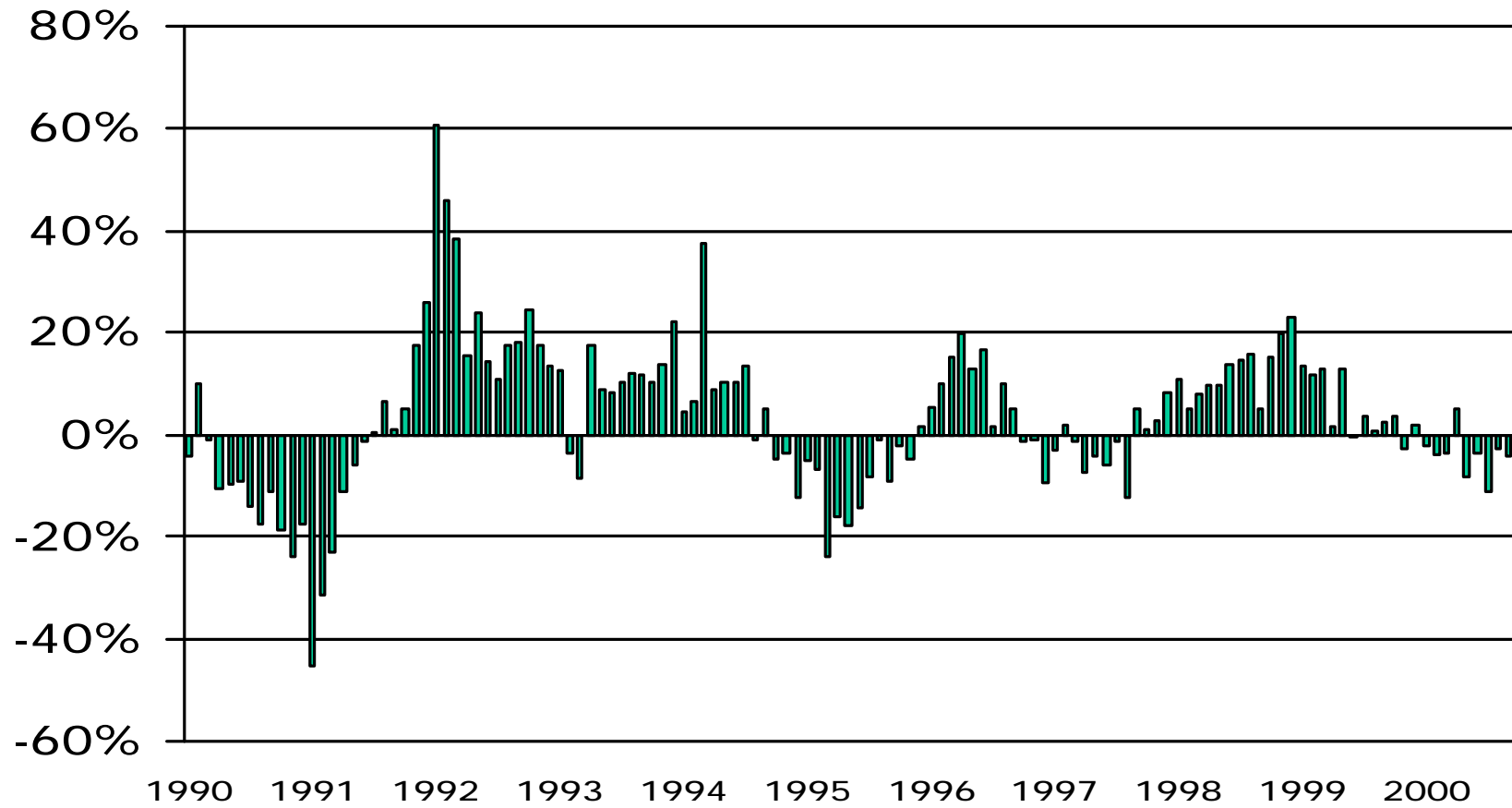


Housing Economics

Single-Family Housing Starts

year/year, % change by month



Source: Census Bureau

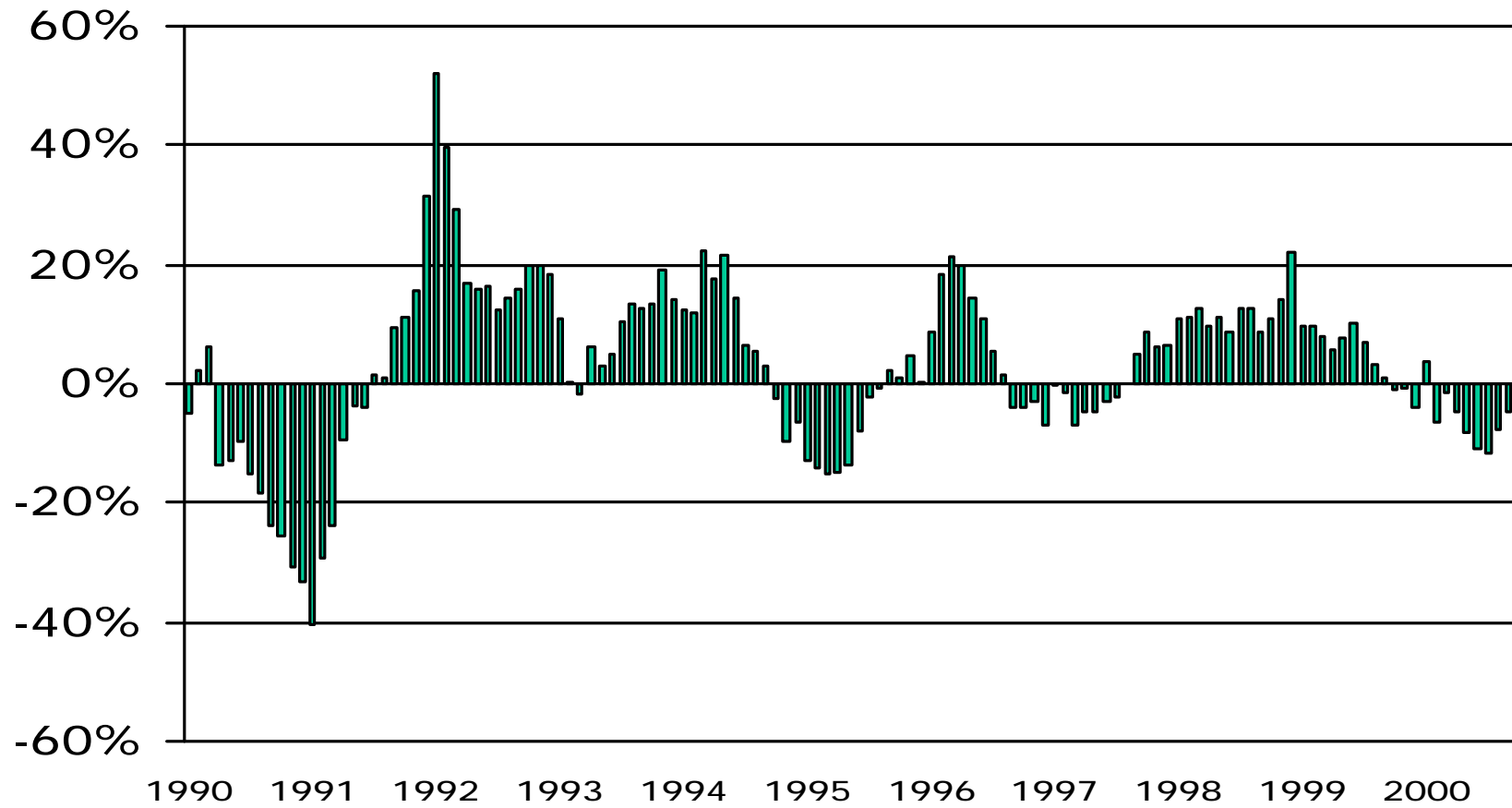
Actual Starts, Privately Owned Housing Units (thousands)

	<i>Through September 1999</i>	<i>Through September 2000</i>	<i>Annual change</i>
U.S.	1,278	1,232	-3.5
Northwest	118	114	-3.4
Midwest	265	255	-3.8
South	586	562	-4.1
West	308	301	-2.3

Source: Bureau of the Census

Single-Family Housing Permits

year/year, % change by month



Source: Census Bureau

Actual Permits, Privately Owned Housing Units

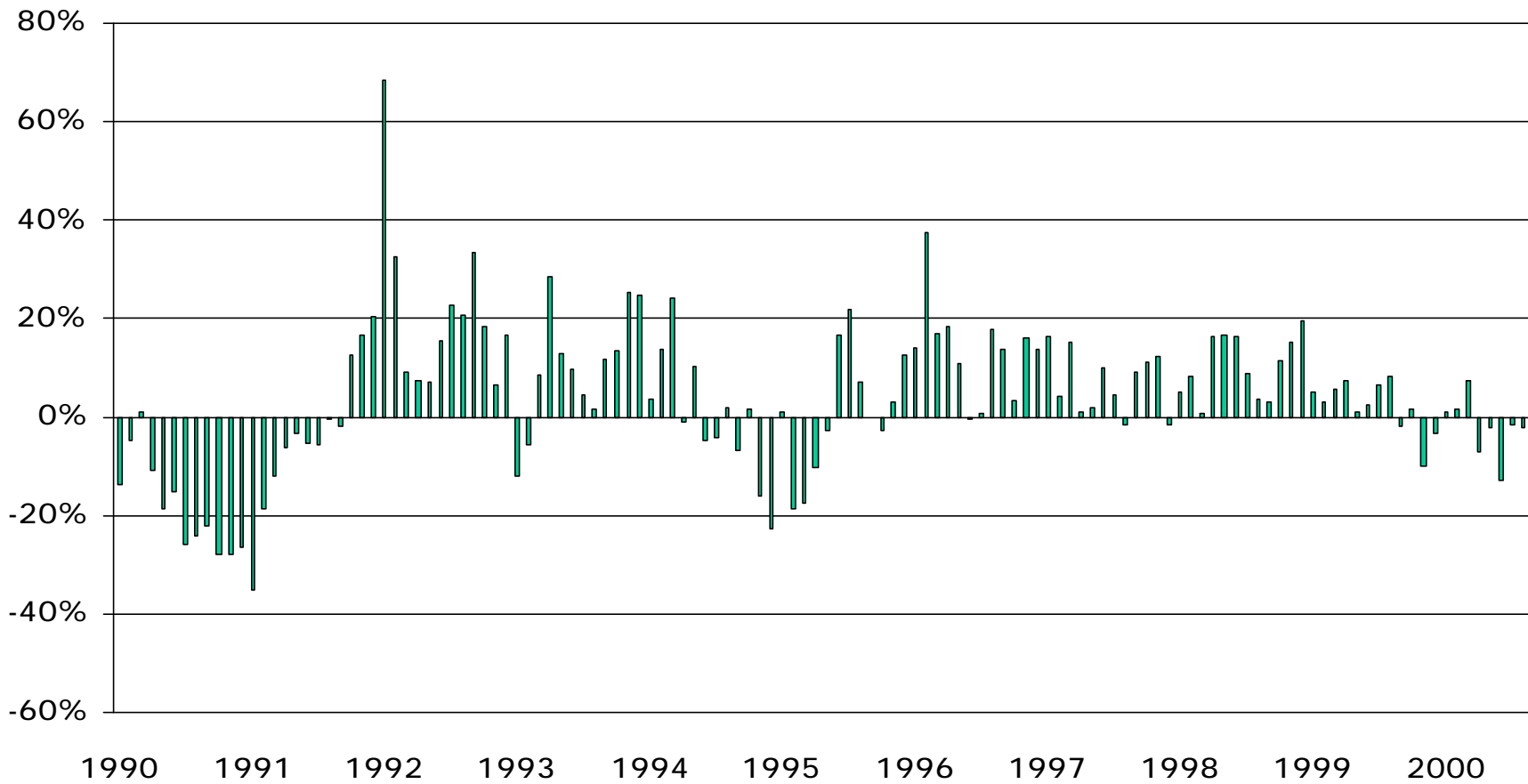
(thousands)

	<i>Through September 1999</i>	<i>Through September 2000</i>	<i>Annual change</i>
U.S.	1,279	1,209	-5.5
Northwest	126.2	121.9	-3.4
Midwest	262.6	248.5	-5.4
South	575.7	553.6	-7.3
West	315.0	304.7	-3.3

