Compass Analytics | 900 Larkspur Landing Circle, Suite 285 | Larkspur, CA 94939 | www.compass-analytics.com

The Month In Review

February 2007

What's New?

Compass recently released the following press release.

Compass Analytics Is Poised For Growth With New Hires

Compass Analytics, a Larkspur, Calif.-based leading provider of valuation and interest rate risk management solutions to mortgage capital markets participants, has hired Victor Rivera as Managing Director, National Sales.

Rivera will leverage his considerable mortgage analytics experience to market Compass's suite of products and services. Rivera previously worked at Open/Close, GHR Systems, and IPS-Sendero/RF Spectrum where he was Vice President of Sales.

"Compass is extremely pleased to add Victor's considerable energy and mortgage analytics sales experience at a time of such exciting product and company growth," said Rob Kessel, managing partner for Compass Analytics.

"It's extremely exciting to join a firm that has finally successfully and seamlessly integrated mortgage analytics across asset and collateral types from file import to valuation," Rivera said. "Expansion is the next logical step for Compass Analytics."

Compass is also pleased to announce the addition of Teresa Wong as Controller and Analyst Wong joins Compass from Freddie Mac where she was a consultant. Prior to that, Wong was with Tuttle Decision Systems, a pipeline risk management provider, where she served as Controller for 16 years.

"Teresa's formidable experience and knowledge base," Kessel added, "will substantially widen Compass's analytical capabilities and financial and systems controls as Compass executes its growth plans."

Compass, which has established a niche in nonagency collateral valuation and risk management, offers a broad range of services to capital markets participants, including hedging, third-party valuations and consulting. Its CompassPoint™ software, licensed to mortgage traders, investors and secondary marketing departments, provides unparalleled analysis in a previously unattainable speed. The software's loan-level models, integrated file mapping, market and credit inputs, whole loan and structured cash flow analysis and reporting capabilities give its users a competitive advantage in evaluating all mortgage collateral.

In addition, Compass uses its CompassPoint™ internally to provide third-party valuations as well as hedge execution services, both of which draw on the company's considerable expertise and access to market color.

New in CompassPoint™!

Compass is pleased to report its recent development progress in CompassPoint™, including:

- New 3-Dimensional Filter and 2-Dimensional Mapping Tools
- Shareable Data Filters
- Enhanced Delinquency and Foreclosure Models
- Improved Data Export Tool

CompassPoint™ features and capabilities reflect the business needs as defined and requested by its users. For additional information on new features or to submit suggestions and requests, please contact Rob Kessel at 415-925-2812 or e-mail at rkessel@compass-analytics.com.

Market Update

To kick off 2007, the bond market continued the downward trend that closed out 2006. With economic data indicating the economy is standing on stronger legs than earlier anticipated, many investors now believe the Fed will keep rates stagnant for the remainder of the year with some speculating the next Fed move will actually be a rate increase late in the year. Yields in January, following the first week of the month, steadily increased with the 10-yr closing out the month around 4.88%.

The first week of the January saw a slight rally in bond prices coupled with substantial volatility. The yield on the 10-year note decreased by roughly 6 basis points despite stronger than expected unemployment data. The rally was short lived however as oil prices took a hard hit the following week. This resulted in significantly decreased bond prices while the stock market once again took off with the Dow Jones Industrial Average continuing to reach record levels. With The NY Empire Index and Philly Fed Manufacturing Index sending mixed signals and CPI and PPI in line with expectations, the market found direction on surprisingly stronger than anticipated housing numbers, pushing yields higher once again. The final week of January brought additional supply into the market by way of Treasury auctions as well as some disturbing news for mortgage securities with a survey indicated mortgage default risk increased by 42% in 2006, leading to further declines in bond prices.

