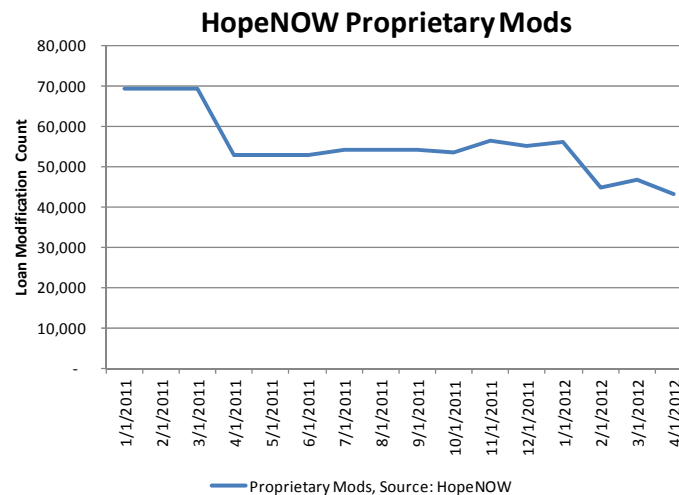
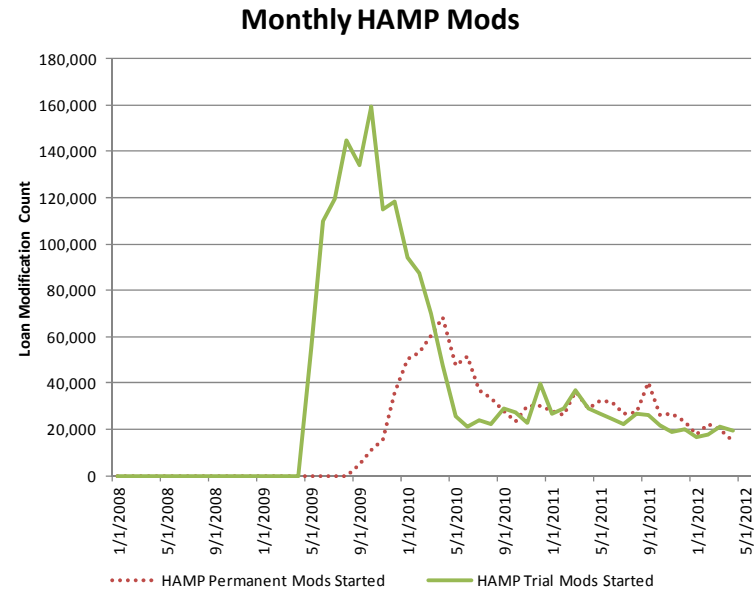
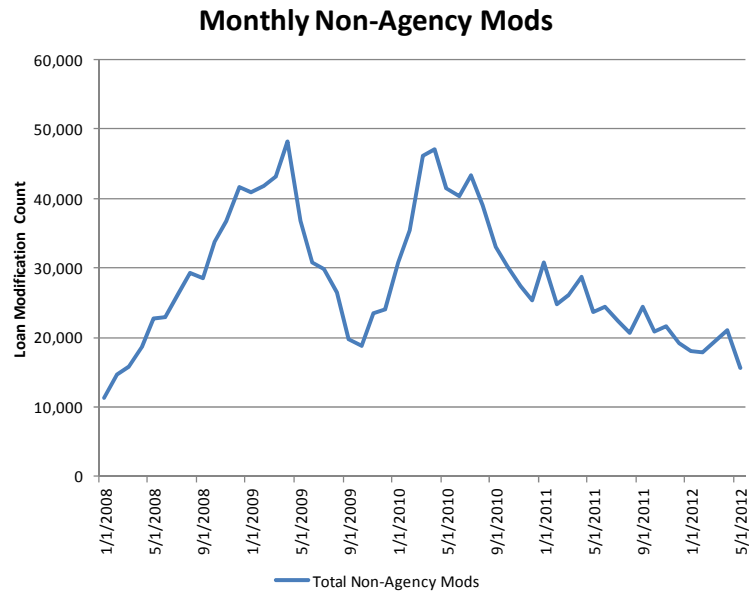


Principal Reduction And The Economy

Laurie Goodman
Senior Managing Director
Amherst Securities

Sponsored By: Americans for Financial Reform,
Campaign for a Fair Settlement, ESOP:
Empowering and Strengthening Ohio's People,
National Community Reinvestment Coalition,
New Bottom Line
Washington, DC
June 28, 2012

The Number of Modifications Is Slowly Tapering Off



Source: CoreLogic, 1010Data, Department of Treasury, HopeNOW, Amherst Securities

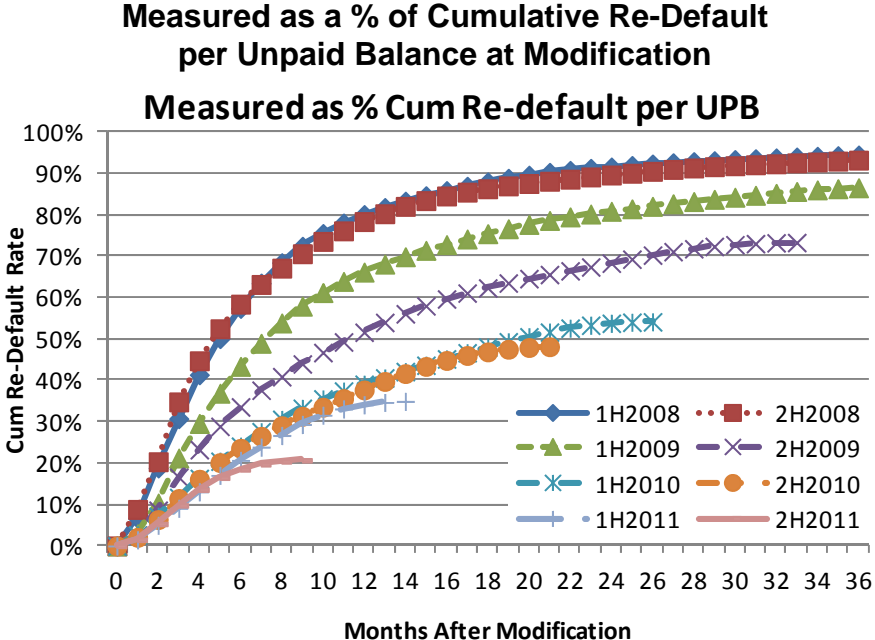
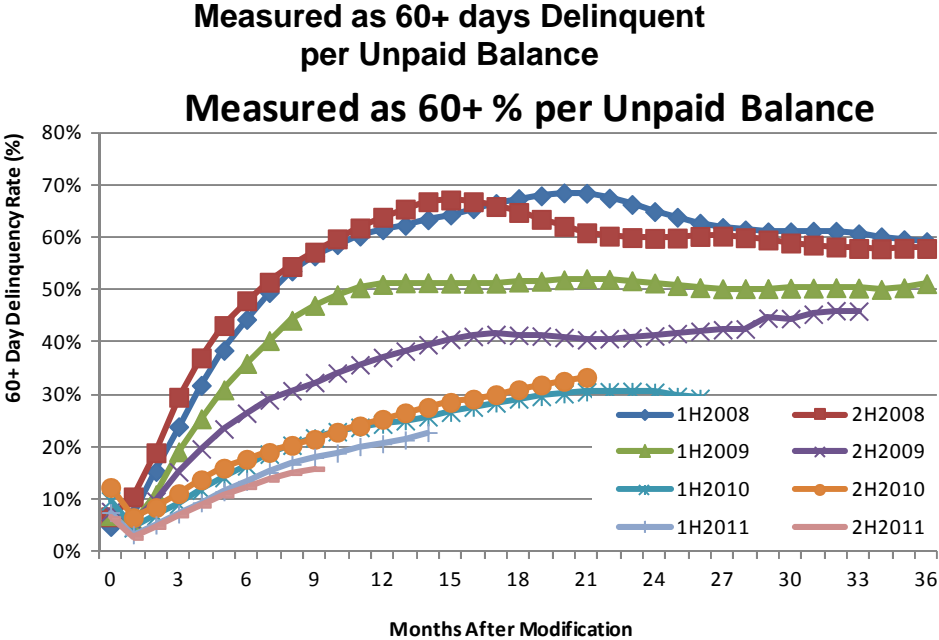
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Amherst® Securities Group LP

