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The Month in Review

May 2008

What's New?

Compass is pleased to report that it has integrated to Andrew Davidson & Company's v5.2 Unified MBS prepayment model and issued the below press release on April 24th.

Compass continues its monthly Webinar training series with the following sessions scheduled for June:

- *Monday, June 2nd: Mortgage Duration & Convexity, Session at noon PT* – This session will expand on the initial session held on May 14th.
- *A session on Warehouse Finance will be announced for later in June.*

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.

New in CompassPoint™!

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

- Batch Driven Scenario and Attribution Analysis
- LMM Interest Rate Model w/Term Structure Swaption Volatility Calibration
- Optimization of Shock and OAS Processing
- Expanded AFT Spread and Shock Modeling
- Optimization of Report Stratification Database Calls
- Integrated Crystal 11.0 Viewer
- SQL 2005 Integration Enhancements
- Expanded Loan/Cohort Trace Capability
- Median PSA Price/Date Time Key and Seasoning Grid
- Improved Workspace Cloning
- Enhanced REO Modeling

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 415-462-7500 or e-mail at rkessel@compass-analytics.com.

Press Release

COMPASS ANALYTICS AND ANDREW DAVIDSON & CO., INC. ANNOUNCE THE INTEGRATION OF AD&CO'S V5.2 UNIFIED MBS PREPAYMENT MODEL TO COMPASSPOINT™ WITH LOAN-LEVEL INPUT AND OUTPUT ADJUSTORS

San Francisco, CA – April 24, 2008 **–** Compass Analytics, LLC and Andrew Davidson & Co., Inc. announced today the successful integration of the Andrew Davidson & Co., Inc.'s v5.2 Unified MBS Prepayment Model into Compass's Mortgage Analytics solution, CompassPoint™. Mutual Compass and Andrew Davidson & Co, Inc. (AD&Co) customers will now have access to AD&Co's v5.2 Unified MBS prepayment model through CompassPoint™ for derivation of option-adjusted durations and mortgage cash flow valuation and analysis for fixed and adjustable mortgage backed securities and loan-level and cohort-level whole loans and mortgage servicing rights. Mutual customers will be able to adjust all 5.2 input tuners including HPI Index and mortgage spread and output SMMs with loan-level static and vectored adjustors.

"Recent market volatility has emphasized the criticality of more contemporary, granular and realistic prepayment speeds and the modeling of those speeds given different rate scenarios," said Rob Kessel, Managing Partner of Compass Analytics. "Compass is very pleased to continue its integration to AD&Co's Prepayment Models and continues to provide robust loan-level adjustment capabilities." Mark Garland, President of MountainView Servicing Group added "MountainView is very excited to have the expanded modeling capability we gain through CompassPoint™ and AD&Co Prepayment Models for our valuation of mortgage servicing rights." Rob Landauer, Director of Business Development at Andrew Davidson & Co., Inc., commented. "Access to our most recent models and capabilities is especially important during these volatile prepayment periods. We are thrilled that Compass Analytics has provided our mutual clients with access to our latest release which considers the impact that declining HPA and significantly lower turnover have on prepayment speeds."

Compass Analytics provides valuation and interest rate risk management solutions to mortgage capital markets participants. Compass Analytics licenses its software CompassPoint™ to mortgage servicers, traders, investors and secondary marketing departments in order to provide rich loan-level and cohort-level analytics. CompassPoint's™ loan-level models, integrated file mapping, aggregation tools, market and credit inputs, whole loan, structured cash flow and mortgage servicing rights 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 outsourced 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 Kellie Kramer at 415.462.7500 or kkramer@compass-analytics.com.

Andrew Davidson & Co., Inc. offers consulting services and risk analytics for fixed income investors with emphasis on mortgage and asset backed securities. Their Vectors™ Analytics library currently offers prepayment models for mortgage and asset-backed securities, a Credit/Default model (LoanDynamics™ Model), and option-adjusted valuation and risk management tools for MBS, ABS, and CMOs. The company's unique blend of investment expertise and cutting-edge quantitative methods allows it to combine decades of Wall Street experience with the most advanced modeling techniques. For more information about **Andrew Davidson & Co., Inc.**, please visit their website at http://www.ad-co.com or contact Laura Gridley@ 212-274-9075 or laura@ad-co.com.