Source: Bureau of the Census

New Home Sales

year/year, % change by month



Source: Census Bureau

Actual Sales, New Homes

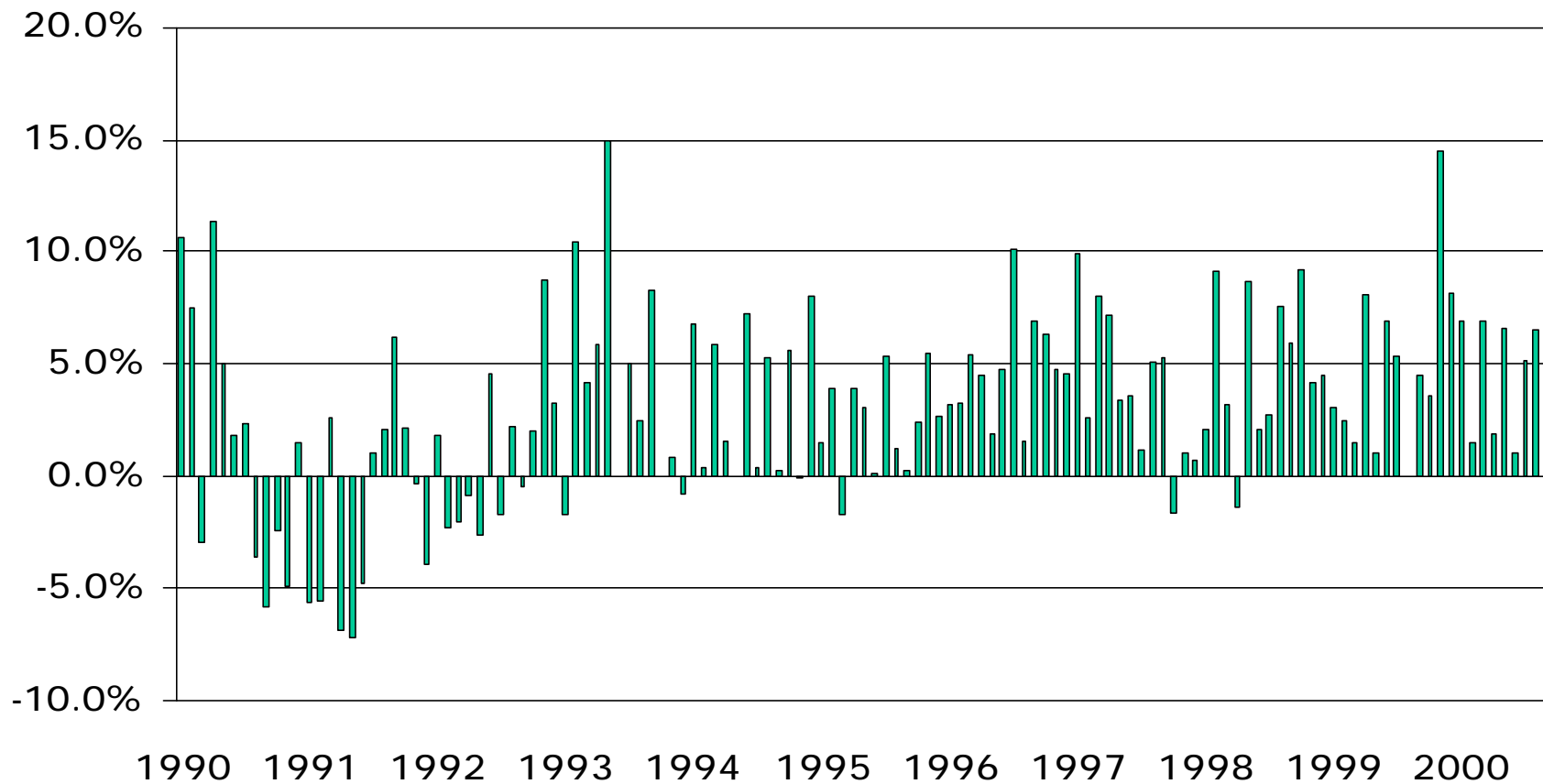
(thousands)

	<i>Through August 1999</i>	<i>Through August 2000</i>	<i>Annual change</i>
U.S.	649	636	-2.0
Northwest	54	51	-5.6
Midwest	122	120	-1.6
South	293	294	+0.3
West	179	171	-4.5

Source: Bureau of the Census & Dept. of HUD

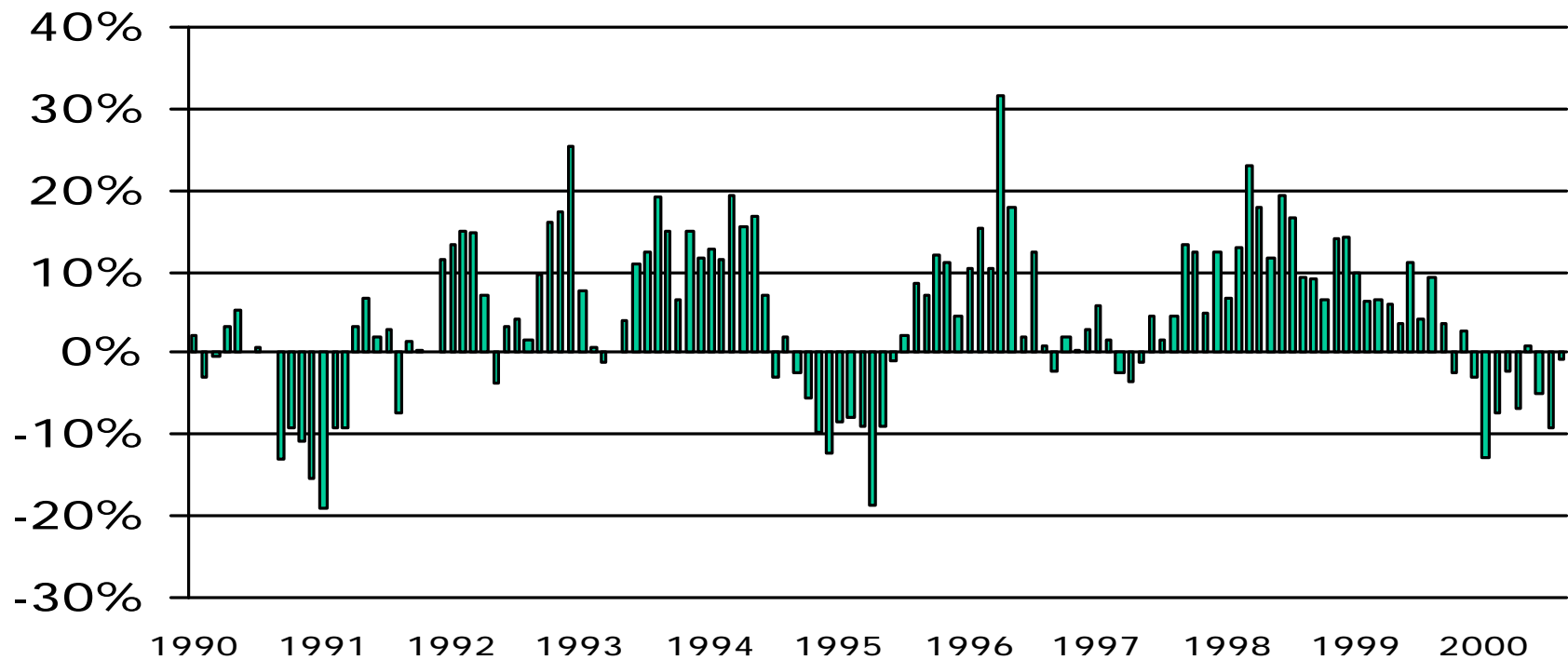
New Home Median Price

year/year, % change by month



Existing Home Sales

year/year, % change by month



Source: National Associations of Realtors

Actual Sales, Existing Home

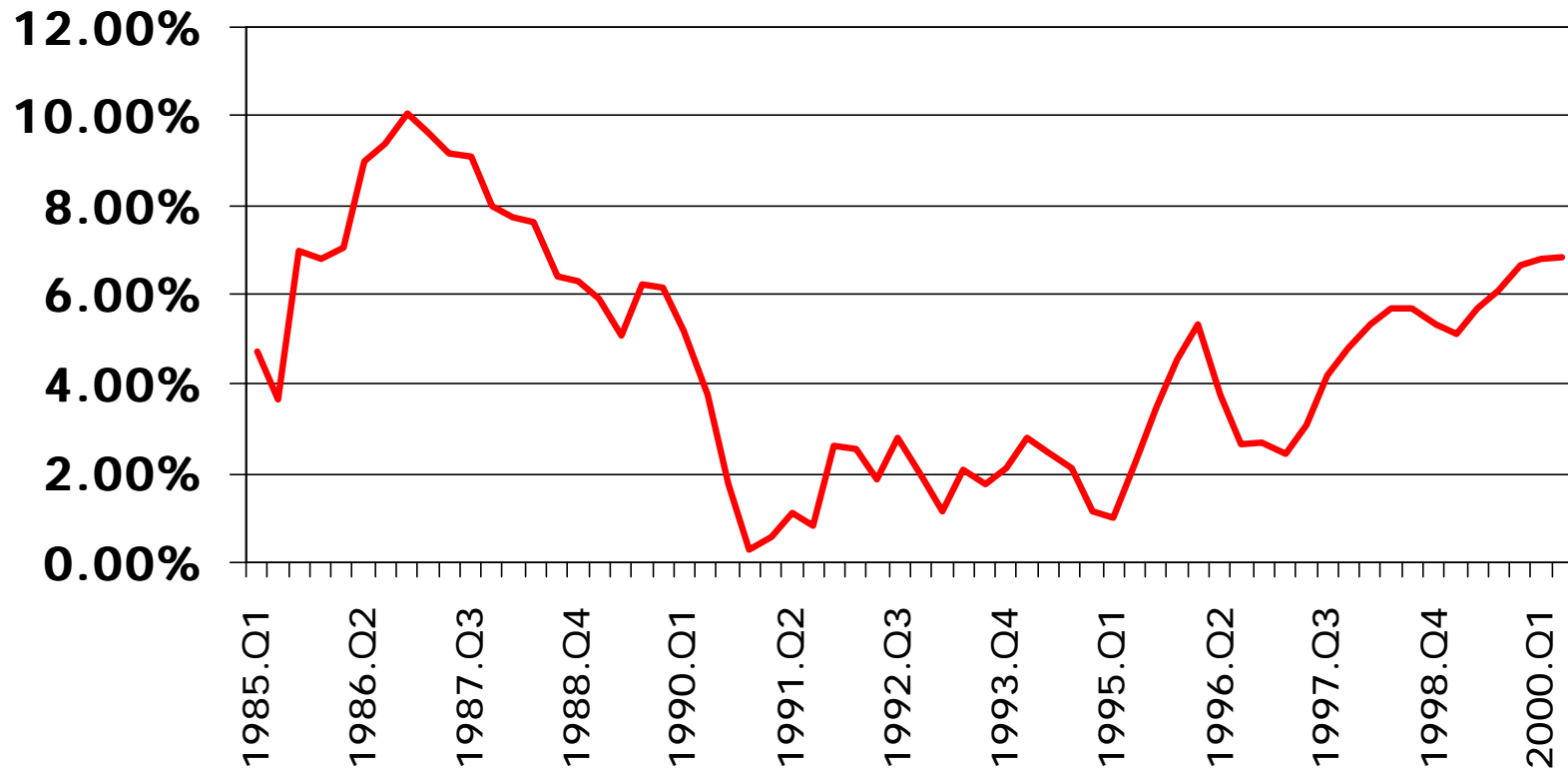
(thousands)

	<i>Through September 1999</i>	<i>Through September 2000</i>	<i>Annual change</i>
U.S.	3,989	3,814	-4.4
Northwest	505	478	-5.4
Midwest	892	850	-4.7
South	1,536	1,486	-3.3
West	1,056	1,000	-5.3