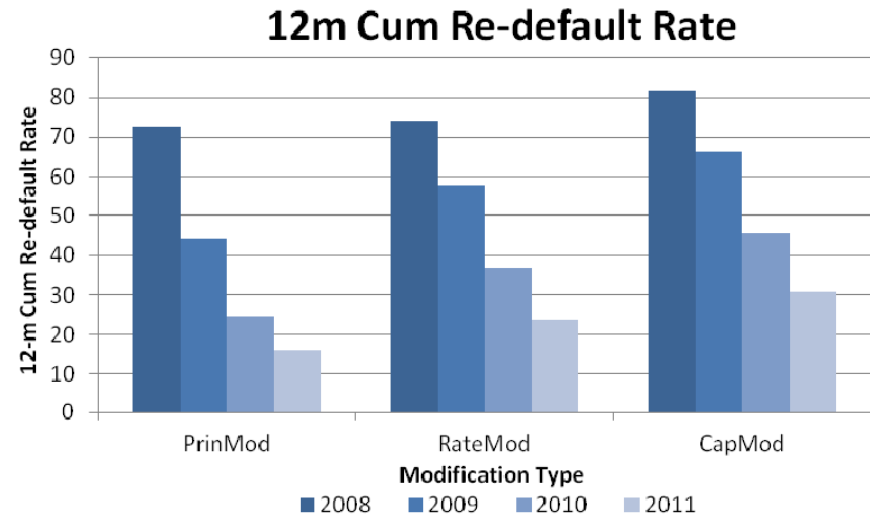
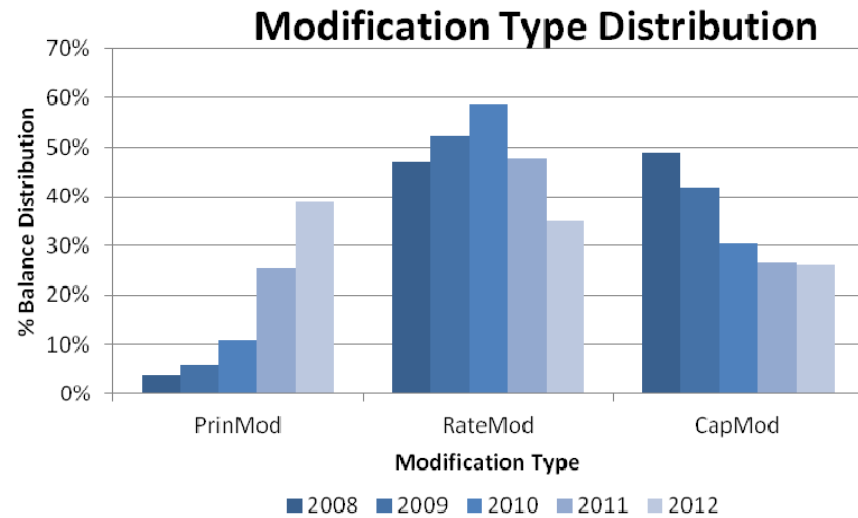
Sources: CoreLogic, 1010Data, Amherst Securities

Measuring the Modification Re-default Rate—Two Methods



Source: CoreLogic, 1010Data, Amherst Securities as of May 2012

Trends—Modification Type



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012

Principal Reduction: Banks Are Doing It For Their Own Portfolio—And It Works—Now Starting in PLS

Percentages of Each Type of Modification by Investor in Fourth Quarter 2010

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	98.6%	98.6%	99.4%	79.2%	73.9%	91.6%
Rate Reduction	78.6%	70.4%	98.2%	86.2%	85.1%	84.1%
Rate Freeze	3.5%	5.4%	0.2%	1.4%	2.2%	2.4%
Term Extension	49.2%	71.6%	81.0%	36.6%	49.1%	56.1%
Principal Reduction	0.0%	0.0%	0.0%	1.8%	17.8%	2.7%
Principal Deferral	7.9%	11.6%	0.4%	13.5%	16.3%	9.0%
Unknown	0.3%	0.2%	0.1%	1.5%	5.6%	1.2%

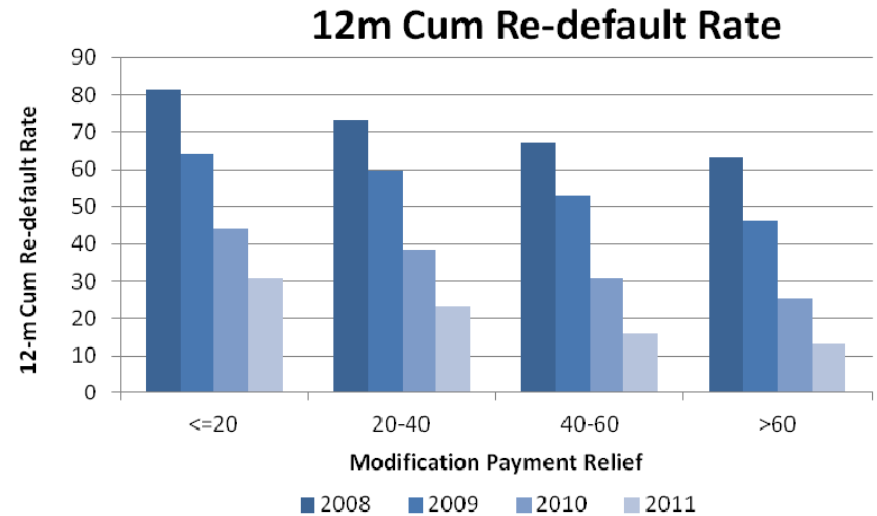
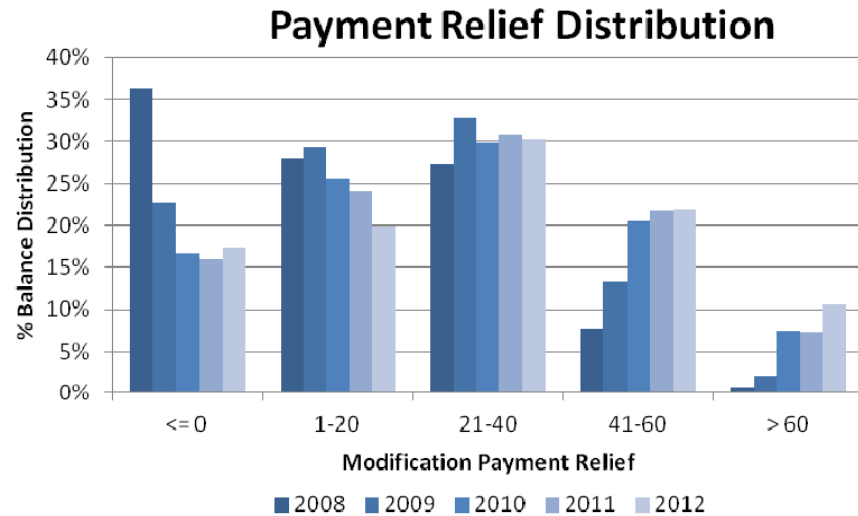
Percentages of Each Type of Modification by Investor in Fourth Quarter 2011

