



The Month In Review

September 2007

What's New?

Compass Analytics Releases Mortgage Servicing Rights Valuation Tools

San Francisco, CA- September 13, 2007- Compass Analytics, LLC announced today the release of its Mortgage Servicing Rights (MSR) Analytics which will provide loan-level and aggregated modeling capabilities for mortgage servicers and servicing investors.

The MSR Analytics, which were developed with significant input from **MountainView Servicing Group**, a Denver, Colo.-based provider of servicing analytics and trading services, will be released as a fully integrated part of Compass's mortgage analytics platform CompassPoint™. The MSR analytics will include both static and option adjusted spread (OAS) valuations, allow analysts to use loan-level adjustors on all models, include integration to industry-standard prepayment models, integrate accounting functionality and include speed-enhancing parallel processing. The full integration into CompassPoint™ provides access to Compass's file mapping, audit and conversion tools and comprehensive query and reporting tools. The MSR Analytics will be available for hosted and installation implementations and a specific MSR Trading option will also be available.

Commenting on his company's participation with Compass, MountainView President Mark Garland said, "We felt the industry could really benefit from a solid, intuitive, loan-level model that was easy to maintain but still focused on performance and analytics – a model we now have with CompassPoint™. We are extraordinarily pleased with how our contributions to Compass's analytics have been implemented and Compass's responsiveness. We are excited about rolling out the analytics across our customer base."

Compass's MSR Analytics will be showcased at the upcoming Institute for International Research Conference on "Successful Strategies for Managing Mortgage Servicing Rights" scheduled for Sept. 24 to 25 in Chicago. Compass will be a co-sponsor of the conference.

Compass's Managing Partner Rob Kessel said, "Given the recent jumps in delinquencies and foreclosure in non-agency products, we think a loan-level model with subprime and Alt-A functionality built in from the ground up will be particularly valuable to the industry."

Compass Analytics provides valuation and interest rate risk management solutions to mortgage capital markets participants. Compass Analytics licenses its software CompassPoint™ to mortgage traders, originators, servicers and investors in order to provide unparalleled analysis.



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CompassPoint's™ loan-level models, integrated file mapping, market and credit inputs, whole loan and structured cash flow analysis and reporting capabilities give CompassPoint™ users the competitive advantage in evaluating all mortgage collateral. In addition to licensing CompassPoint™, Compass uses CompassPoint™ internally to provide third party valuations as well as outsource hedge execution services, both of which draw on Compass' considerable expertise and access to market color. For more information about Compass Analytics, please visit its website at <http://www.compass-analytics.com> or contact Rob Kessel at 415-925-2812 or rkessel@compass-analytics.com.

MountainView provides analytic and trading services to financial institutions in mortgage-related business lines. Recent events have served as a catalyst to increase MountainView sales and trading activities to their highest levels in the company's history. MountainView's extensive client list represents a cross section of mortgage sector participants ranging from small community banks and mortgage companies to regional money center banks, insurance companies, and Wall Street investment firms. Building on a long-standing commitment to provide its clients with high quality whole loan and mortgage servicing rights, analytics and advisory services, MountainView is also dedicated to continuing its presence as a principal buyer and seller of loans in the secondary market. For more information about MountainView, please visit its website at <http://www.mvcg.com> or contact Mark Garland at 303-633-4718 or mgarland@mvcg.com.

What's New for Webinar Training Series

Compass continues its monthly Webinar training series with two additional topics for October. On *October 9th, 2007 at 12:00 PDT*, Compass will host a session on *Defining and Realizing Target Profits* and on *October 23^d at 12:00 PDT*, Compass will host a session on *Book and Tax Accounting on MSRs*. Please email Kellie Kramer at kkramer@compass-analytics.com if you have not received an invitation to a previous session so you can be added to the list of invitees. Additionally, if you would like to request a certain topic be covered in an upcoming training, please email Kellie Kramer at the above email address as well.

New in CompassPoint™!

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

- AFT Integration
- Single Machine Multi-Processor Parallel Processing
- Data/OAS Aggregator
- OAS Pricing and Implied OAS, IRR Derivations
- Expanded Loan-Level Model UI
- Guarantee Fee Adjustors
- Enhancements to Report Stratification Tool
- Bulk Prepayment Curve Import Tools



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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 Wrap

Treasury yields continued their drop in August as housing measures slipped further and several other economic reports showed activity slowing from earlier in the year. The 10-yr treasury yield fell to 4.39% following one of the weakest employment reports in years. Payroll growth, estimated to be +110k, actually dropped by 4k and revisions to prior months lopped an additional 80k from the previously reported numbers. That left average job growth over the past three months at about 44k, approximately 100k per month below the pace of the first five months of the year.