Market Update

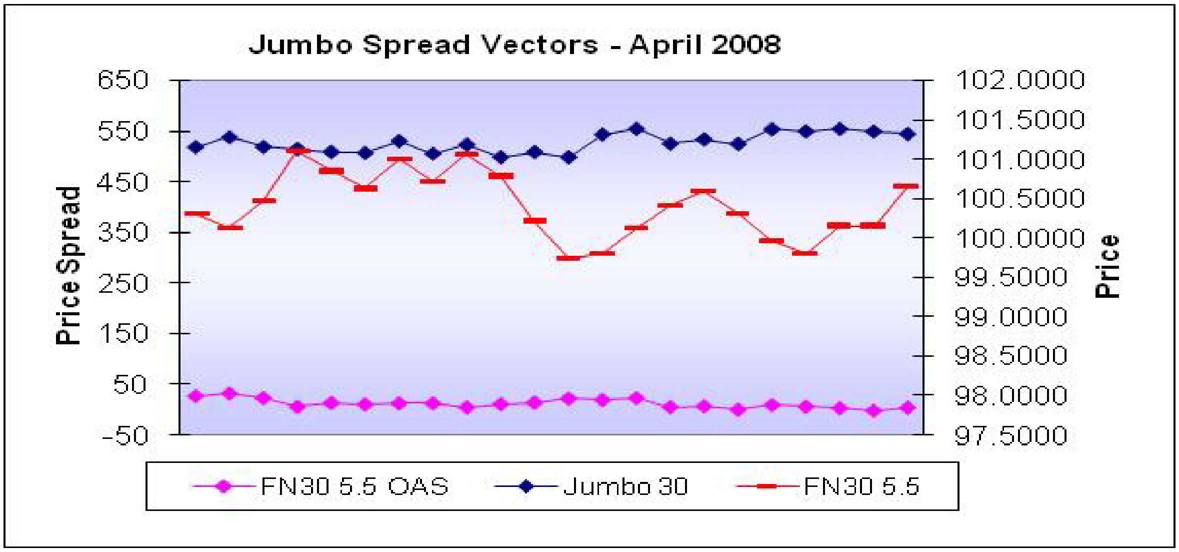
Bonds have been under pressure over the last month as commodity prices continue to push higher and the Fed easing cycle likely nears an end. The 10-yr treasury yield climbed from about 3.30% in the middle of March to over 3.90% at the beginning of May. Mortgage yields climbed as well although spreads to treasuries have been somewhat volatile of late. A range has been established over the last few weeks for the 10-yr yield with 3.68% and 3.92% containing recent moves.

The move higher in rates accompanied stronger economic data with several production and manufacturing surveys showing some improvement over the prior month. In addition, the April employment report came in better than expected, although job growth remained negative for the month. While personal spending picked-up in March, consumer confidence remains weak as record fuel prices keep the mood subdued.

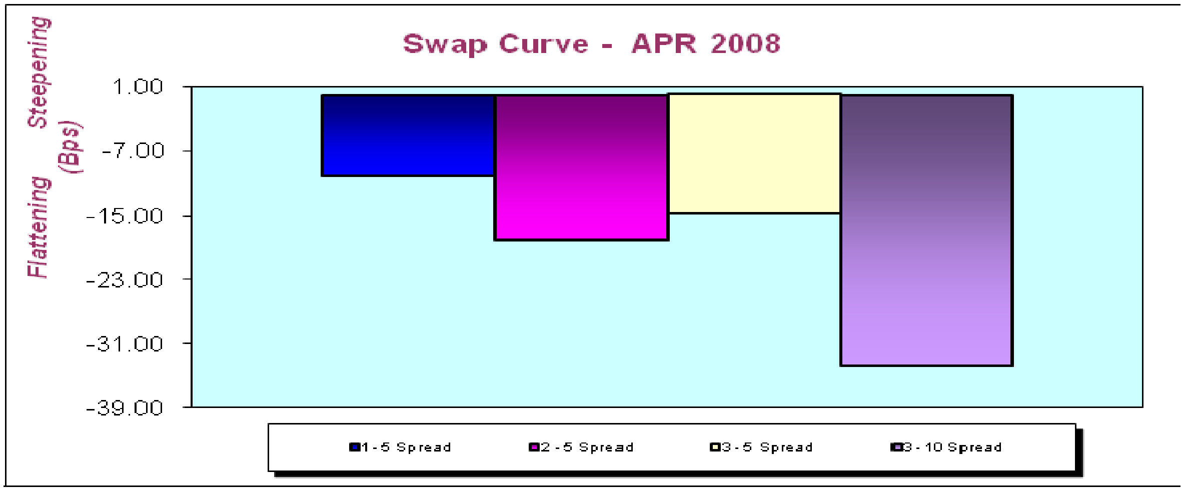
For its part, the Fed continued to provide liquidity through several outlets, including another .25% drop in the Fed Funds rate. Somewhat surprisingly, the Fed's message at the most recent meeting still described a belief that possible further slowing of the economy was a greater concern than recent price increases. Many Fed watchers expected the Fed to move to more neutral language. Notwithstanding the Fed's statement, their ability to effect change through Fed Funds decreases is likely approaching an end. Their hope, and ours, is that the credit markets continue to firm and that the liquidity provided to this point staves-off further, significant shocks to the system. -*Lindsay Hill*