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	97.5%	99.4%	95.7%	88.5%	87.2%	93.3%
Rate Reduction	68.8%	75.3%	95.3%	76.7%	84.4%	78.2%
Rate Freeze	4.7%	9.6%	7.3%	7.6%	3.4%	6.4%
Term Extension	75.8%	68.5%	78.9%	14.4%	66.6%	55.5%
Principal Reduction	0.0%	0.0%	0.0%	16.4%	25.2%	8.5%
Principal Deferral	25.6%	20.3%	1.2%	30.2%	39.2%	24.5%
Unknown	1.6%	0.2%	0.2%	2.4%	2.0%	1.5%

Source: OCC/OTS Mortgage Metrics Report – Fourth Quarter 2010 , Fourth Quarter 2011

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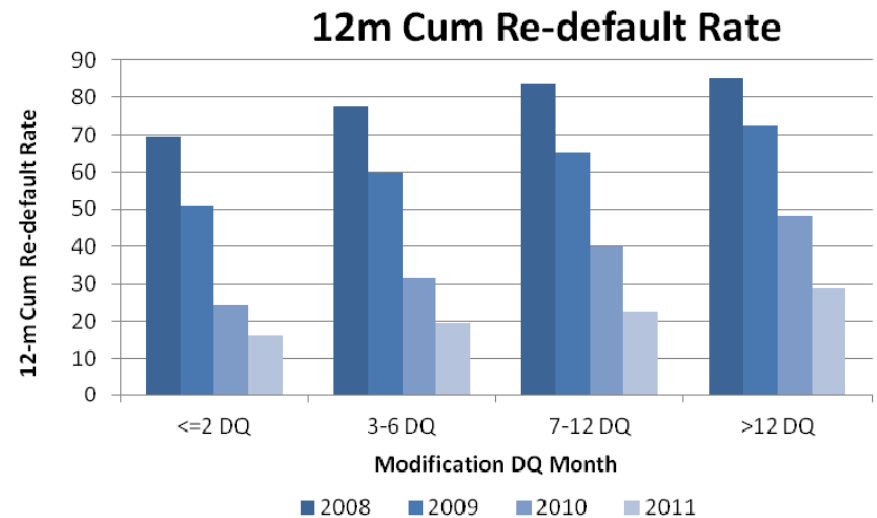
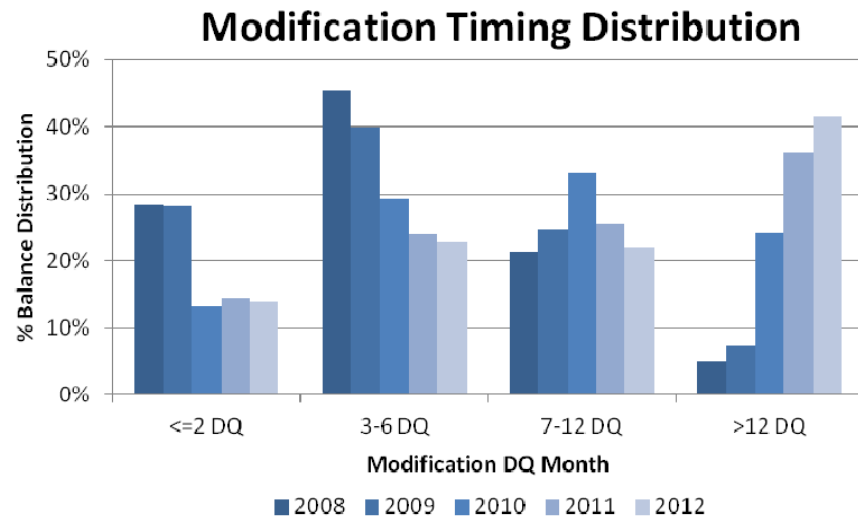
Trends—Modification Payment Relief



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012



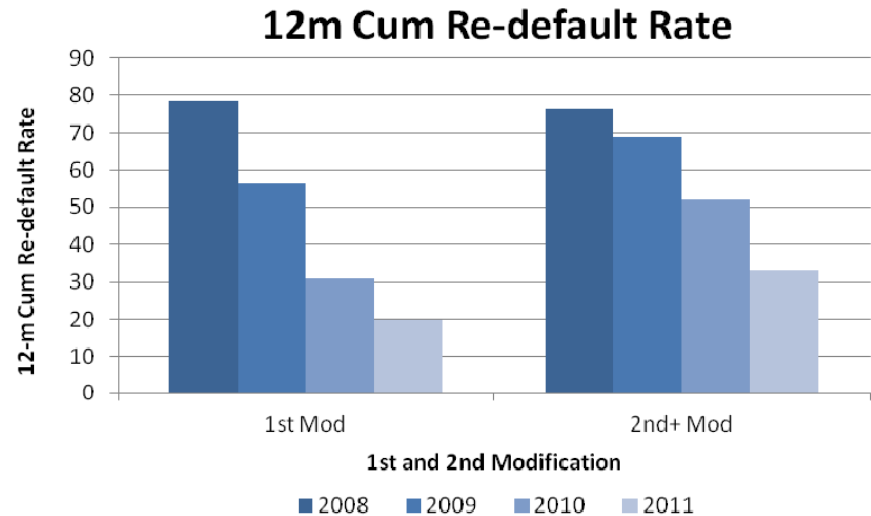
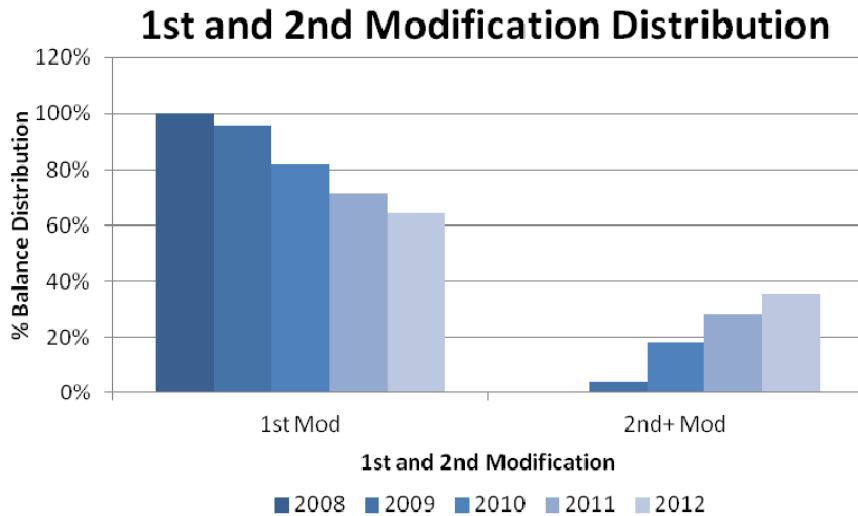
Trends—Modification Timing