Although futures markets have been strongly anticipating a cut in the feds funds rate, even to the tune of 50 bps on or before the September 18 meeting, the Fed has made it quite clear that they don't want to cut rates simply for the sake of pain caused by the repricing of risk in the credit markets, feeling that adding liquidity through other means was sufficient. On several recent occasions, Bernanke has stated his belief that the problems in credit markets were not yet finding their way into the broader economy and that inflation still remained the Fed's number one concern.

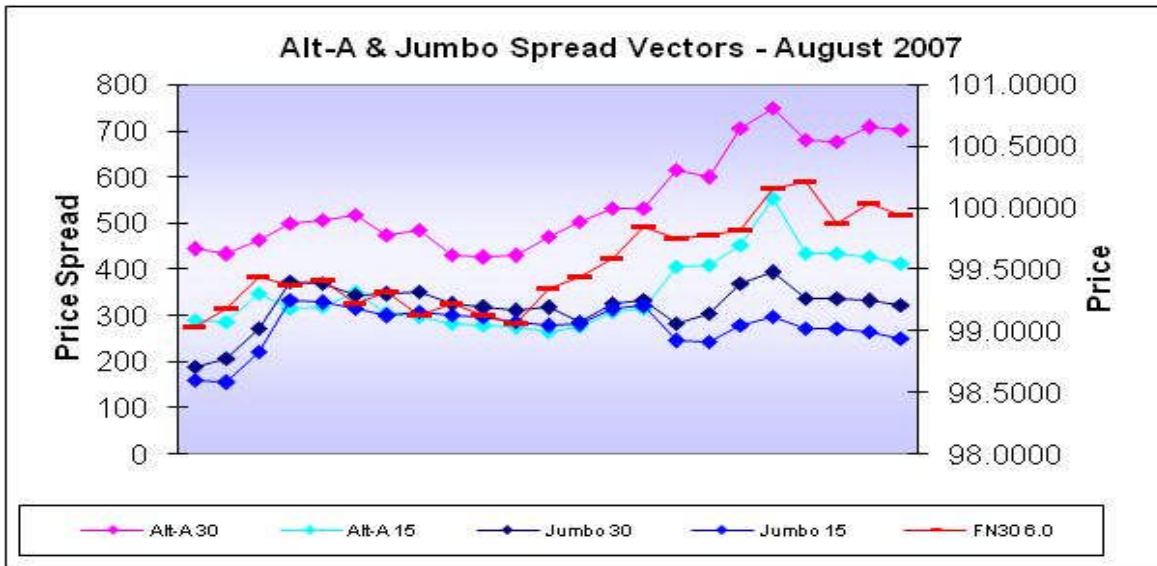
The employment report may finally tip the Fed towards easing. The weakness in employment will give the Fed the ability cut rates while sticking to their guns. The data give ample reason for an economy-related cut without the Fed feeling like it's being bullied into the decision by those hurt in the credit crunch. At this point, if the Fed doesn't ease, the likely effect will be a plummet in equities and a sharp rise in rates, neither of which will help forward the Fed's goal of stable, inflation-free growth. *—Lindsay Hill*



Alt A and Jumbo Spreads

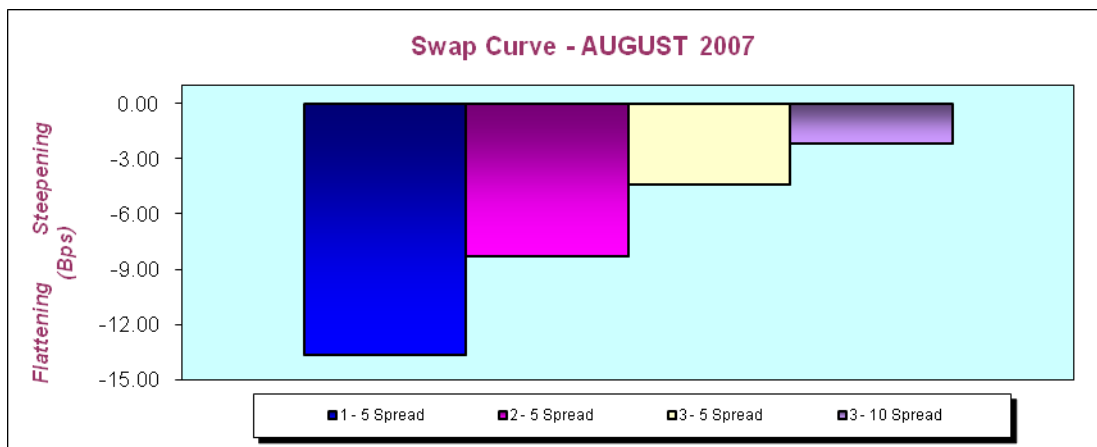
In continued mortgage market weakness, Alt-A and Jumbo spreads widened in a credit-driven flight to quality. What started as issues with the subprime market has filtered into other mortgage products. FN30 6.0's rallied and also traded in a wider range, 118.5 bps versus the 87.5 range in July; meanwhile, the widening pressure in spreads continued through the middle of August and stayed relatively range-bound for the rest of the month. Three month LIBOR ended the month over 26bps higher as banks were reluctant to lend to one another given the risks that have become increasingly clear. Investors fled to treasuries - the 2 year note rallied 35.5bps over the course of August - in a bull steepening rally (2-10's ended August at 37.5bps vs. 22bps at the end of July). Although spreads appear to have leveled out, there is still a great deal of volatility in the market that could push spreads even wider.