Source: National Association of Realtors

House Price Index

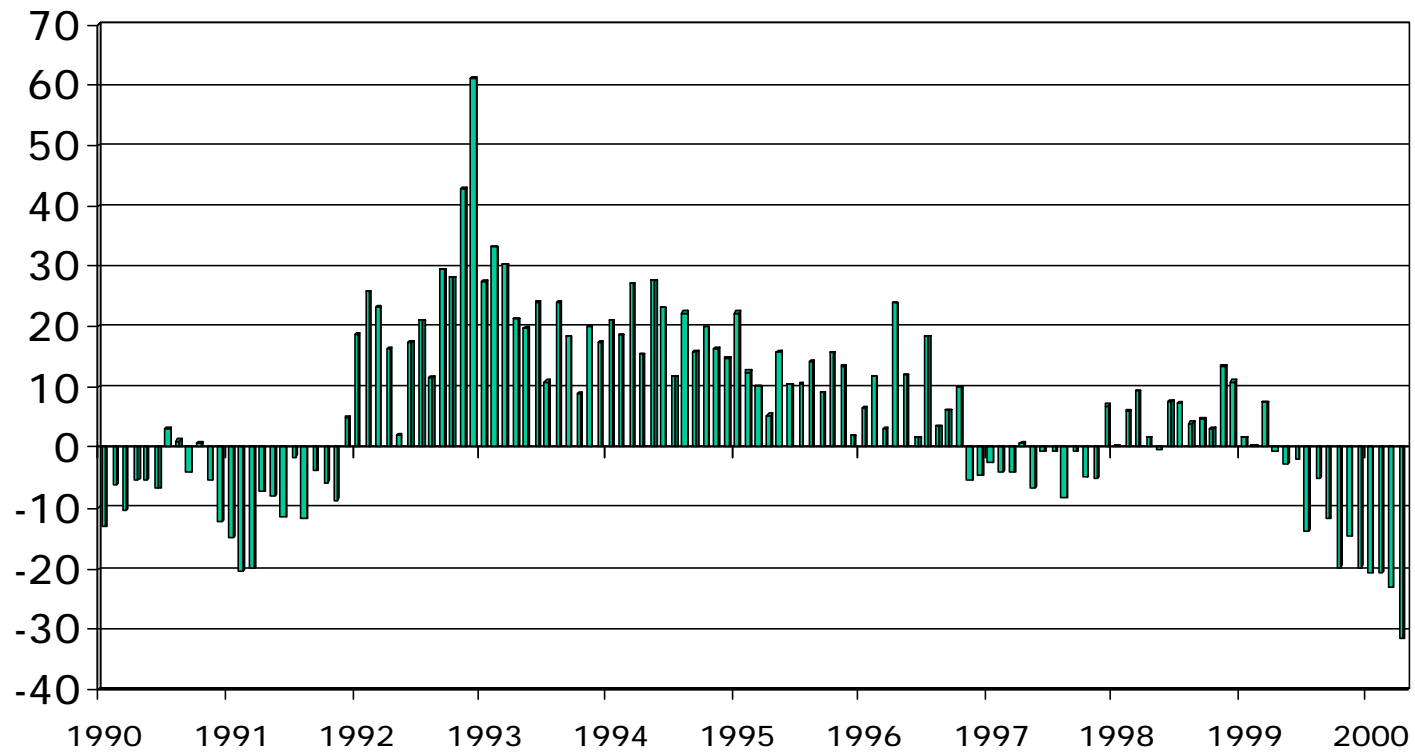
Year/Year, % change by quarter



Source: OFHEO

Manufactured Housing Shipments

year/year, % change by month

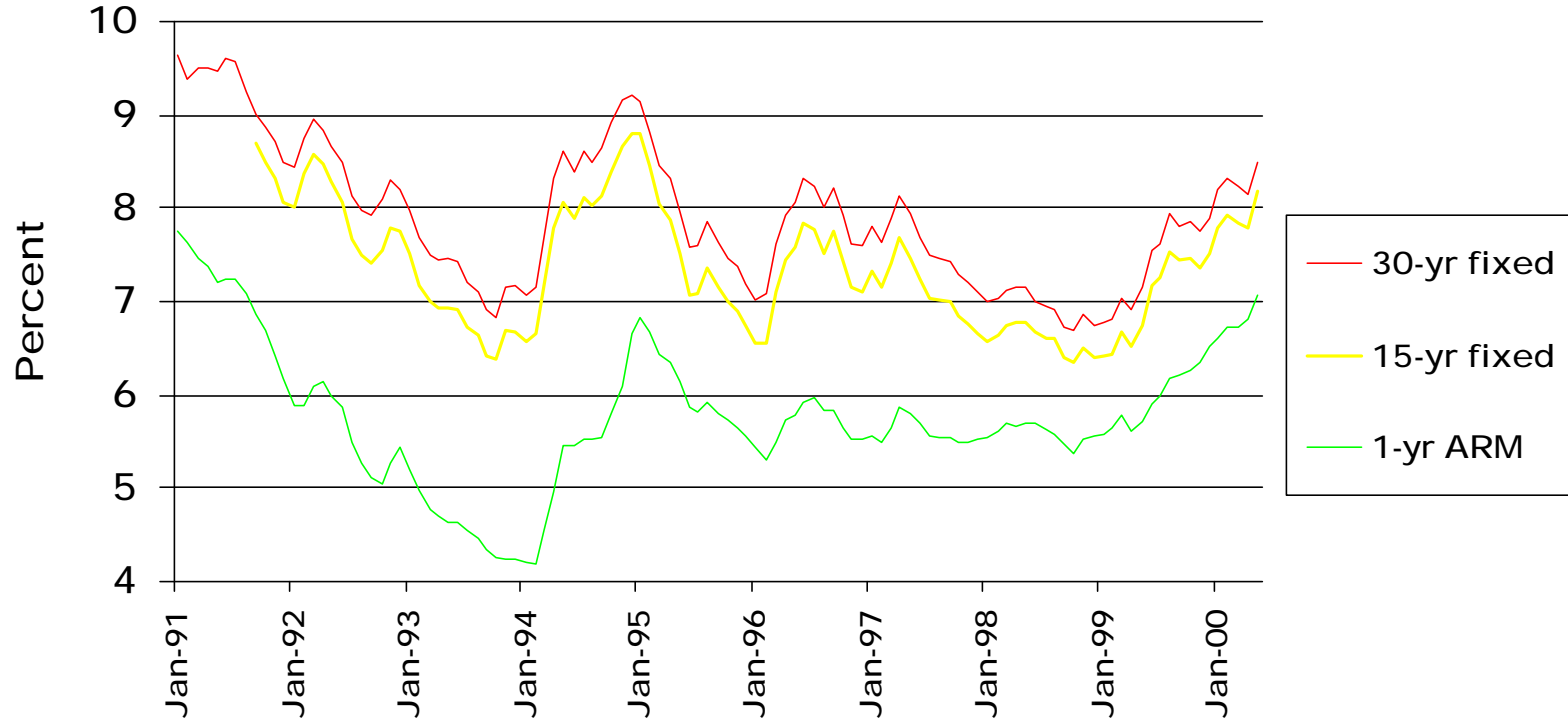


Mortgage Economics

Record Breaking Years

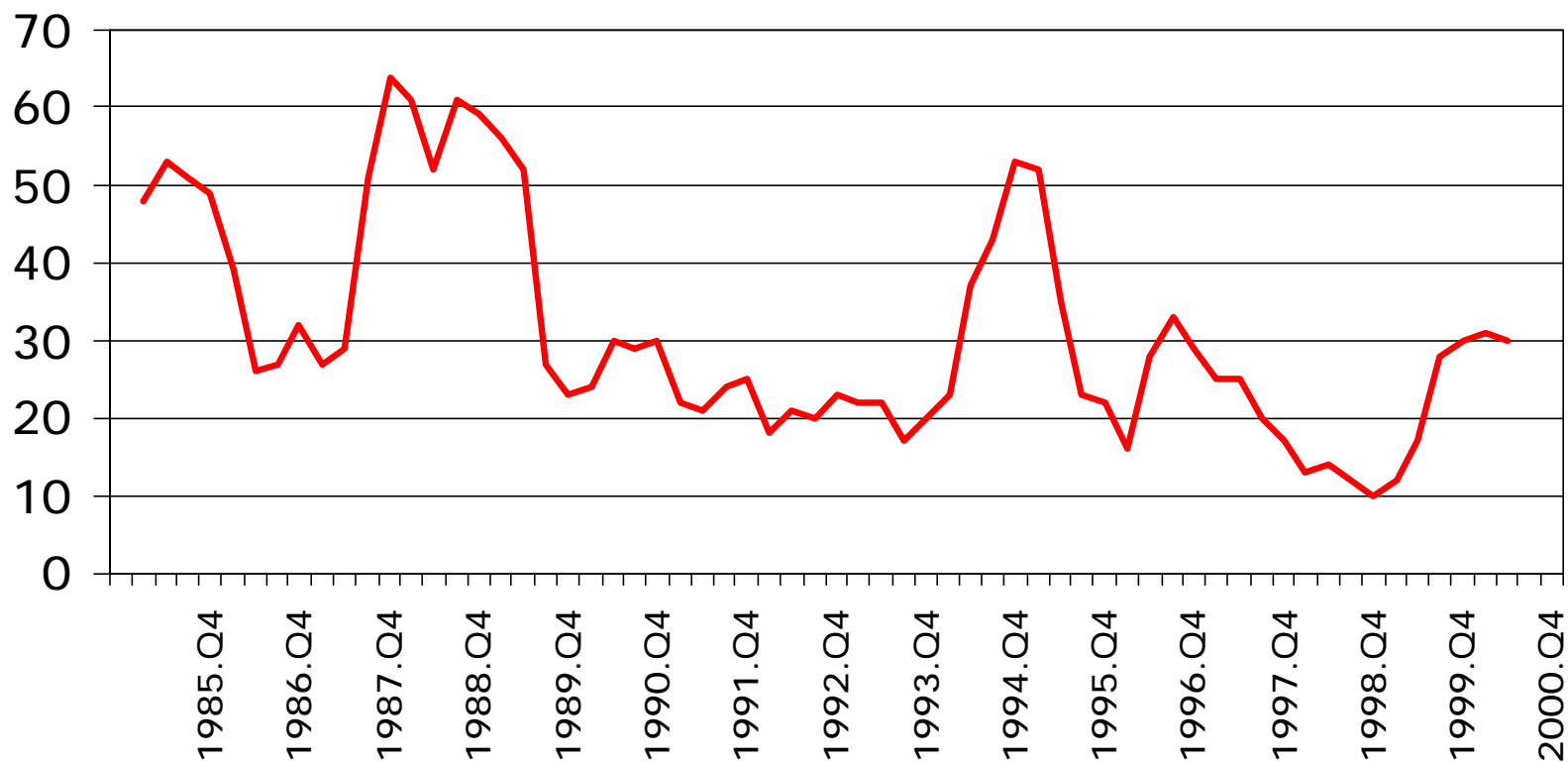
	1998	1999	2000
Single-family Housing Starts	1.27 M	1.33 M	1.26 M
Existing Home Sales	4.97 M	5.20 M	4.98 M
New Home Sales	885,000	907,000	883,000
Mortgage Originations	\$1.5 T	\$1.3 T	\$1.0 T
Refinance Originations	\$750 B	\$848 B	\$180 B
ARM share	12 %	22 %	26 %
30-year Mortgage Rate	6.94%	7.43%	8.1%