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012



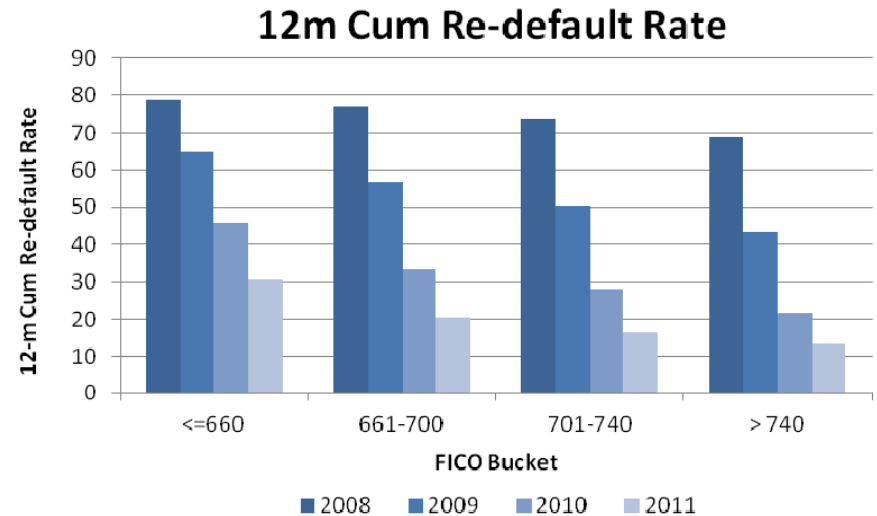
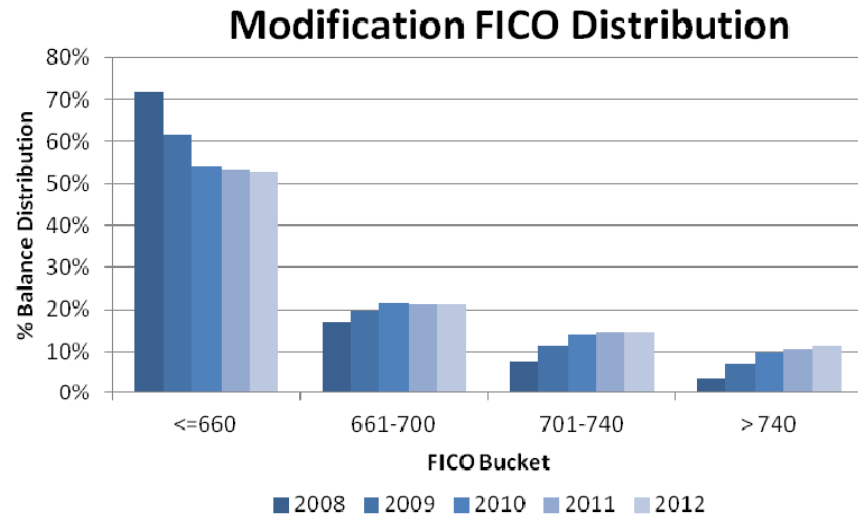
Trends—1st and 2nd Modification



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012



Trends—FICO Buckets



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012



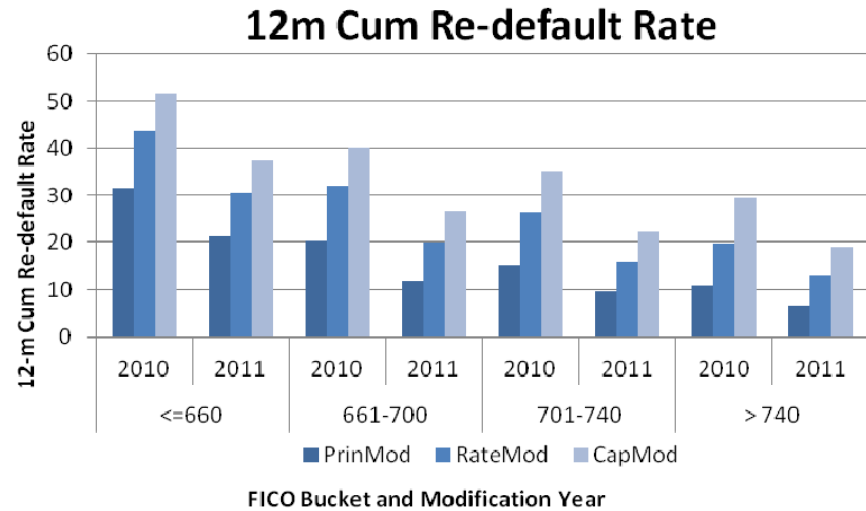
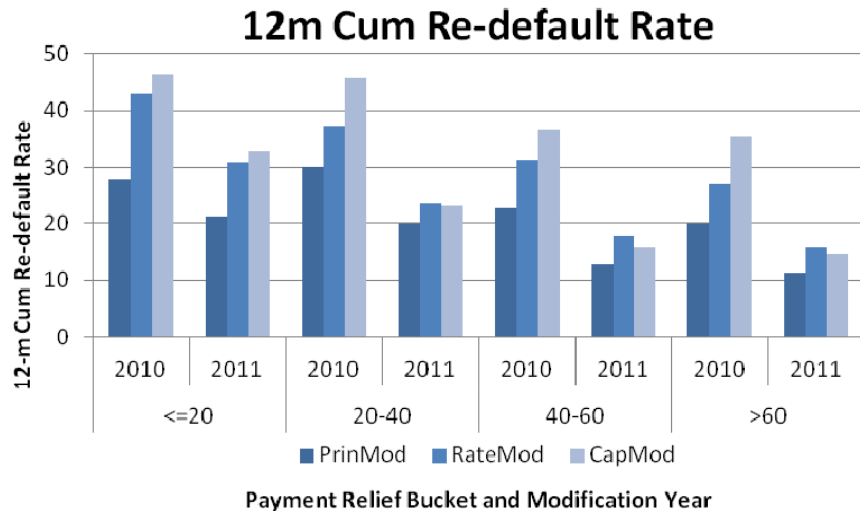
12-Month Cumulative Default Rate (2010 & 2011 Modifications)