Due to lack of liquidity and the widening spreads, bulk packages traded at much lower prices than seen in previous months. Investors have become notably more conservative and selective in their bidding on bulk products, with no consistent front-runner among investors looking to bid for this product. *-Dave Bennett*





Hybrid Arm Hedge Analysis



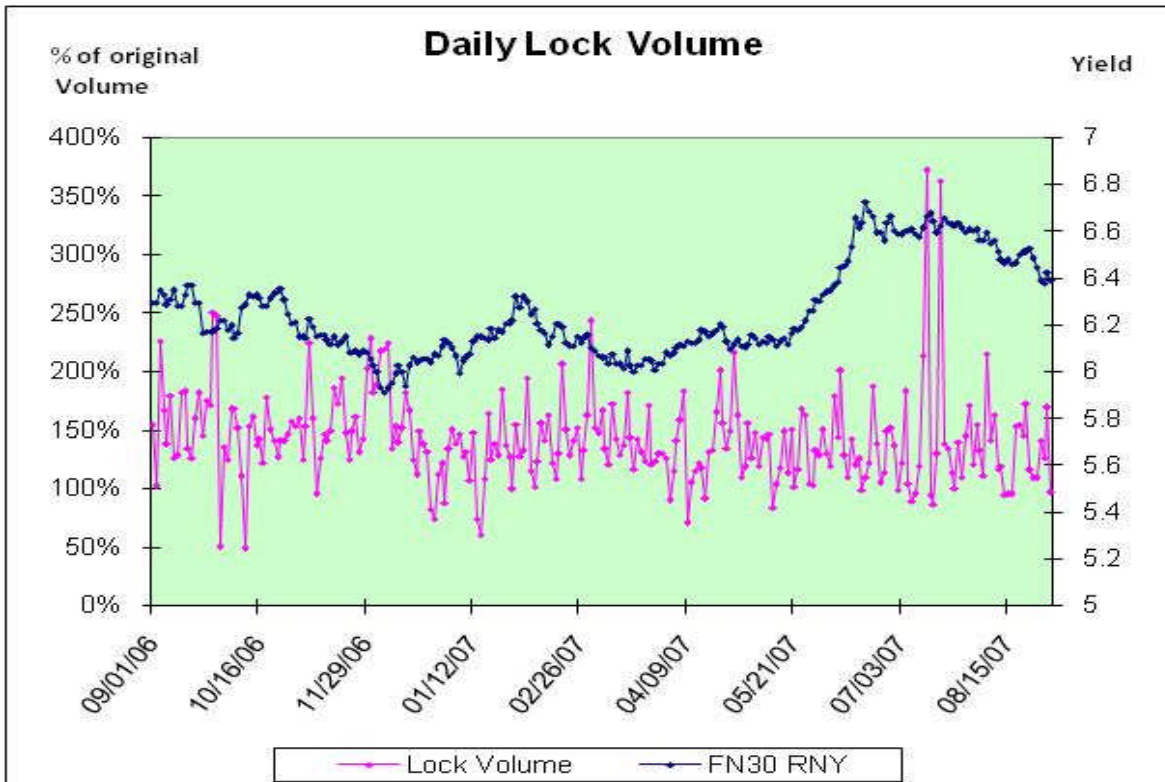
The Swap curve flattened quite significantly in August as the credit markets endured a tumultuous month. From the American Home bankruptcy announcement to the unraveling of the commercial paper market, the turmoil persisted. With liquidity dried-up, both the ECB and the Fed were compelled to facilitate the functioning of credit markets with capital infusions while the Fed took an additional step in cutting its discount rate. The liquidity crunch forced short term LIBOR yields higher while longer dated swaps followed Treasury yields lower. The 3, 5 and 10 year swap yields averaged a decline of 26 bps. The 1-10 spread had tightened by 11 bps by the end of August.

-Virgil Caselli



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Production Index



Production in August slowed while rates traded in a wider range (27bp range in August versus 11bp in July), with the average yield decreasing 17bps from July. Average volume for the month was 133% of our base volume (vs. 149% in July) ranging from a low of 95% to a high of 215%. The average yield on the FN30 RNY in August was 6.44% (vs. 6.61% in July) ranging from a low of 6.29% to a high of 6.56%. -Dave Bennett

