When Bill Dallas put down Own-It Mortgage Solutions in q406, we in the mortgage industry with more than one refi-boom's worth of experience knew it was time to begin to look for other work. So, I made my list of public mortgage and housing related companies I didn't think would survive, or would be seriously impaired from the impending mortgage and housing collapse, and hoped to profit wildly when my predictions came true.

It went well for one whole quarter until q207 when the entire world came out against me calling Subprime 'contained', as I was calling it the 'canary in the coal mine'. I was blown away the market couldn't see what I could - it seemed so obvious at the time. Why wasn't CFC making a B-line from $42 to $2! Why did investors believe Jim Cramer who wrote "Downey Savings $100" across his knuckles with a Sharpie? In the subsequent market rally into q3 I lost more than half my hard earned profits, only to make them back in July and August for the sole purpose of having more to give back into Oct when the market again rallied to all-time highs.

My original mortgage implosion target list was 42 companies long. There were dozens more, but these were the ones that seemed like the 'sure things' based upon what I knew to be happening in the market and their exact mortgage risk profiles. To date, 36 of them are either out of business or FNM/FRE-style impaired.

Of the six I missed completely, **Capital One** -- due to their giant Pay Option and 100% loan centric Alt-A loan subsidiary **GreenPoint** -- is one of them. Until this weekend, I had not reviewed GreenPoint's numbers in several quarters because so little information about mortgage losses ever came from their camp and most say they skated through just fine. I figured I was either wrong about the strength of other business segments, underestimated their ability to bury the losses, was early, or all three. There were bigger fish to fry so I moved on, then simply forgot about them.

Capital One is in the Big League

With hundreds of billions in Alt-A origination and securitization exposure, including a large percentage of Pay Option ARMs, GreenPoint was the closest thing to Lehman's Aurora Loan Services there was at the time. For this reason alone, they should have experienced considerable pain. But **GreenPoint's outsized roll in the bubble-year's theatre has largely been forgotten.**

In going through volumes of proprietary q2 resi and non-resi bank Notice-of-Default and foreclosure data this weekend preparing to release much easier to understand and quantify QoQ and YoY NPA reporting for q2 earnings, I looked at the past few years of GreenPoint origination defaults and foreclosures and the results were very interesting.

I am convinced we have not heard the end of COF and bubble-year's losses. They simply have far too many defaults racked up and foreclosures to come for this name to go away for good. This is especially so with the **1)** Pay Option reset wave set to significantly increase in size over the next couple of years, **2)** Jumbo loans performing worse each quarter, **3)** the mid-to-upper end housing market being fundamentally much weaker than the lower end, **4)** and investor put-back activity likely to continue to ramp indefinitely.

And remember, to date we have really only experienced the 'Subprime Implosion'. The Alt-A, Pay Option, Jumbo Prime and Prime Implosions, which will have the greatest impact on COF, have been temporarily suspended mid-game. Thus, the eight million loans stuck in the delinquency, default and foreclosure pipe and millions more in the modification bubble, which has yet to pop.

To put the amount of bad GreenPoint loans in perspective, the chart below shows each lender's CA Notice-of-Default loan amount activity relative to CFC, which has the most resi loan defaults (not necessarily as a percentage of total loan production). While Capital One is down the list at 31% of CFC's default volume, they were a significantly smaller originator making them **a**

Notice-of-Default relative out performer.

Capital One originations have performed so badly through q210 they are on par with **New Century** and their total Notice-of-Default volume relative to CFC is greater than Option One and Accredited, two other straight Subprime lenders, and SunTrust combined.

Obviously, timing is the major factor and there is nothing in their q210 default or foreclosure numbers that leads me to believe an event or announcement is near. And nobody knows about the timing of litigation or put-backs. **But the bottom line is that Capital One** was a high-volume, dirty lender who played a large part in the mortgage ramp and housing collapse. They remain heavily exposed, perhaps to a much greater degree than most think, and one day their Subprime/Alt-A skeletons will march out of the closet with swords in hand.