Num Mods	Mod Type	Pay Reli	FICO <=660					FICO > 660					Grand Total	
			<=2 DQ	3-6 DQ	7-12 DQ	>12 DQ	Total	<=2 DQ	3-6 DQ	7-12 DQ	>12 DQ	Total		
1st Mod	PrinMod	>60	5	8	13	21	16	4	5	8	11	8	12	
		40-60	6	10	16	23	17	2	6	9	12	9	12	
		20-40	14	17	24	28	23	5	13	13	20	15	18	
		<=20	22	18	20	27	22	14	13	14	19	15	18	
	PrinMod Total		14	13	17	24	19	7	9	11	14	11	14	
	RateMod	>60	6	10	19	32	24	2	8	12	19	13	18	
		40-60	9	15	24	35	26	5	11	17	21	16	21	
		20-40	14	23	33	44	33	8	15	22	26	20	26	
		<=20	19	31	40	53	42	13	23	31	36	29	34	
	RateMod Total		14	22	31	43	33	9	16	23	28	21	27	
	CapMod	>60	15	20	18	28	22	6	8	10	11	10	14	
		40-60	17	15	23	35	24	7	7	19	27	19	20	
		20-40	24	29	37	41	35	13	16	24	29	23	27	
		<=20	28	34	41	48	41	34	28	31	34	31	36	
	CapMod Total		27	33	40	47	39	30	24	29	32	29	33	
1st Mod Total			18	25	32	41	33	15	18	23	27	22	27	
2nd+ Mod	PrinMod	>60	13	23	30	34	29	6	20	17	17	18	27	
		40-60	21	26	34	37	33	10	19	17	24	19	28	
		20-40	24	34	37	43	37	16	24	24	29	24	34	
		<=20	46	32	39	40	38	30	21	29	25	26	34	
	PrinMod Total		37	29	35	38	34	24	21	22	23	22	31	
	RateMod	>60	34	29	41	45	40	19	14	32	30	26	37	
		40-60	21	36	46	48	44	11	19	27	36	27	40	
		20-40	28	43	53	56	50	17	30	36	41	33	46	
		<=20	36	49	57	60	55	19	40	48	51	44	51	
	RateMod Total		29	42	51	54	49	17	31	38	42	35	45	
	CapMod	>60	51	50	55	58	53	39	36	30	43	35	50	
		40-60	45	50	56	58	54	29	32	35	37	34	48	
		20-40	49	53	60	59	56	34	30	44	47	39	52	
		<=20	39	50	58	61	55	42	42	47	48	45	52	
	CapMod Total		41	50	58	61	55	41	40	45	47	43	52	
2nd+ Mod Total			36	44	52	54	49	27	33	39	41	36	46	
Grand Total			26	35	43	46	41	18	21	27	30	25	34	
Grand Total	1st Mod	>60	7	10	17	27	20	3	7	10	15	11	15	
		40-60	9	14	22	33	25	4	10	16	20	15	19	
		20-40	15	23	32	43	33	8	15	22	26	20	26	
		<=20	24	32	39	48	40	23	24	30	34	29	34	
	1st Mod Total		18	25	32	41	33	15	18	23	27	22	27	
	2nd+ Mod	>60	34	30	39	41	38	20	18	27	25	24	35	
		40-60	26	36	45	47	43	13	21	26	33	26	38	
		20-40	34	45	53	55	50	20	30	37	41	34	46	
		<=20	39	49	56	59	54	34	39	46	48	43	51	
	2nd+ Mod Total		36	44	52	54	49	27	33	39	41	36	46	
	Grand Total			26	35	43	46	41	18	21	27	30	25	34

Principal Mods are more successful than rate modifications ... for higher FICO borrowers ... for loans that are more months DQ at modification ... for loans that have smaller pay relief ... for first mods versus subsequent mods

Source: CoreLogic, 1010Data, Amherst Securities as of April 2012

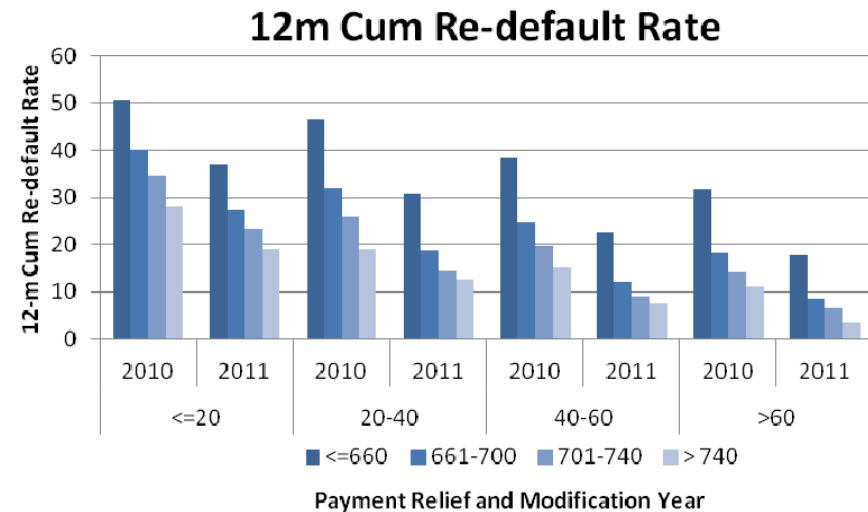
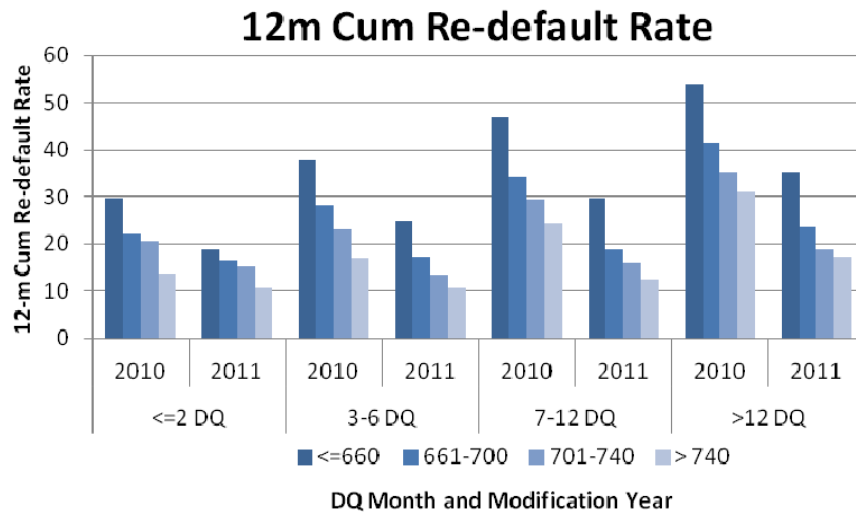
Interaction—Principal Modification with Payment Relief & FICO



	<=660		661-700		701-740		>740		Total
	2010	2011	2010	2011	2010	2011	2010	2011	
Prin:Ra	0.72	0.70	0.63	0.59	0.58	0.61	0.55	0.50	0.61
Prin:Ra	12	9	12	8	11	6	9	7	13