Clearly the bond market had additional tightening to do following December's sell off. Early data illustrated that the hard hit housing market was not spilling over into other areas of the economy. Additionally, as the month progressed, data showed that housing was beginning to stabilize and

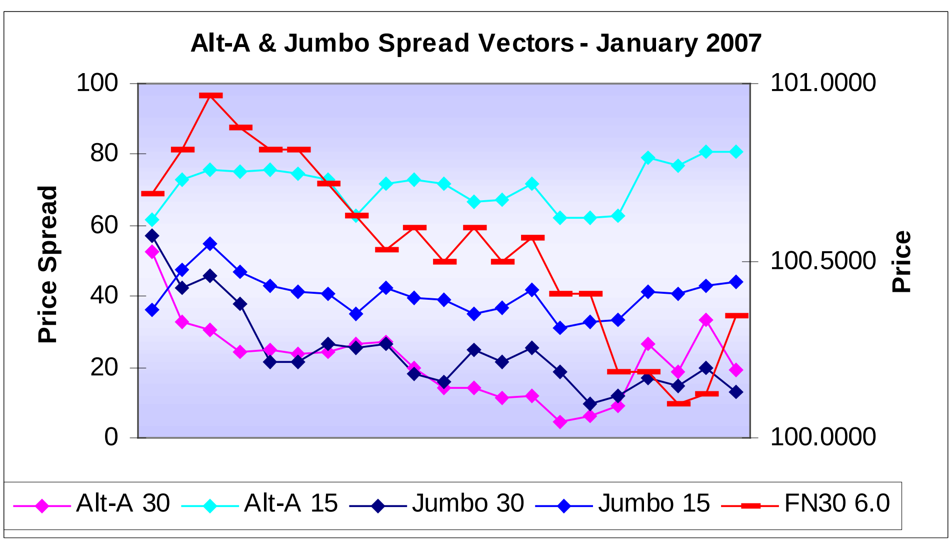
Copyright 2006, Compass Analytics, LLC

even recover in some areas implying that the soft-landing scenario for the slowing economy was likely to play out, at least in the short-term. Although the market continues to be data dependent, it seems to have generally accepted the idea that the economy is more robust than previously anticipated. *-Bob Gundel*

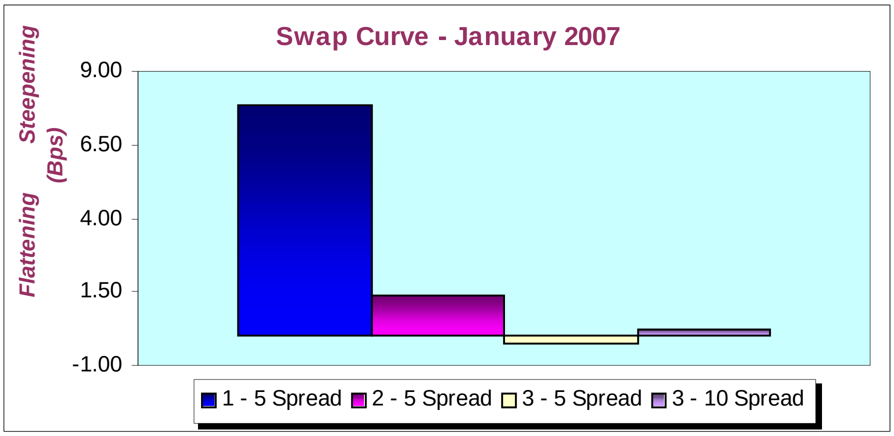
Alt A and Jumbo Spreads

Much like the pattern we observed in December, MBS prices declined throughout January. FN30 6.0's dropped almost 35 bps during the course of the month, although Alt-A and Jumbo Spreads did not tighten as dramatically as last month. 30-yr Spreads tightened an average of 45 bps, while 15-yr Spreads moved moderately – the Alt-A 15-yr Spread actually widened. The first significant move came about on the release of the ADP jobs number; the unexpected job loss report caused the market to rally, and 30-yr Spreads sharply declined while the 15-yr Spreads moved in the opposite direction. We saw this behavior occur a few times throughout January - changes in 30-yr Spreads with little or no change in 15-yr Spreads. Though the market spiked back and forth several times, Alt-A and Jumbo Spreads did not follow suit and the average daily change was less than 5 bps.