Mortgage Interest Rates



Source: Primary Mortgage Market Survey, Freddie Mac

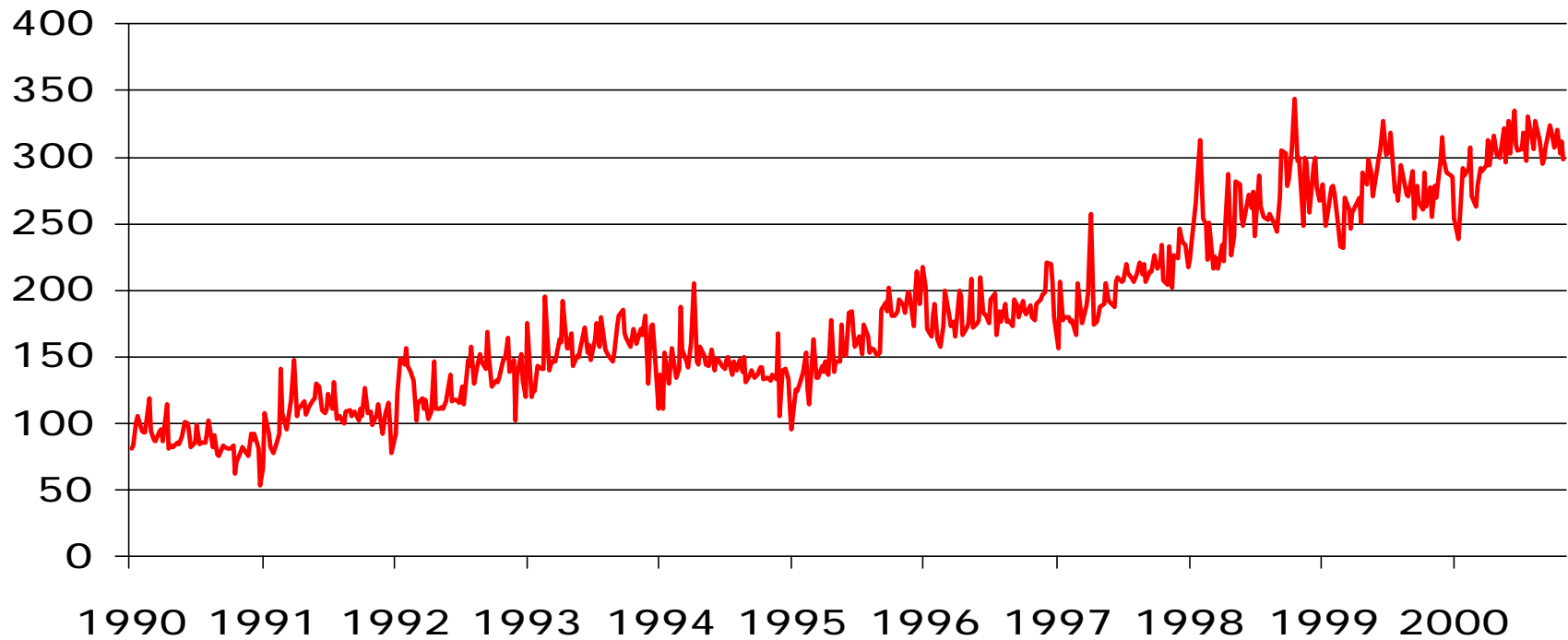
Adjustable-Rate Mortgage Market Share



Source: Terms on Conventional Home Loan Mortgages, FHFB

MBA Weekly Application Survey

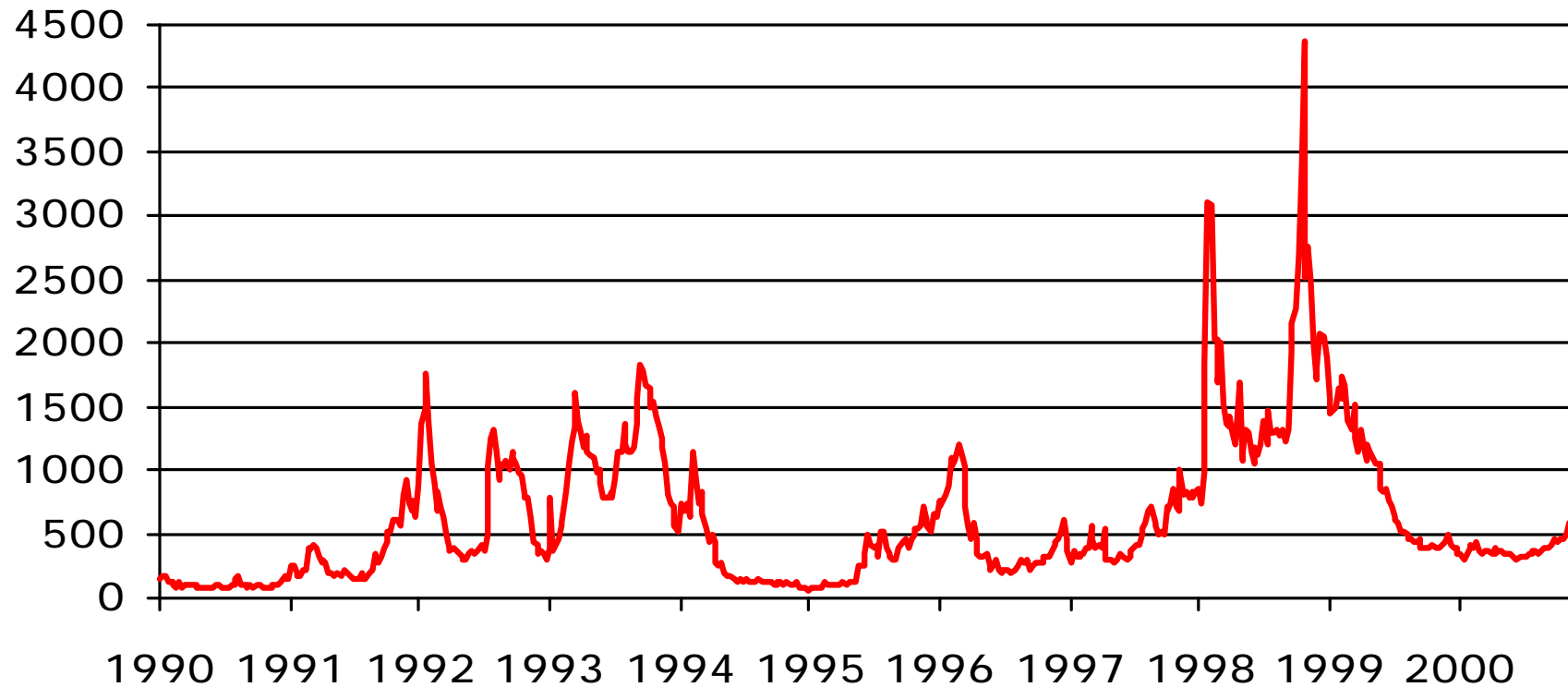
Purchase Index



Index: March 16, 1990=100

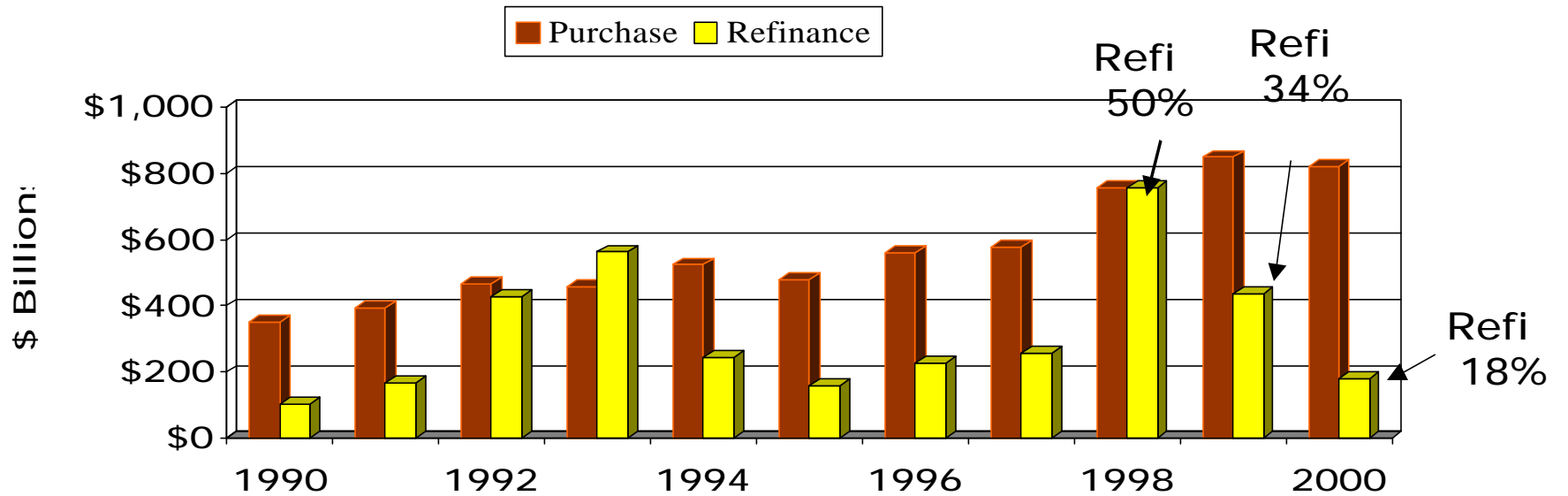
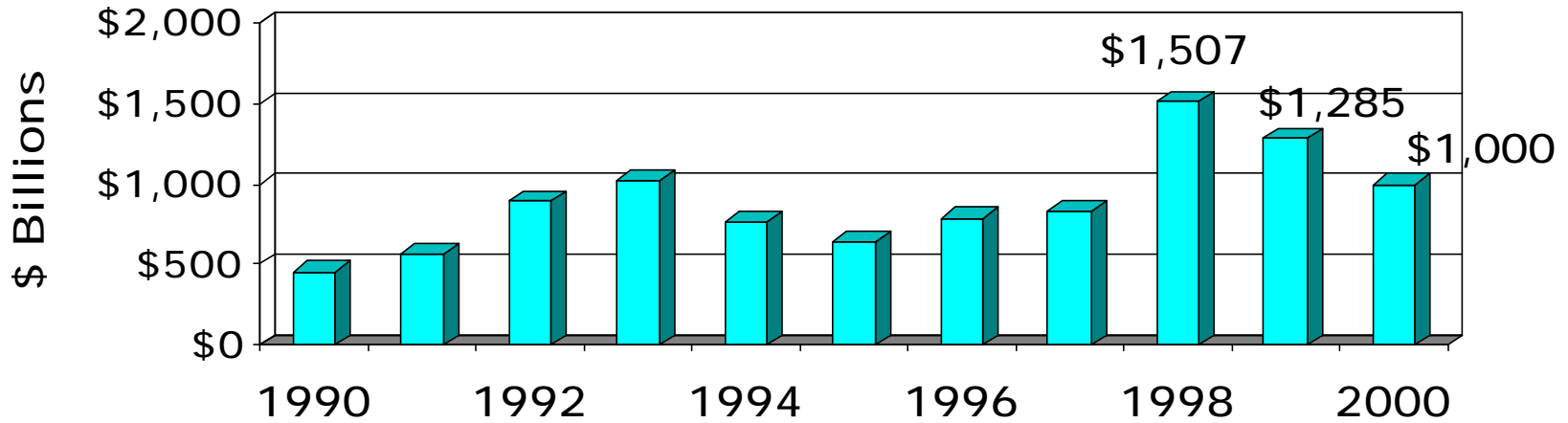
MBA Weekly Application Survey