Source: CoreLogic, 1010Data, Amherst Securities as of April 2012

Interaction—FICO, Modification Timing, & Payment Relief



Source: CoreLogic, 1010Data, Amherst Securities as of April 2012



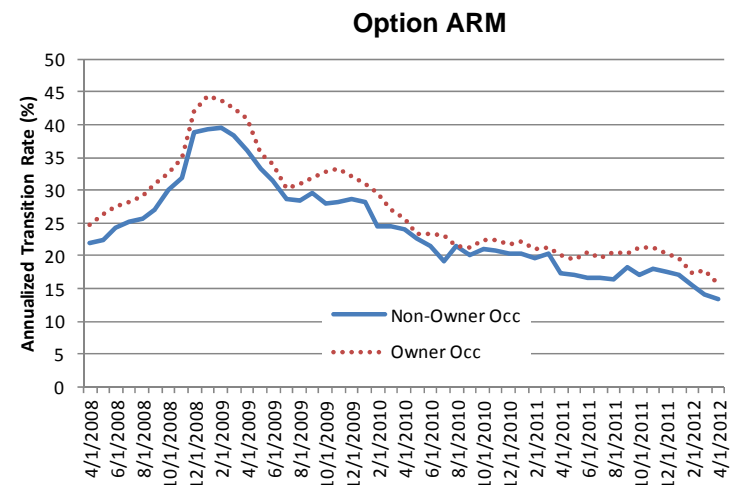
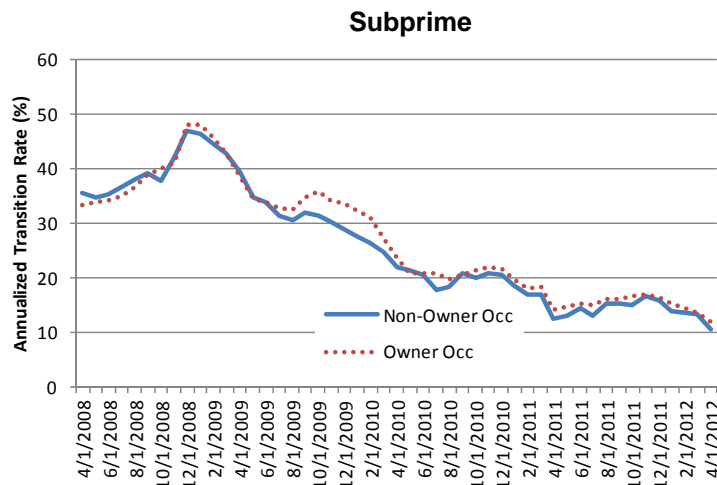
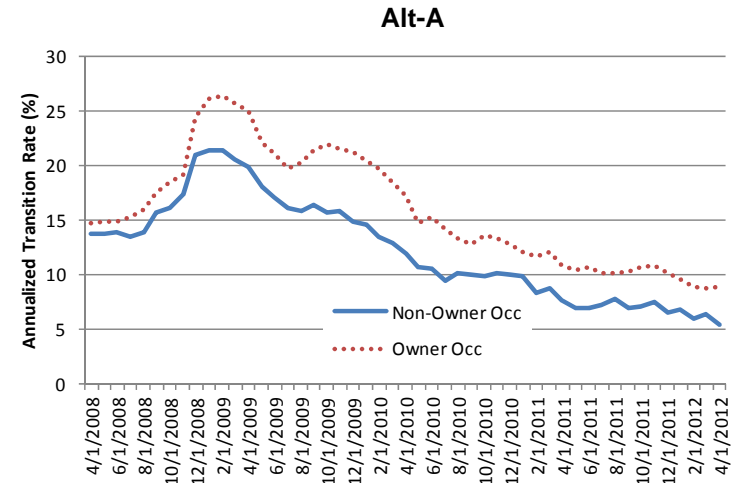
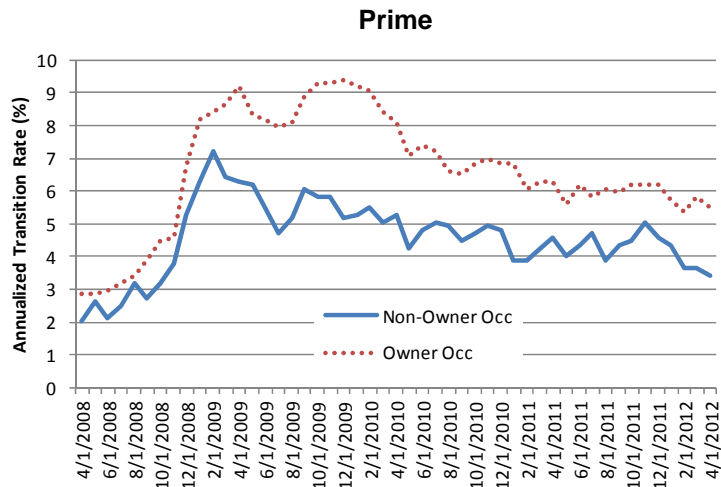
6-, 12- and 18-m Cum DEF Rate (2010 only)

	FICO	Pay Relief	PrinMod	RateMod	CapMod	Grand Total	
6-m Redefault	FICO <=660	<=20	25	34	35	34	
		20-40	29	30	39	31	
		40-60	21	26	35	26	
		>60	17	23	32	22	
	FICO <=660 Total			21	29	35	31
	FICO > 660	<=20	14	23	25	24	
		20-40	14	16	23	17	
		40-60	9	13	20	13	
		>60	8	12	14	11	
	FICO > 660 Total			11	18	24	19
6-m Redefault Total			16	24	31	26	
12-m Redefault	FICO <=660	<=20	36	51	52	51	
		20-40	41	45	55	47	
		40-60	31	38	47	38	
		>60	25	33	46	32	
	FICO <=660 Total			32	44	52	45
	FICO > 660	<=20	21	35	39	36	
		20-40	21	26	34	27	
		40-60	15	22	26	21	
		>60	12	17	18	15	
	FICO > 660 Total			17	28	37	30
12-m Redefault Total			24	37	45	39	
18-m Redefault	FICO <=660	<=20	43	60	60	59	
		20-40	50	53	62	55	
		40-60	38	46	53	46	
		>60	31	40	50	38	
	FICO <=660 Total			38	52	60	54
	FICO > 660	<=20	26	44	47	45	
		20-40	28	34	40	35	
		40-60	19	28	31	27	
		>60	15	23	21	20	
	FICO > 660 Total			21	35	44	37
18-m Redefault Total			30	45	54	46	
Grand Total			23	35	43	37	

Principal Mods are more successful over longer periods

Source: CoreLogic, 1010Data, Amherst Securities as of April 2012

Transition Rates (cTr) of 2004-2007 Vintages by Occupancy (as a % of Always Performing)