Compass's valuation of the Alt-A and Jumbo Fixed bulks in January derived prices within a 35 bp average range from the winning bids. The same two investors who dominated the bids in December, continued to win the bulks in January. There was no notable pattern in the cover or lowest bids this month, and the spread between investor bids tightened at an average range of 107 bps. -*Vimi Vasudeva*



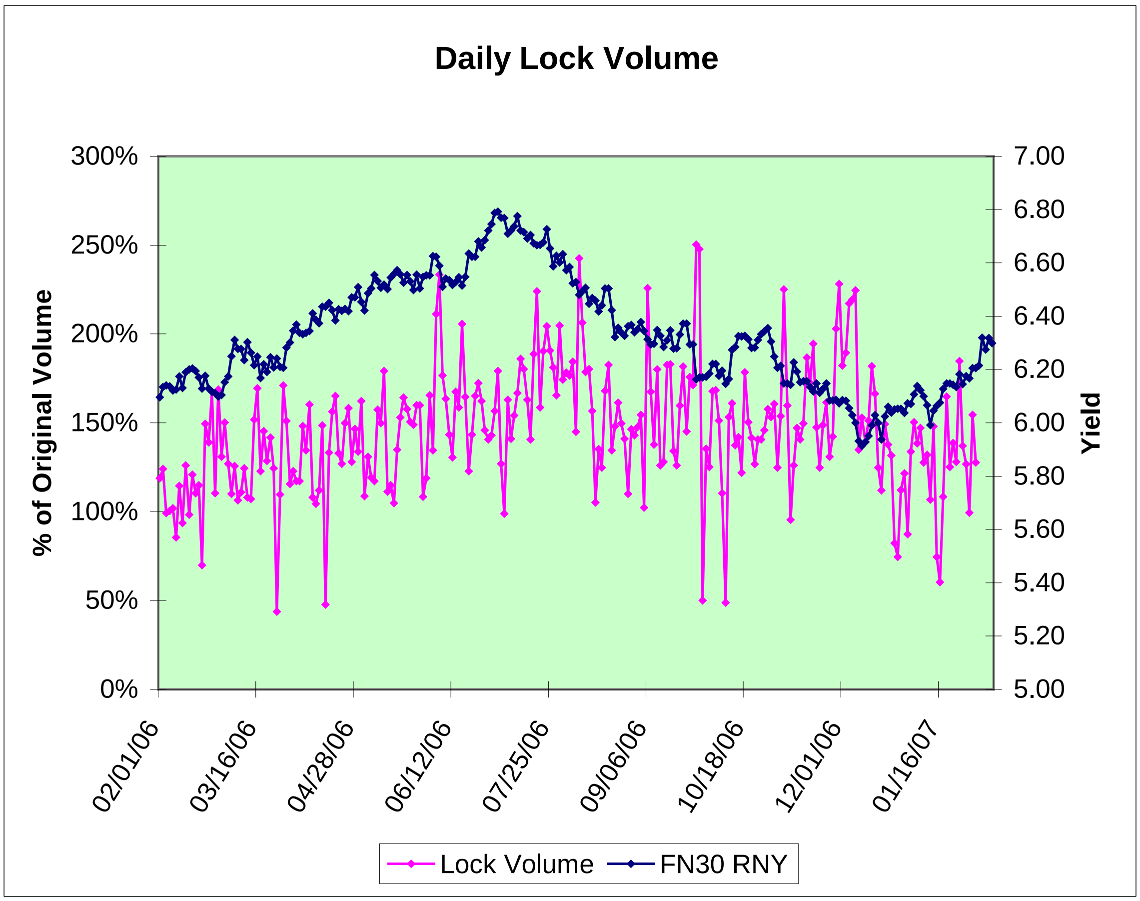
Hybrid Arm Hedge Analysis



January was a relatively uneventful month for swaps and the MBS market, with yields quietly advancing. The MBS market showed a promising start, but drifted lower as market participants slowly broke out of holiday mode. On the final day of January the market showed signs of life as the Fed delivered a less hawkish than anticipated FOMC statement, leading to a quarter point rally, the market's strongest move of the month. The three, five and ten year swap yields gained about 16 bps each. As seen above, spreads widened at the front end of the swap curve while the longer end moved in a near parallel manner. The 1-10 swap spread finished the month inverted by only 7 bps, moving from a 15 bps inversion at January's start. *–Virgil Caselli*

Copyright 2006, Compass Analytics, LLC

Production Index



Production in January decreased while rates broke out of a 5 month trend, finally increasing. Average volume for the month was 127% of our base volume (vs. 150% in December) ranging from a low of 60% to a high of 185%. The average yield on the FN30 RNY was 6.16% (vs. 6.02% in November) ranging from a low of 5.99% to a high of 6.319%. *–Bob Gundel*