Refinance Index



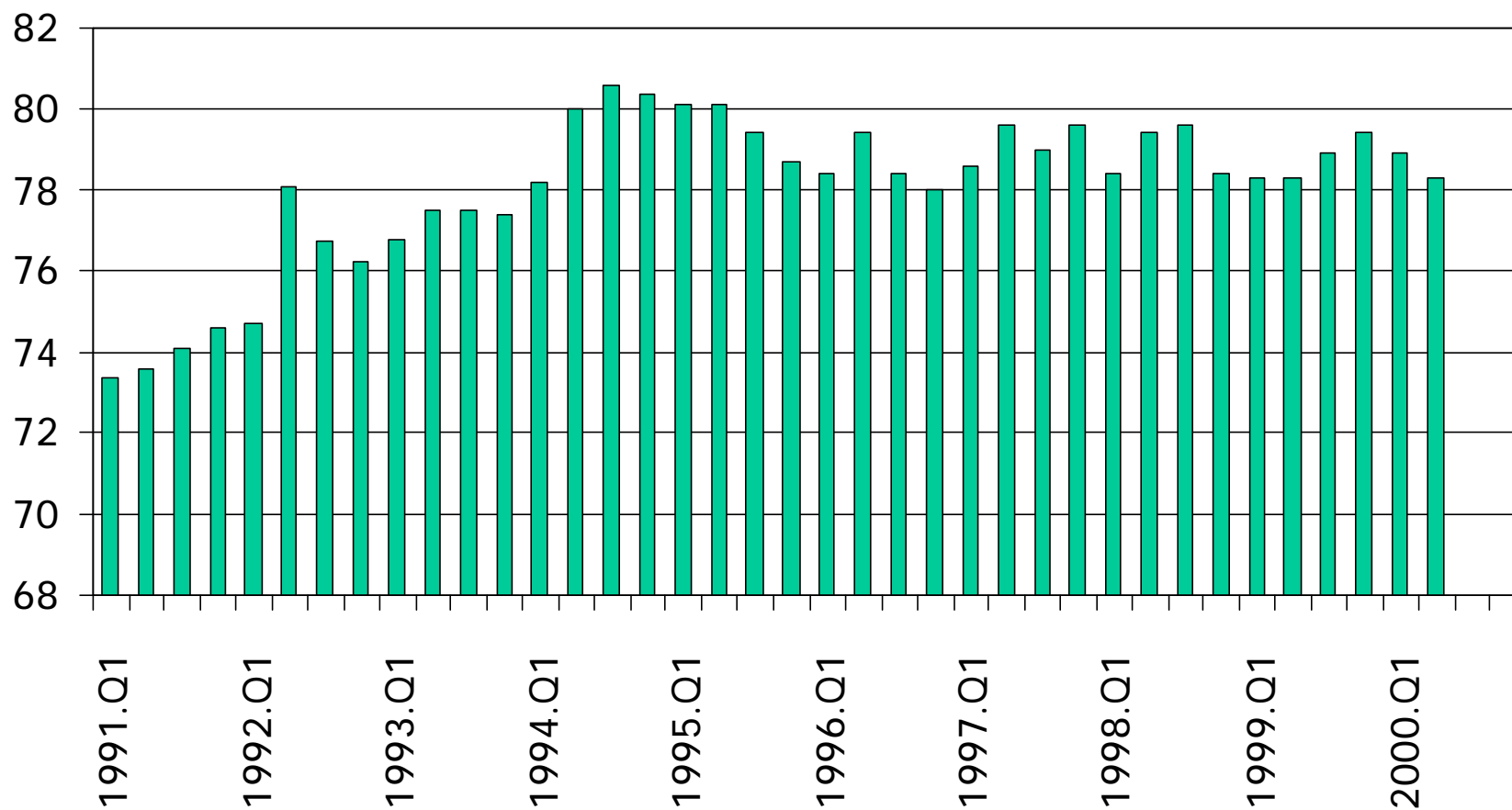
Index: March 16, 1990=100

Mortgage Originations



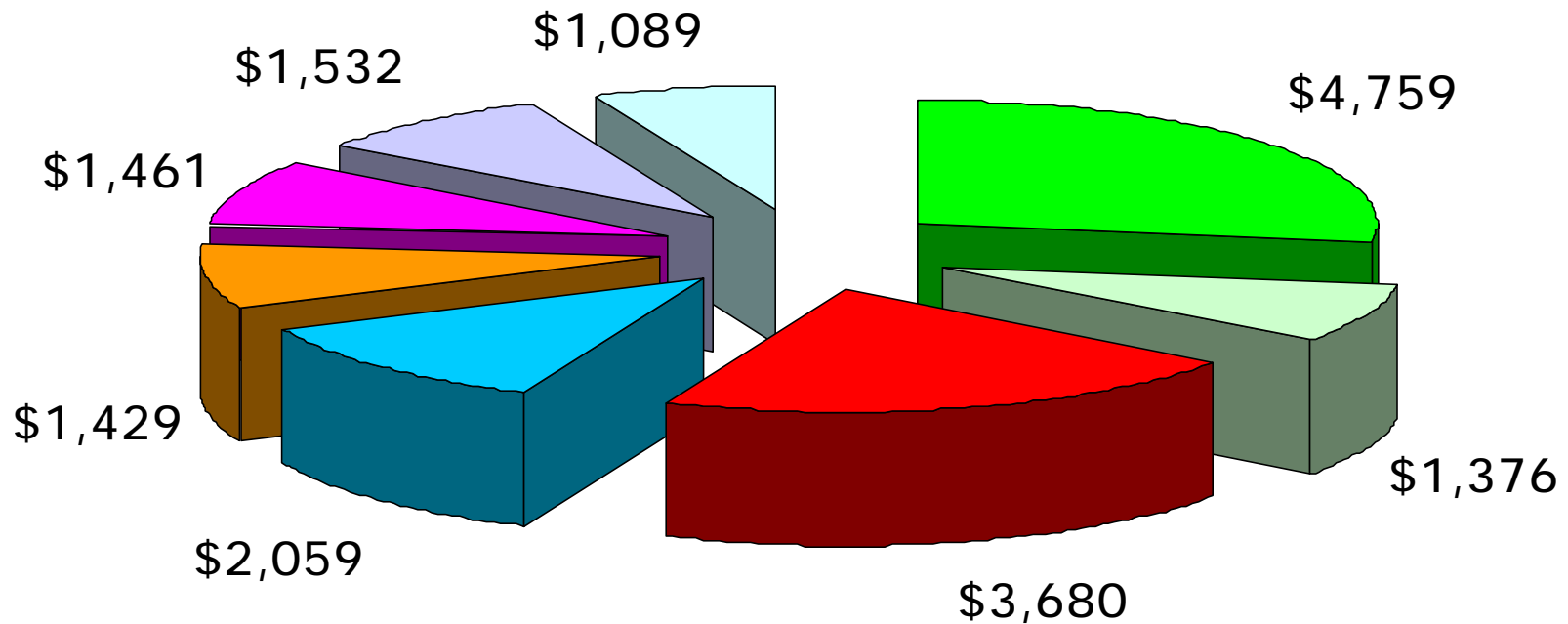
Average Loan-to-Price Ratio: Fixed Rate Loans

(%, quarterly)