*****Strategic defaults appear to be happening in Owner Occupied Prime and Alt-A*****

Source: CoreLogic, 1010Data, Amherst Securities



Share of Principal Modification with Principal Reduction by Subprime Servicer

Distrib Date	PrimMod Rate	AAMIES	AMERIQUEST	AURORA	BOA	CHASE	CW	EMC	EQUITYONE	FIELDSTONE	FREMONT	GMAC/RFC	HLS	HOMEQ	INDYMAC	LITTON	NATCITY	NATIONSTAR	NC	OCWEN	OPTIONONE	PEOPLECHOICE	POPULAR	SAXON	SPS	WAMU	WF	WILSHIRE	
Jan-09	4	2	0	0	6	1	0	0	0	26	11	0	8	0	0	19	0	0	0	1	0	0	0	5	0	0	24		
Feb-09	9	1	0	0	5	1	2	0	0	30	28	15	0	7	0	3	18	24	0	0	1	0	23	41	14	12	0	0	17
Mar-09	6	0	1	0	3	1	1	0	0	15	23	11	0	2	0	1	19	0	0	0	0	0	13	16	9	22	0	0	28
Apr-09	9	14	0	1	3	1	0	1	0	28	27	16	0	3	0	2	27	16	0	0	0	0	34	27	8	25	0	0	16
May-09	10	0	0	1	2	0	0	0	0	38	74	5	0	3	1	5	27	0	0	0	1	0	68	0	16	23	0	1	18
Jun-09	6	0	0	2	1	0	0	0	0	35	8	0	0	3	1	7	19	0	0	0	0	0	35	0	14	32	0	0	16
Jul-09	9	0	0	1	3	0	0	3	7	0	2	0	3	0	9	14	0	0	0	0	0	0	83	32	0	56	0	0	16
Aug-09	6	1	1	5	2	0	0	1	16	0	5	1	6	1	8	26	0	0	0	1	0	0	0	27	19	25	0	0	16
Sep-09	8	3	0	2	2	0	1	3	31	24	1	1	2	0	20	20	0	0	0	0	0	0	42	25	1	19	5	0	9
Oct-09	6	9	0	5	2	2	1	24	1	0	3	0	5	1	21	15	0	0	0	0	0	0	4	51	0	18	0	0	5
Nov-09	5	6	1	7	4	2	0	26	7	0	0	0	6	0	0	11	0	2	0	0	0	0	22	2	3	15	3	0	9
Dec-09	6	2	1	7	3	6	1	13	12	4	1	0	6	0	0	15	0	4	0	1	1	2	21	1	33	0	0	15	
Jan-10	6	0	1	9	3	5	1	2	10	0	1	0	4	1	16	11	0	9	0	1	1	4	19	5	37	2	0	12	
Feb-10	5	0	1	10	1	2	6	2	8	0	0	1	4	3	11	11	3	8	0	2	2	0	15	6	31	0	1	19	
Mar-10	6	1	10	8	4	3	4	2	6	0	2	0	5	3	8	11	7	8	0	3	13	0	13	7	32	0	1	19	
Apr-10	5	0	8	6	2	3	7	1	6	1	2	0	8	3	3	8	0	7	0	4	3	0	10	7	29	1	1	0	
May-10	5	0	3	4	6	4	8	1	3	12	2	0	7	5	7	9	1	5	0	5	1	1	8	8	27	0	1	8	
Jun-10	6	0	3	5	9	6	6	0	7	6	6	0	14	6	13	11	4	3	0	4	2	4	19	8	29	0	1	7	
Jul-10	7	2	3	4	7	6	1	8	14	14	18	0	15	6	11	17	0	2	0	6	1	6	16	6	26	1	1	7	
Aug-10	8	0	5	9	5	14	1	6	10	7	14	0	14	6	12	17	3	3	0	5	2	3	11	8	27	13	1	8	
Sep-10	7	6	3	7	5	16	4	5	14	5	15	0	12	3	13	17	0	6	1	6	4	4	7	5	20	11	1	6	
Oct-10	9	4	5	8	8	16	5	6	17	12	19	0	12	10	13	18	4	5	0	9	5	19	9	5	22	12	1	10	
Nov-10	10	9	8	7	2	15	4	4	16	17	17	0	0	8	7	15	51	3	0	10	6	18	8	8	3	13	3	8	
Dec-10	12	11	4	9	8	16	6	13	16	9	22	1	12	11	5	20	60	2	1	10	5	13	19	7	22	15	1	14	
Jan-11	11	0	6	8	2	17	13	10	12	8	18	10	11	7	7	16	19	4	8	11	8	14	17	8	22	14	1	16	
Feb-11	11	0	5	8	3	19	13	10	12	16	20	10	3	22	3	21	0	1	4	15	9	27	25	9	19	11	1	14	
Mar-11	14	8	9	11	8	14	11	13	22	33	25	10	3	26	5	27	0	4	5	22	12	26	25	10	18	17	6	22	
Apr-11	15	0	8	10	7	10	12	15	17	20	27	11	7	26	12	31	18	6	7	22	11	49	9	12	21	10	5	24	
May-11	17	11	7	12	25	17	26	19	20	20	18	7	41	33	9	17	13	4	4	33	11	38	14	14	19	12	5	22	
Jun-11	17	9	7	14	29	20	17	31	12	12	19	8	43	33	13	24	21	2	5	33	3	22	18	11	24	16	6	20	
Jul-11	20	19	6	14	37	20	25	34	22	13	24	8	52	40	11	22	35	3	5	36	2	24	17	14	17	13	9	30	
Aug-11	23	3	6	18	30	23	18	38	20	32	30	9	32	39	26	31	23	3	7	36	4	63	21	12	27	15	22	24	
Sep-11	20	5	5	14	23	18	19	29	14	32	23	15	41	32	13	26	17	2	8	36	3	38	48	9	17	17	21	24	
Oct-11	18	5	6	11	21	21	16	31	10	13	18	9	30	35	18	16	17	1	6	37	3	31	41	8	14	20	20	16	
Nov-11	20	7	12	22	22	23	16	33	8	11	22	14	42	35	15	22	23	2	8	40	3	28	45	12	12	19	20	21	
Dec-11	21	11	7	26	27	33	16	41	18	46	4	10	30	39	13	33	14	2	6	41	3	14	41	10	9	28	16	19	
Jan-12	24	3	7	25	13	33	12	40	28	42	21	14	22	40	17	39	0	2	13	44	3	47	49	13	26	25	46	11	
Feb-12	26	8	10	22	28	35	19	44	21	56	50	14	37	37	16	44	0	2	7	40	5	29	61	13	17	25	51	15	
Mar-12	26	23	10	19	15	35	13	39	27	53	50	16	15	31	21	51	10	2	6	43	5	40	57	14	16	28	46	9	
Apr-12	31	26	10	19	11	40	13	41	33	71	72	20	26	51	34	65	30	2	9	52	3	55	61	11	17	32	26	7	
May-12	26	21	6	15	14	37	12	22	22	68	60	19	18	44	16	56	24	4	11	45	3	55	47	11	19	24	21	9	

Source: CoreLogic 1010data, Amherst Securities

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Largest Servicers Also Own A Large Share Of Second Liens

