of Default	40K	1,857
Notice of Default	30K	1,845
Notice of Default	20K	2,205
Notice of Default	10K	2,063
Notice of Default	40K	1,260
Notice of Default	30K	2,462
Notice of Default	20K	1,353
Notice of Default	10K	3,114
Notice of Default	40K	3,944
Notice of Default	30K	1,551
Notice of Default	20K	1,822
Notice of Default	10K	1,886
Notice of Default	40K	2,677
Notice of Default	30K	4,010
Notice of Default	20K	4,187
Notice of Default	10K	2,732
Notice of Default	40K	3,148
Notice of Default	30K	5,500
Notice of Default	20K	3,740
Notice of Default	10K	6,960
Notice of Default	40K	3,703
Notice of Default	30K	8,045
Notice of Default	20K	5,401
Notice of Default	10K	11,177
Notice of Default	40K	5,942
Notice of Default	30K	12,653
Notice of Default	20K	8,233
Notice of Default	10K	12,665
Notice of Default	40K	10,347
Notice of Default	30K	13,986
Notice of Default	20K	12,754
Notice of Default	10K	12,986
Notice of Default	40K	6,418
Notice of Default	30K	12,111
Notice of Default	20K	14,444
Notice of Default	10K	9,030
Notice of Default	40K	6,151
Notice of Default	30K	3,987
Notice of Default	20K	10,993
Notice of Default	10K	9,294
Notice of Default	40K	5,601
Notice of Default	30K	11,679
Notice of Default	20K	13,981
Notice of Default	10K	8,743
Notice of Default	40K	12,646
Notice of Default	30K	16,650
Notice of Default	20K	6,765
Notice of Default	10K	12,403
Notice of Default	40K	22,429
Notice of Default	30K	11,861
Notice of Default	20K	18,340
Notice of Default	10K	5,271
Notice of Default	40K	17,037
Notice of Default	30K	13,735
Notice of Default	20K	19,029
Notice of Default	10K	16,724
Notice of Default	40K	15,981
Notice of Default	30K	17,061
Notice of Default	20K	15,753
Notice of Default	10K	14,733
Notice of Default	40K	16,201
Notice of Default	30K	14,079
Notice of Default	20K	10,136
Notice of Default	10K	12,613
Notice of Default	40K	10,400
Notice of Default	30K	11,691
Notice of Default	20K	10,961
Notice of Default	10K	11,852
Notice of Default	40K	14,048
Notice of Default	30K	16,006
Notice of Default	20K	9,050
Notice of Default	10K	15,348
Notice of Default	40K	2,353
Notice-of-Trustee Sale	40K	1,799
Notice-of-Trustee Sale	30K	1,880
Notice-of-Trustee Sale	20K	1,027
Notice-of-Trustee Sale	10K	1,940
Notice-of-Trustee Sale	40K	1,260
Notice-of-Trustee Sale	30K	2,462
Notice-of-Trustee Sale	20K	1,353
Notice-of-Trustee Sale	10K	3,114
Notice-of-Trustee Sale	40K	3,944
Notice-of-Trustee Sale	30K	1,551
Notice-of-Trustee Sale	20K	1,822
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Notice-of-Trustee Sale	30K	5,500
Notice-of-Trustee Sale	20K	3,740
Notice-of-Trustee Sale	10K	6,960
Notice-of-Trustee Sale	40K	3,703
Notice-of-Trustee Sale	30K	8,045
Notice-of-Trustee Sale	20K	5,401
Notice-of-Trustee Sale	10K	11,177
Notice-of-Trustee Sale	40K	5,942
Notice-of-Trustee Sale	30K	12,653
Notice-of-Trustee Sale	20K	8,233
Notice-of-Trustee Sale	10K	12,665
Notice-of-Trustee Sale	40K	10,347
Notice-of-Trustee Sale	30K	13,986
Notice-of-Trustee Sale	20K	12,754
Notice-of-Trustee Sale	10K	12,986
Notice-of-Trustee Sale	40K	6,418
Notice-of-Trustee Sale	30K	12,111
Notice-of-Trustee Sale	20K	14,444
Notice-of-Trustee Sale	10K	9,030
Notice-of-Trustee Sale	40K	6,151
Notice-of-Trustee Sale	30K	3,987
Notice-of-Trustee Sale	20K	10,993
Notice-of-Trustee Sale	10K	9,294
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Notice-of-Trustee Sale	40K	22,429
Notice-of-Trustee Sale	30K	11,861
Notice-of-Trustee Sale	20K	18,340
Notice-of-Trustee Sale	10K	5,271
Notice-of-Trustee Sale	40K	17,037
Notice-of-Trustee Sale	30K	13,735
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Notice-of-Trustee Sale	30K	16,006
Notice-of-Trustee Sale	20K	9,050
Notice-of-Trustee Sale	10K	15,348
Notice-of-Trustee Sale	40K	2,353
Foreclosur..	40K	150
Foreclosur..	30K	225
Foreclosur..	20K	248
Foreclosur..	10K	257
Foreclosur..	40K	411
Foreclosur..	30K	397
Foreclosur..	20K	560
Foreclosur..	10K	638
Foreclosur..	40K	1,487
Foreclosur..	30K	1,027
Foreclosur..	20K	990
Foreclosur..	10K	836
Foreclosur..	40K	1,856
Foreclosur..	30K	1,619
Foreclosur..	20K	1,786
Foreclosur..	10K	2,708
Foreclosur..	40K	3,548
Foreclosur..	30K	4,119
Foreclosur..	20K	6,650
Foreclosur..	10K	6,418
Foreclosur..	40K	6,003
Foreclosur..	30K	4,257
Foreclosur..	20K	4,637
Foreclosur..	10K	3,449
Foreclosur..	40K	4,043
Foreclosur..	30K	3,803
Foreclosur..	20K	1,785
Foreclosur..	10K	2,854
Foreclosur..	40K	5,271
Foreclosur..	30K	6,112
Foreclosur..	20K	5,227
Foreclosur..	10K	6,189
Foreclosur..	40K	5,998
Foreclosur..	30K	7,430
Foreclosur..	20K	6,128
Foreclosur..	10K	5,701
Foreclosur..	40K	6,674
Foreclosur..	30K	5,927
Foreclosur..	20K	9,050
Foreclosur..	10K	2,353