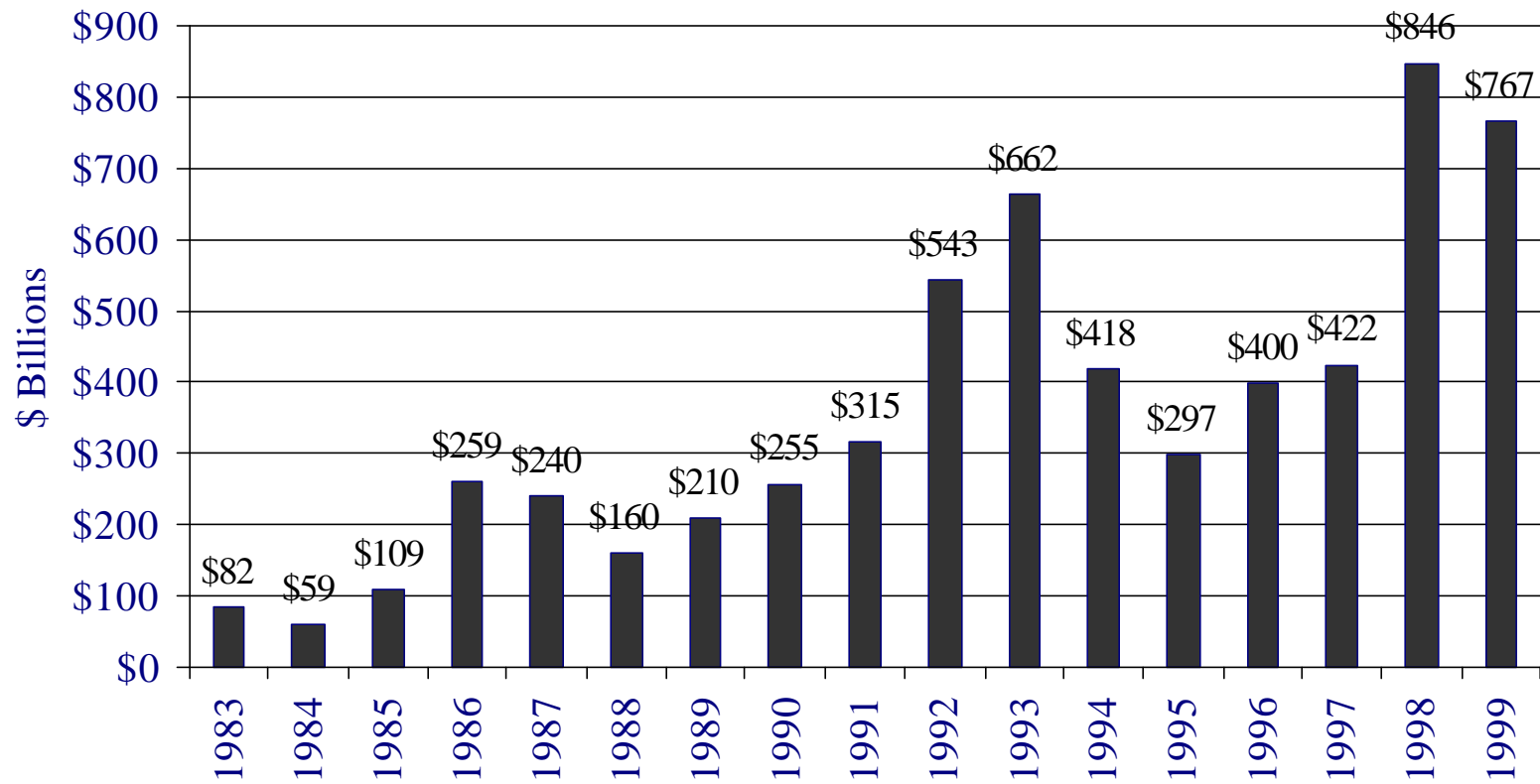
Source: Federal Housing Finance Board

Total U.S. Credit Outstanding

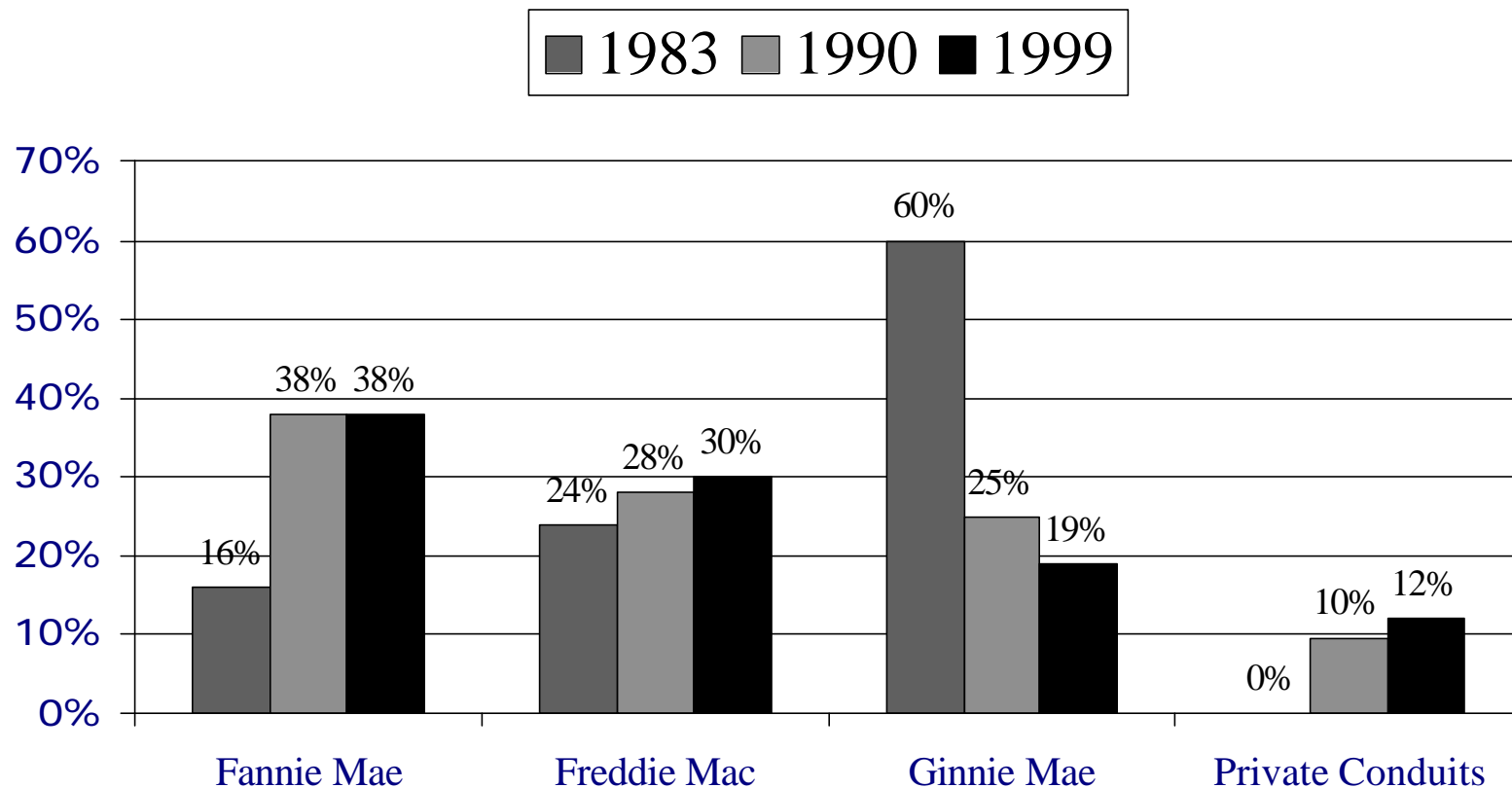


1999 Total \$17,385 Billion

MBS Issuance

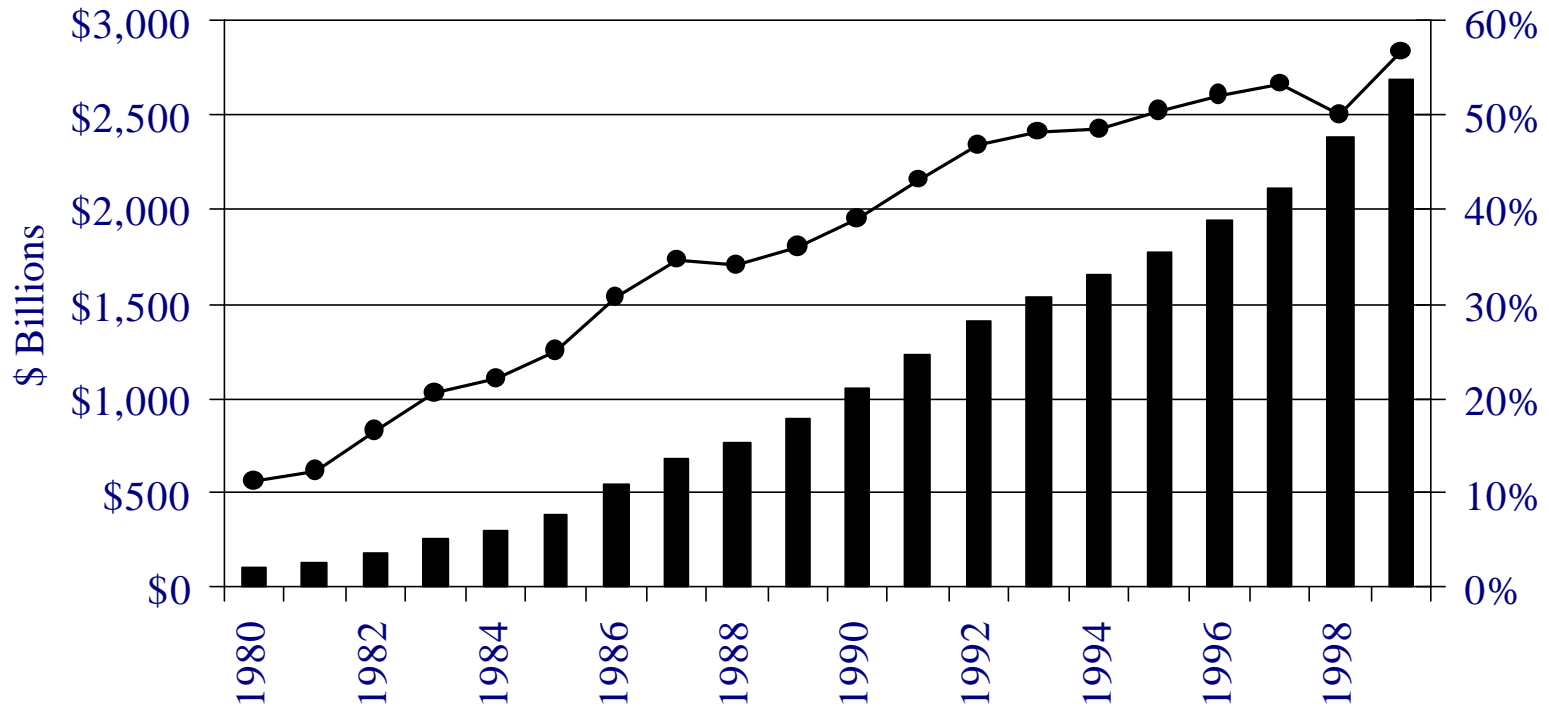


MBS Issuance Market Share

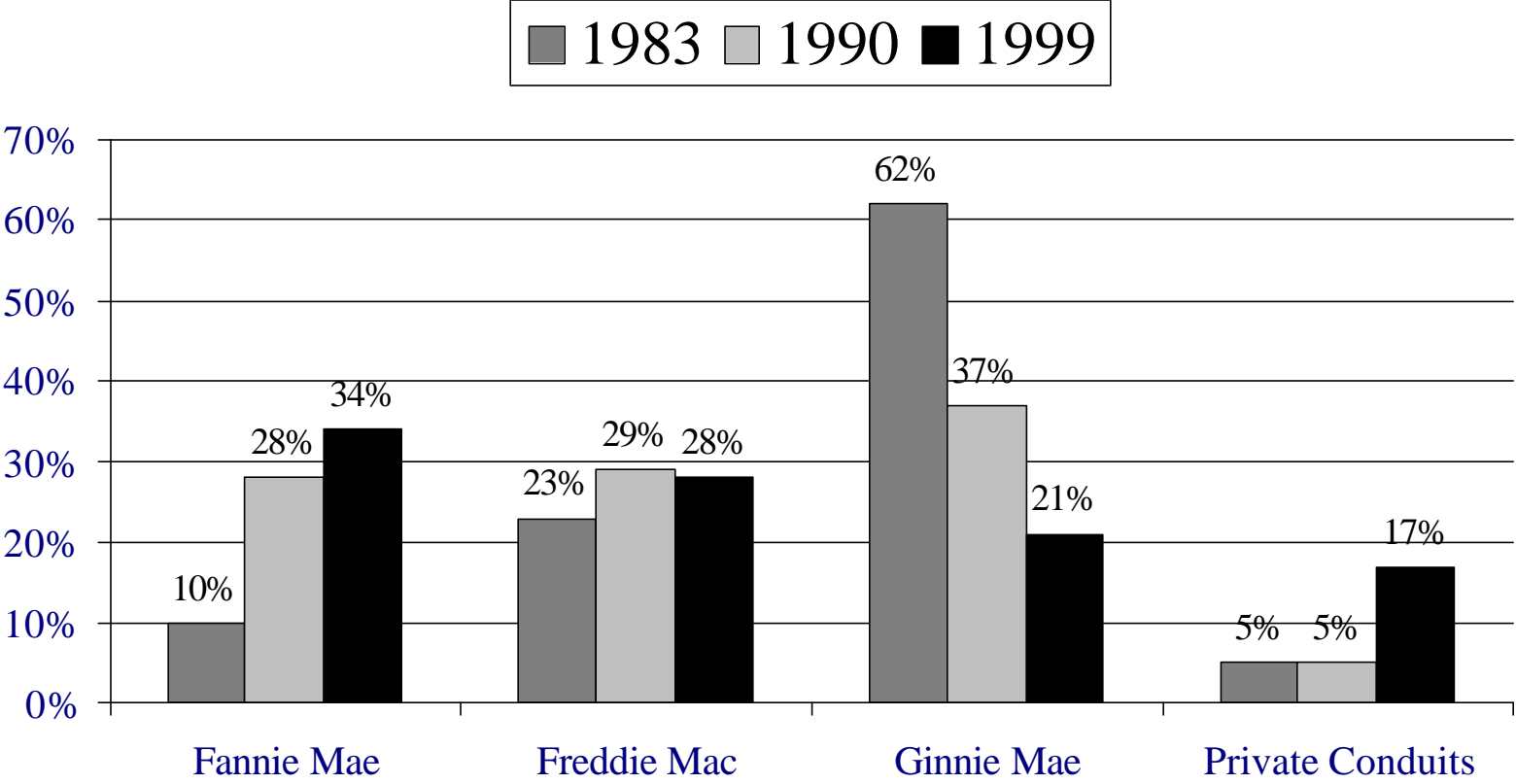


MBS Outstanding

■ MBS Outstanding (Left Axis) ● MBS Share of Mortgage Debt Outstanding (Right Axis)