Q4 2011 FR Y-9C REPORT								
Originator	1-4 Family Servicing		1st Liens	Closed-End 2nd Liens	Residential Revolving Lines of Credit	Share of Total Revolving	Total Revolving and 2nd Liens	Tangible Common Equity Capital
	Q4 11	Q4 Share						
Wells Fargo	\$ 1,821.8	18%	\$ 252.1	\$ 13.3	\$ 95.7	16%	\$ 109.0	\$ 96.1
Bank of America	\$ 1,768.3	17%	\$ 293.7	\$ 18.0	\$ 104.1	17%	\$ 122.1	\$ 134.3
JP Morgan Chase	\$ 1,168.2	11%	\$ 137.3	\$ 7.9	\$ 86.7	14%	\$ 94.6	\$ 125.0
Citigroup	\$ 534.4	5%	\$ 114.4	\$ 16.8	\$ 27.5	5%	\$ 44.3	\$ 147.2
Total Top 4	\$ 5,292.7	51%	\$ 797.5	\$ 56.0	\$ 314.0	52%	\$ 370.0	\$ 502.7
Total	\$ 10,277.4				\$ 603.4		\$ 873.0	

Notes:

- Individual bank data from Q4 2011 FRB Data
- Total 1-4 Family Servicing from Inside Mortgage Finance
- Total Residential Revolving Lines of Credit Refers To Revolving Lines of Credit held at FDIC Insured Institutions. It is not the total universe.
- Total Revolving Second and Second Liens Total and by Investor is from Fed Flow of Funds Data (Z1)

Total Revolving and 2nd Liens By Investor:

All Commerical Banks	\$	655.6
Credit Unions	\$	82.7
Savings Institutions	\$	67.6
Finance Companies	\$	49.4
ABS Issuers	\$	17.7
TOTAL	\$	873.0

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

The Relationship of Second Liens, Delinquency, and Combined Loan to Value Ratio (CLTV)

Prime

Balance Distribution

		Always Performing	Re-Performing	Non-Performing	Subtotal
<80 CLTV	Single Lien	68.4%	3.4%	3.9%	75.8%
	With Second	21.8%	1.2%	1.3%	24.2%
	Subtotal	90.2%	4.6%	5.2%	100.0%
80-100 CLTV	Single Lien	45.3%	3.9%	5.1%	54.3%
	With Second	38.7%	2.8%	4.1%	45.7%
	Subtotal	84.1%	6.7%	9.2%	100.0%
100-120 CLTV	Single Lien	27.6%	3.9%	4.9%	36.3%
	With Second	49.5%	5.1%	9.2%	63.7%
	Subtotal	77.0%	8.9%	14.0%	100.0%
120-140 CLTV	Single Lien	21.6%	4.0%	5.9%	31.5%
	With Second	47.3%	7.7%	13.5%	68.5%
	Subtotal	68.9%	11.7%	19.4%	100.0%
>140 CLTV	Single Lien	14.1%	3.4%	5.7%	23.2%
	With Second	44.5%	10.9%	21.4%	76.8%
	Subtotal	58.6%	14.3%	27.1%	100.0%

Alt A

Balance Distribution

		Always Performing	Re-Performing	Non-Performing	Subtotal
<80 CLTV	Single Lien	65.7%	9.0%	9.4%	84.1%
	With Second	12.3%	1.8%	1.8%	15.9%
	Subtotal	78.0%	10.8%	11.2%	100.0%
80-100 CLTV	Single Lien	39.6%	8.8%	12.1%	60.5%
	With Second	26.7%	5.3%	7.5%	39.5%
	Subtotal	66.3%	14.0%	19.6%	100.0%
100-120 CLTV	Single Lien	23.7%	7.4%	10.1%	41.2%
	With Second	32.9%	9.4%	16.4%	58.8%
	Subtotal	56.6%	16.8%	26.5%	100.0%
120-140 CLTV	Single Lien	18.2%	7.3%	10.6%	36.2%
	With Second	31.0%	11.6%	21.2%	63.8%
	Subtotal	49.3%	18.9%	31.8%	100.0%
>140 CLTV	Single Lien	11.1%	6.0%	10.6%	27.7%
	With Second	25.7%	15.3%	31.3%	72.3%
	Subtotal	36.8%	21.3%	41.9%	100.0%

Subprime

Balance Distribution

		Always Performing	Re-Performing	Non-Performing	Subtotal
<80 CLTV	Single Lien	60.5%	10.9%	12.3%	83.8%
	With Second	11.2%	2.2%	2.8%	16.2%
	Subtotal	71.8%	13.2%	15.1%	100.0%
80-100 CLTV	Single Lien	42.8%	10.9%	18.7%	72.4%
	With Second	15.4%	4.1%	8.0%	27.6%
	Subtotal	58.2%	15.0%	26.7%	100.0%
100-120 CLTV	Single Lien	26.7%	9.4%	19.9%	56.0%
	With Second	19.0%	6.7%	18.2%	44.0%
	Subtotal	45.7%	16.1%	38.1%	100.0%
120-140 CLTV	Single Lien	19.3%	8.5%	19.6%	47.4%
	With Second	17.1%	8.7%	26.8%	52.6%
	Subtotal	36.4%	17.1%	46.4%	100.0%
>140 CLTV	Single Lien	11.7%	7.7%	21.4%	40.9%
	With Second	12.4%	11.5%	35.3%	59.1%
	Subtotal	24.1%	19.2%	56.7%	100.0%

Balance Distribution

		Always Performing	Re-Performing	Non-Performing	Subtotal
<80 CLTV	Single Lien	37.6%	29.4%	25.3%	92.3%
	With Second	3.4%	2.4%	1.9%	7.7%
	Subtotal	41.0%	31.8%	27.2%	100.0%
80-100 CLTV	Single Lien	20.7%	25.1%	29.4%	75.2%
	With Second	8.6%	7.5%	8.7%	24.8%
	Subtotal	29.3%	32.6%	38.1%	100.0%
100-120 CLTV	Single Lien	13.2%	21.8%	29.7%	64.7%
	With Second	8.3%	10.7%	16.4%	35.3%
	Subtotal	21.5%	32.5%	46.0%	100.0%
120-140 CLTV	Single Lien	10.2%	19.6%	27.4%	57.3%
	With Second	7.8%	12.8%	22.2%	42.7%
	Subtotal	18.0%	32.4%	49.6%	100.0%
>140 CLTV	Single Lien	6.9%	17.0%	27.4%	51.3%
	With Second	6.3%	14.3%	28.1%	48.7%
	Subtotal	13.2%	31.3%	55.5%	100.0%

Source: CoreLogic, 1010Data, Amherst Securities as of May 2012



Second Liens In Bank Portfolios and Second Liens In PLS Perform Very Differently

Bank Portfolio	Delinquent Status		Average	Total Outstanding	
	30-89 Days	90+ Days	FICO	(\$ In Billion)	
1st Lien	2.6%	9.2%	n/a	\$	1,878.0
2nd Lien	1.2%	1.8%	n/a	\$	603.4

Securizations

(All Securities)	Delinquent Status		Average	Total Outstanding	
	30-89 Days	90+ Days	FICO	(\$ In Billion)	
1st Lien	6.9%	28.0%	687	\$	1,046.2
2nd Lien	7.2%	12.0%	688	\$	16.8

Securizations

(FICO > 720)

	Delinquent Status		Average	Total Outstanding	
	30-89 Days	90+ Days	FICO	(\$ In Billion)	
1st Lien	3.1%	17.0%	758	\$	356.5
2nd Lien	3.5%	7.0%	754	\$	4.7

Source: FDIC, CoreLogic, 1010Data, Amherst Securities as of May 2012

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