Alt A and Jumbo Spreads

Jumbo spreads experienced relatively range-bound trading in April. FN30 5.5's chopped around in another volatile month. The range tightened in April (134bps vs. 416bps in March), as there continued to be pronounced swings. The month started off with Nonfarm Payrolls printing at -80K vs. an expectation of -50K. The weaker labor outlook caused many economists to increase estimates that the economy could fall into a recession, if it is not already in one. GE announced a 12% decrease in earnings. Delta announced that they would acquire Northwest Airlines in the first sign of consolidation within the industry. One of the reasons cited for the take-over was the rising price of oil (from $101/barrel to $113/barrel over the course of the month). JP Morgan declared a 50% drop in 1Q profits; Wells announced an 11% decline; and Merrill Lynch wrote down another $6.5B, bringing Wall Street's total to around $350B. Despite CPI (4% year over year) and PPI prints at the upper end of the Fed's comfort zone, food and oil prices surging to all-time highs, and a rapidly deteriorating dollar - the Fed lowered the target rate 25bps to 2.00%. All in all, not a very positive outlook for the economy, as evidence of stagflation continues to mount. In treasuries, the bear-flattening sell-off left 2-10's at 147bps at the end of the month (started month at 177bps). Although spreads appear to have leveled out, there is still a great deal of volatility in the market that could push spreads wider. *–Dave Bennett*

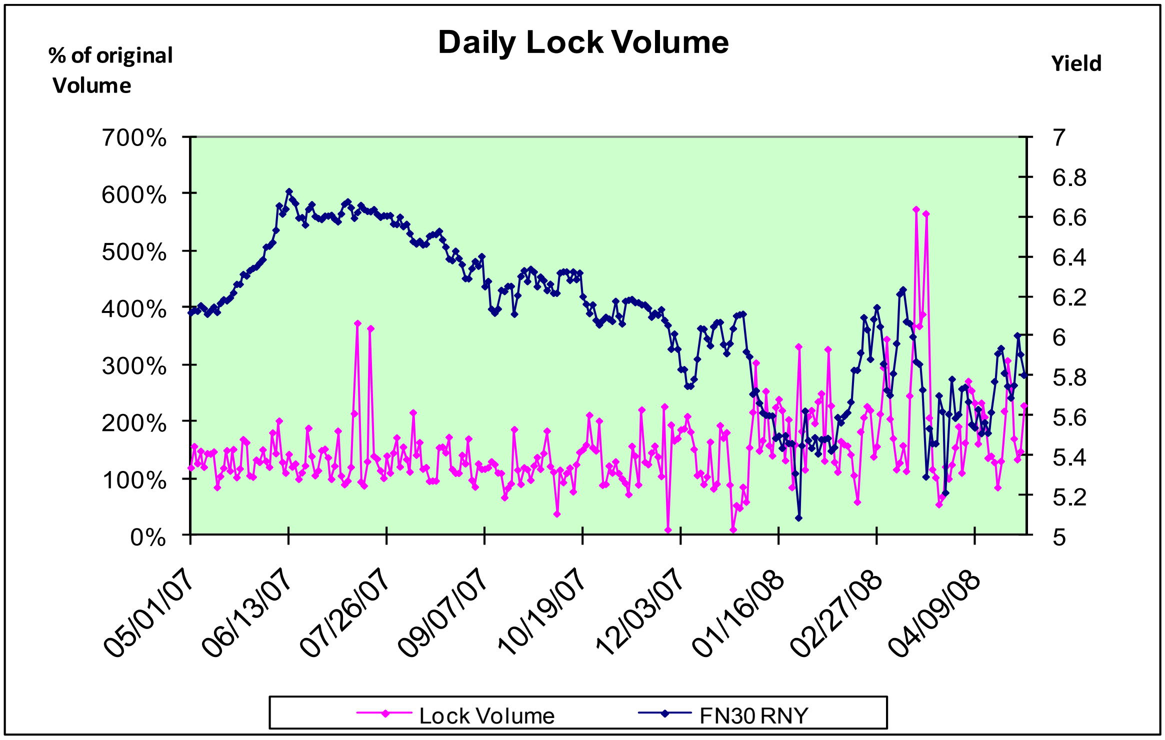


Swap Curve Analysis



Yields at the short end of the LIBOR/Swap curve moved significantly higher as credit concerns remained a major issue in the financial markets. LIBOR rates widened considerably to Treasury yields as uncertainty arose over the accuracy of reported funding costs used in LIBOR fixings. Longer term rates increased less rapidly, leaving the swap curve flatter overall. By the end of April, the LIBOR/10-yr Swap spread tightened 29 bps, leaving the spread at about 130 bps. *-Virgil Caselli*

Production Index



Production in April decreased while rates traded in a much tighter range (49bp range in April versus 102bp in March), with the average yield decreasing slightly month over month. Average volume for the month was 184% of our base volume (vs. 220% in March) ranging from a low of 84% to a high of 306%. The average yield on the FN30 RNY in April was 5.72% (vs. 5.75% in March) ranging from a low of 5.51% to a high of 6.00%. *-Dave Bennett*