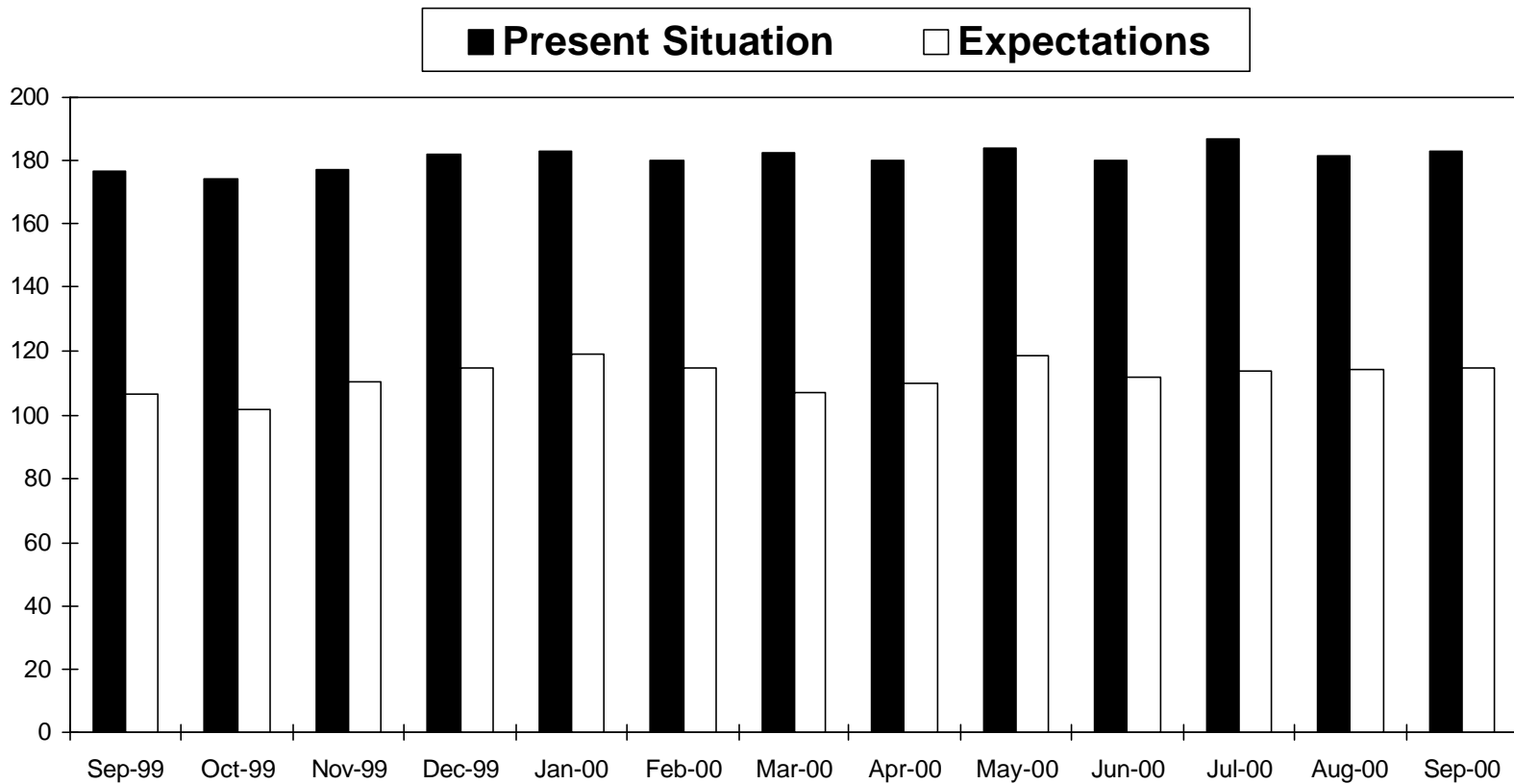


MBS Outstanding Market Shares



Consumer Economics

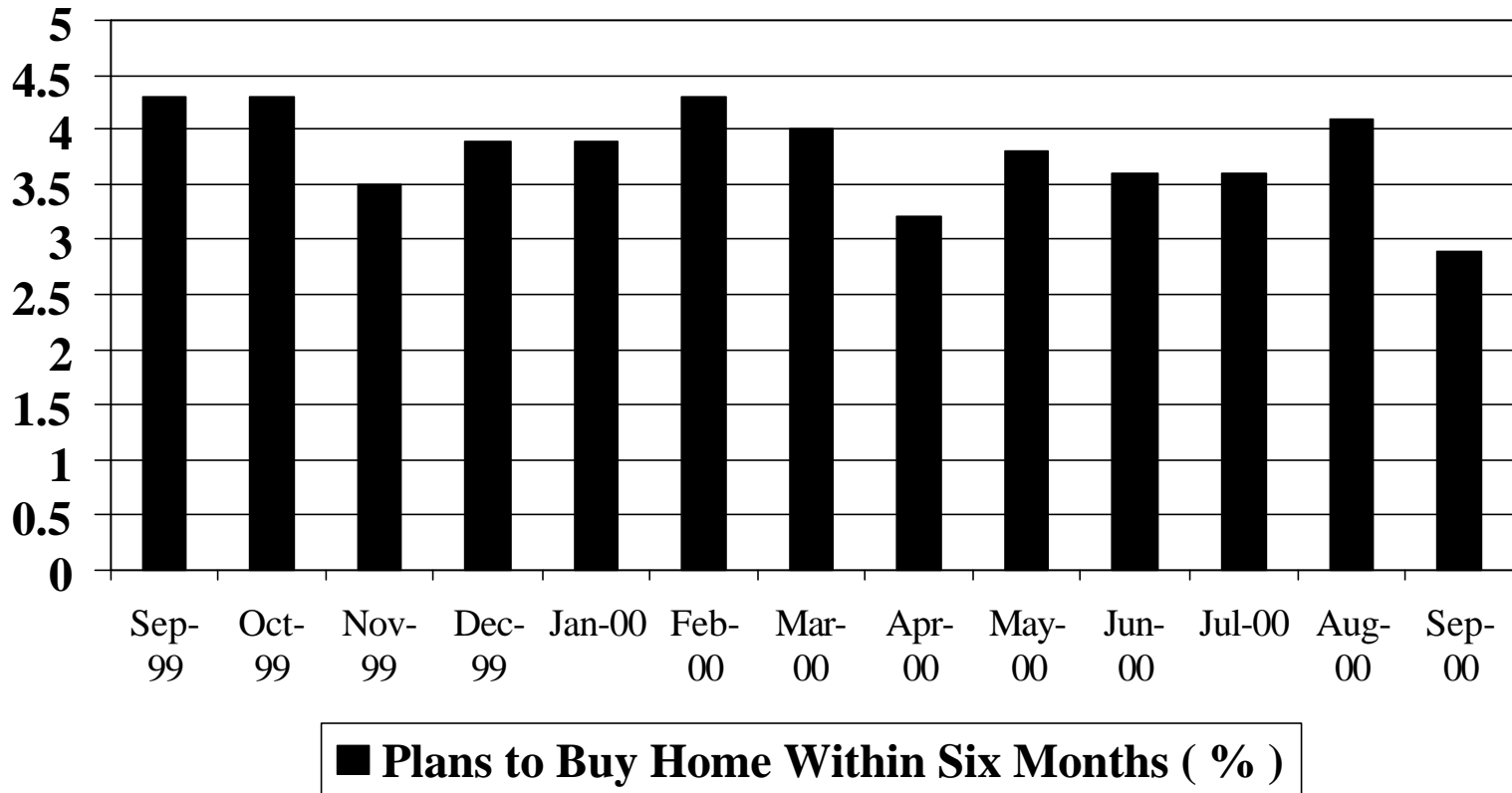
Consumer Confidence Index



Source : The Consumer Research Center

Plans to Buy Home Within Six Months

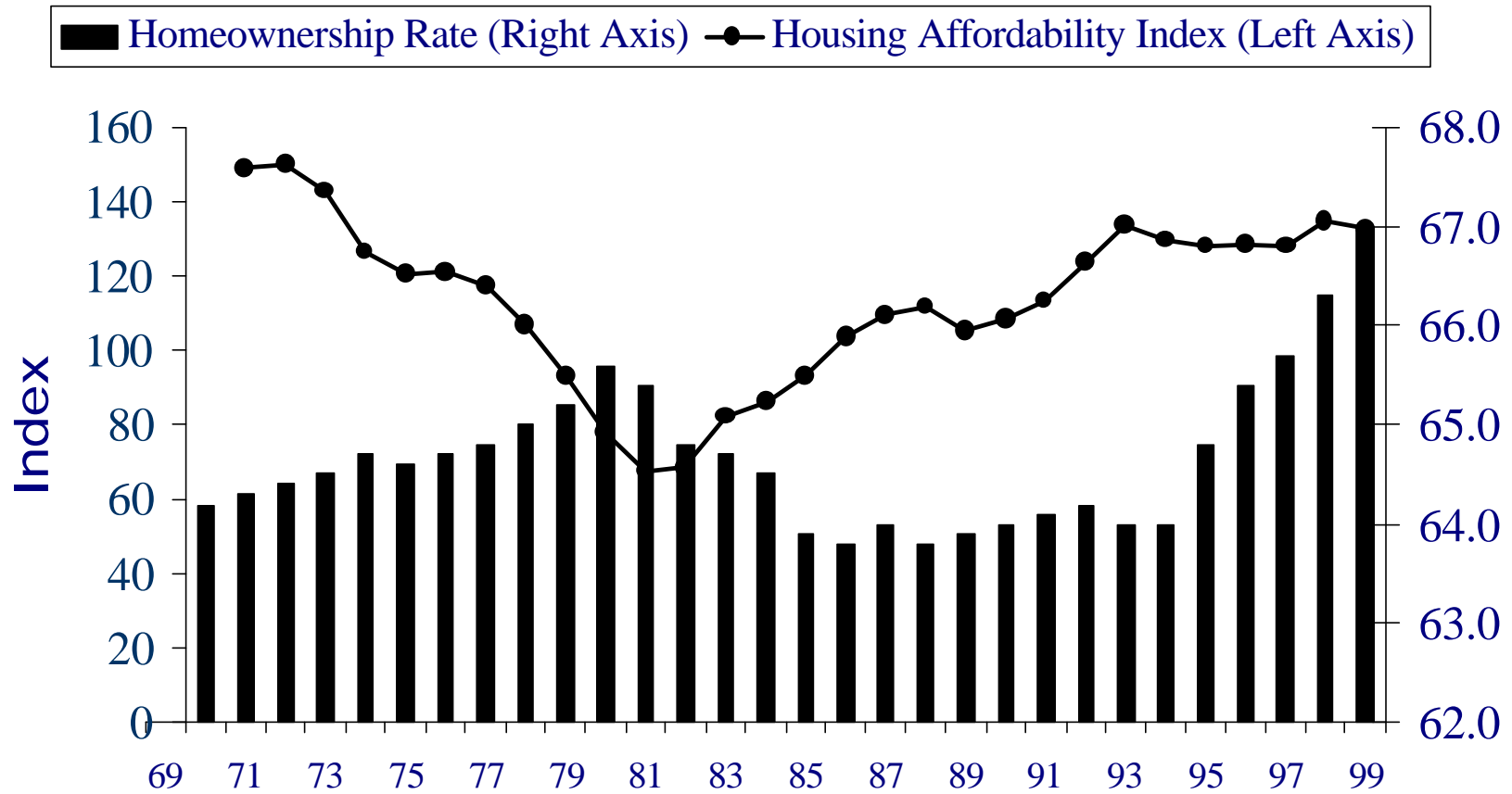
(Percent)



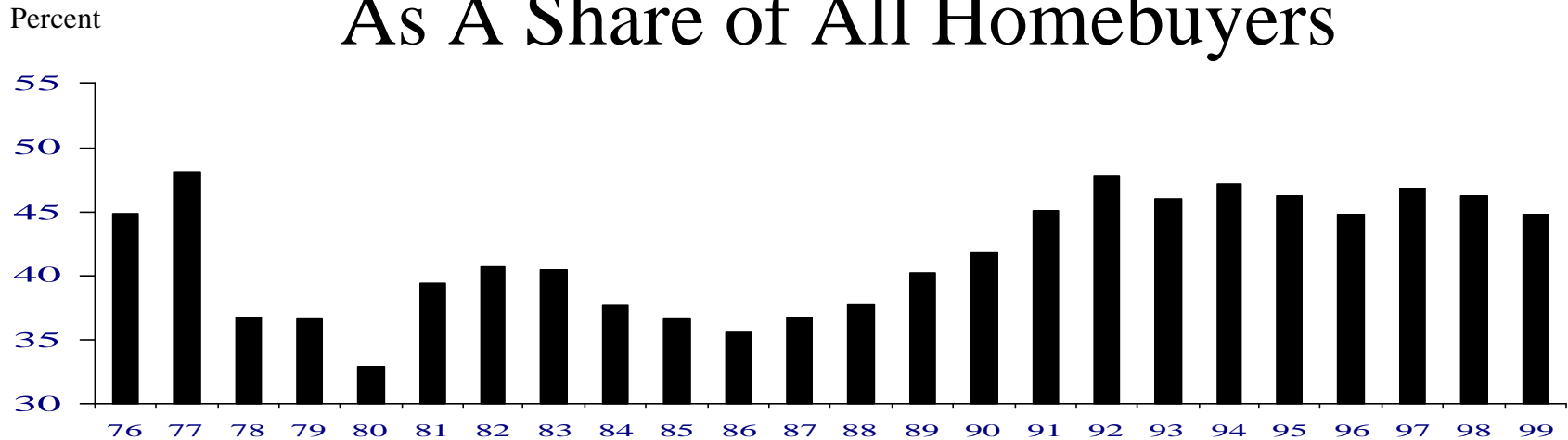
Source : The Consumer Research Center

Homeownership Rate

(Share of Households Owning Home)

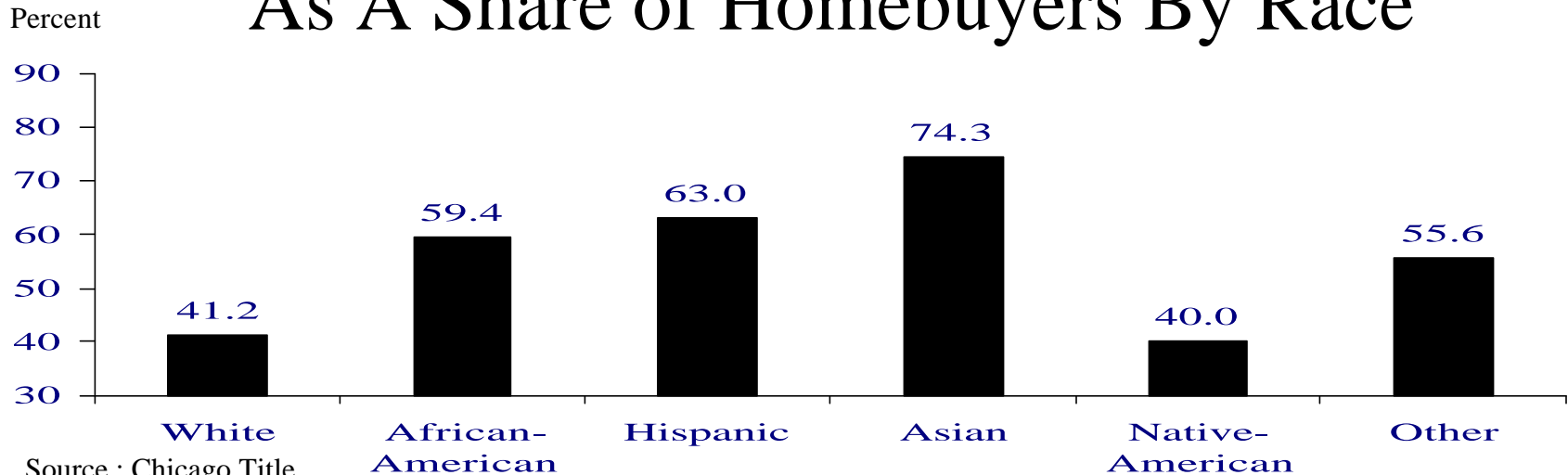


First-Time Homebuyers As A Share of All Homebuyers



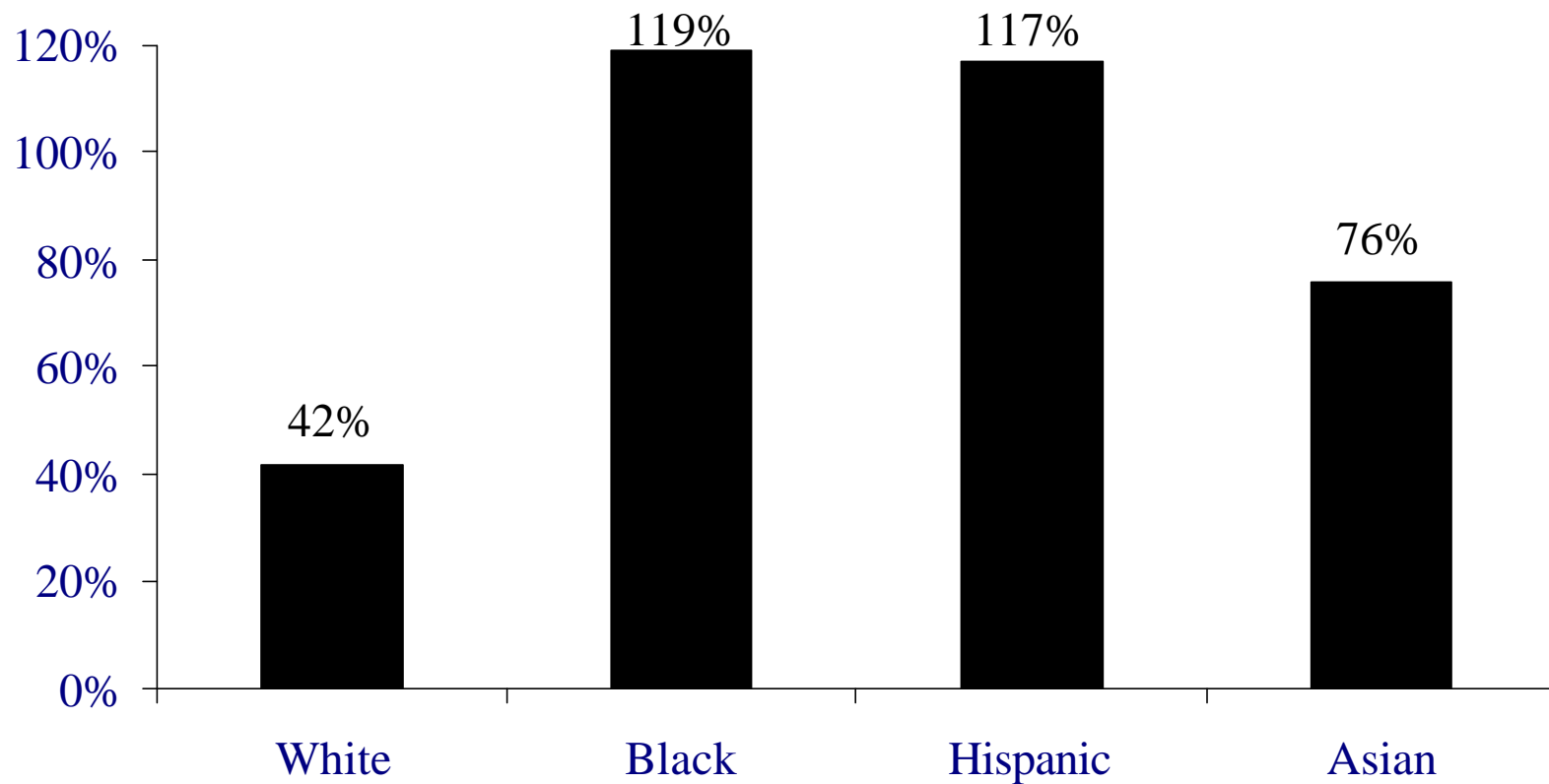
Source : Chicago Title

First-Time Homebuyers As A Share of Homebuyers By Race



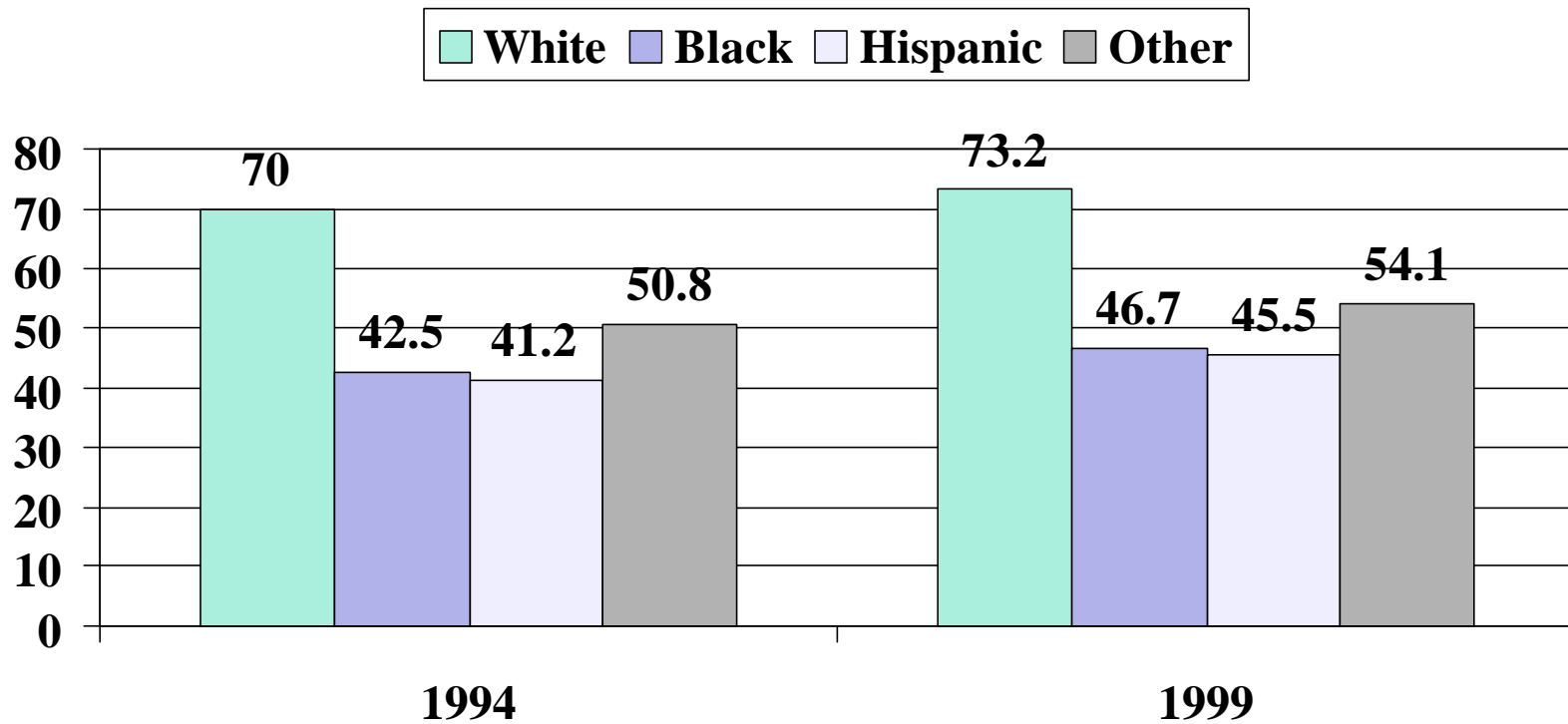
Source : Chicago Title

Home Purchase Loan Increases By Racial/Ethnic Group, 1993-1999



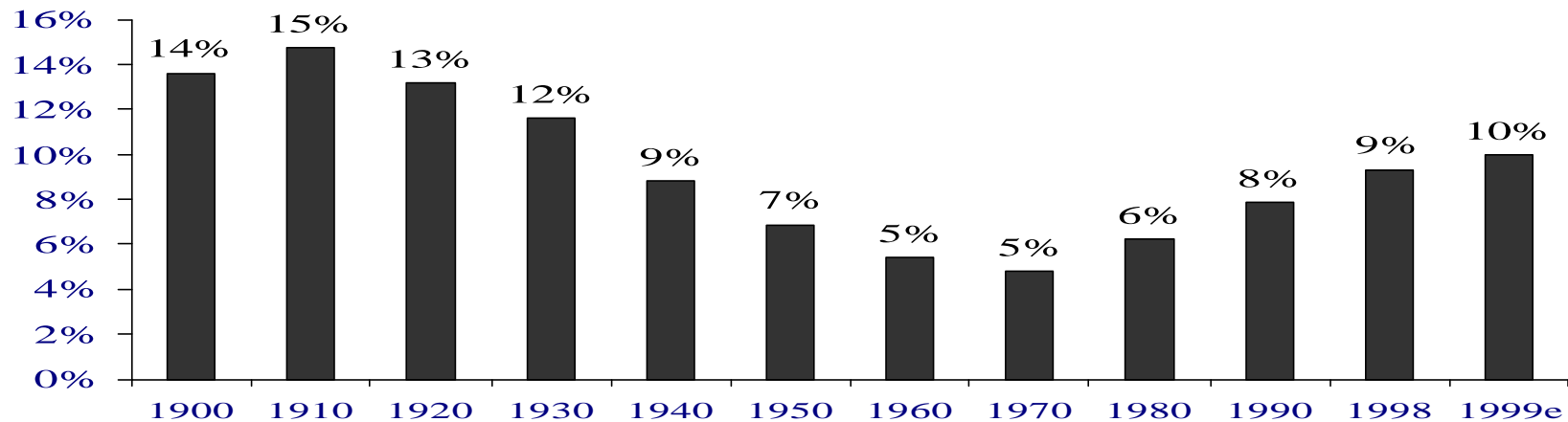
Source : HMDA

Homeownership Rates by Race/Ethnicity



Source : Harvard Joint Center

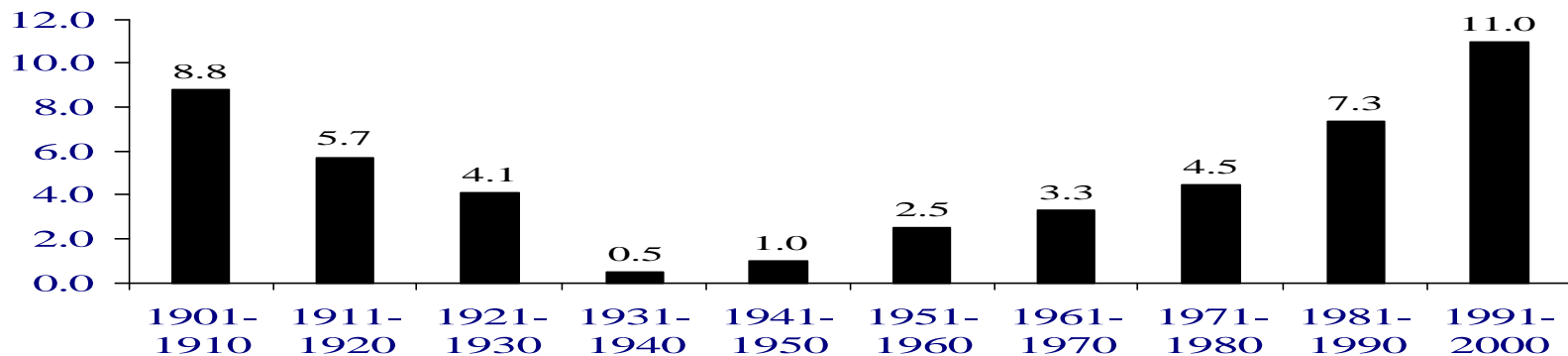
Foreign-Born Share of U.S. Population



Source : INS

Number of Immigrants By Decade of Entry

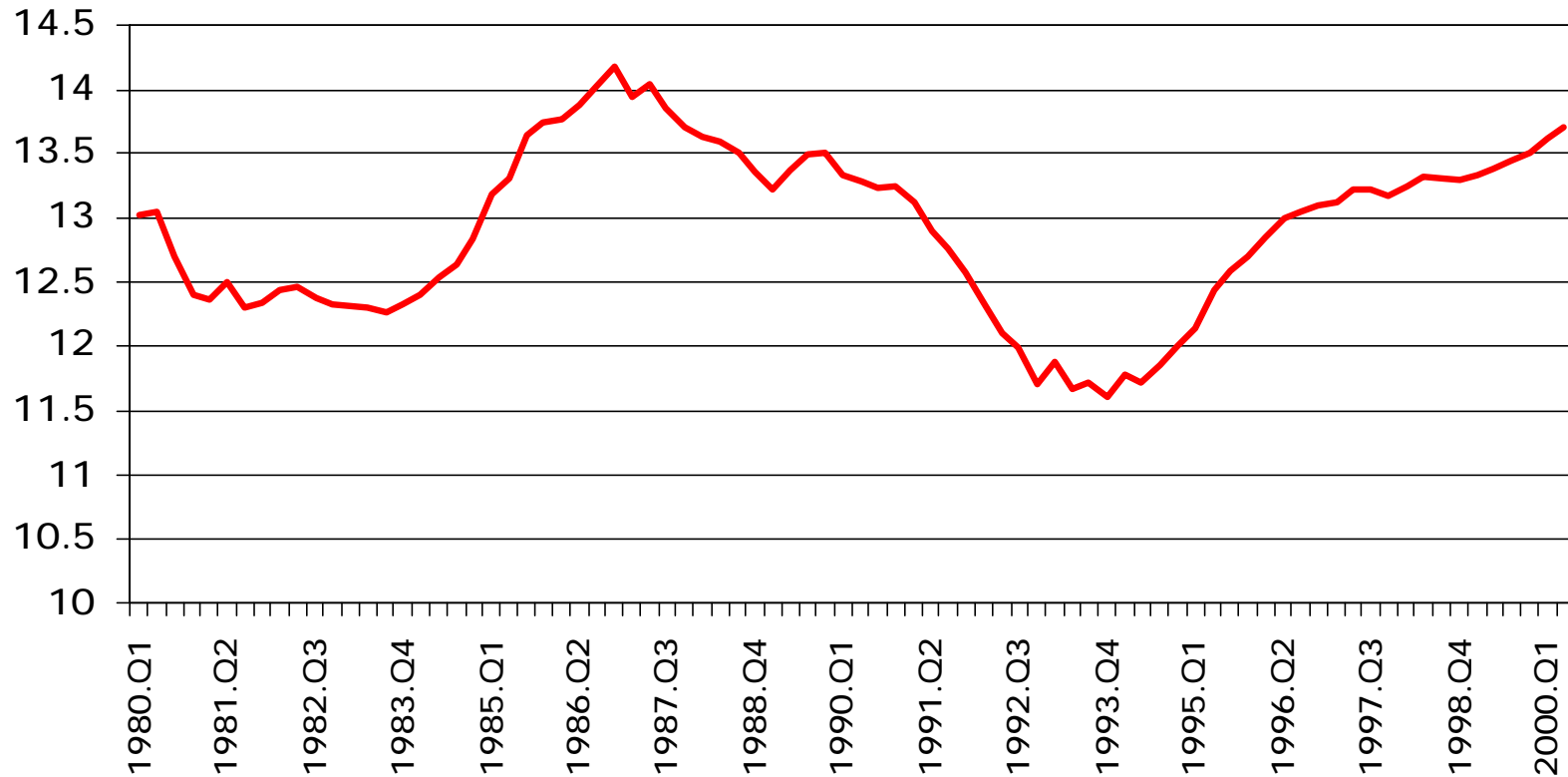
Millions



Source : INS

Household Debt Service Burden

Household debt service payments as % of disposable personal income



Source: Federal Reserve Board

Conventional Conforming Refinance Loan Characteristics

(Relationship between old and new loans)

Total U.S.	Higher Loan Amount	Lower Loan Amount	Median Interest-Rate Reduction (Old-to-New Rate Ratio)	Median Age of Refinanced Loan	Refinance Volume (\$ Billion)
1990	86	5	1.03	3.7	105
1991	62	14	1.18	3.5	169
1992	47	16	1.24	3.1	429
1993	34	20	1.27	1.8	561
1994	47	12	1.25	2.2	246
1995	50	14	1.15	2.4	160
1996	54	12	1.16	3	228
1997	59	14	1.08	3.8	258
1998	51	14	1.18	4	754
1999	59	13	1.18	5.2	463
2000 Q1	79	11	0.97	6.6	42

Source : Freddie Mac

Economic (Mortgage & Housing) Forecast

Mortgage Finance Forecasts

	Actual		Forecast						Actual	Forecast	
	2000:Q1	2000:Q2	2000:Q3	2000:Q4	2001:Q1	2001:Q2	2001:Q3	2001:Q4	1999	2000	2001
Housing Measures (000)											
Total Housing Starts	1,732	1,605	1,524	1,509	1,498	1,486	1,488	1,485	1,676	1,592	1,489
% change	2.5	-7.4	-5.0	-1.0	-0.7	-0.8	0.1	-0.2	3.4	-5.0	-6.5
Single-family	1,337	1,265	1,229	1,206	1,194	1,182	1,186	1,185	1,340	1,259	1,187
% change	-2.8	-5.4	-2.9	-1.8	-1.1	-1.0	0.3	-0.1	4.9	-6.0	-5.8
Multi-family	395	340	295	303	304	304	303	300	335	333	303
% change	26.0	-13.9	-13.2	2.6	0.5	-0.1	-0.5	-0.8	-2.4	-0.7	-9.1
Existing Home Sales	4,803	5,093	5,080	4,956	4,788	4,760	4,737	4,658	5,197	4,983	4,736
% change	-5.0	6.0	-0.3	-2.4	-3.4	-0.6	-0.5	-1.7	4.7	-4.1	-5.0
New Home Sales	926	855	878	874	857	857	858	848	907	883	855
% change	2.2	-7.7	2.7	-0.5	-2.0	0.1	0.1	-1.1	1.9	-2.6	-3.2
Existing Home Prices	133.5	138.0	142.8	140.0	140.9	145.0	146.8	144.3	133.0	138.6	144.3
% change	0.3	3.3	3.5	-2.0	0.7	2.9	1.3	-1.7	3.9	4.2	4.1
New Home Prices	163.7	162.7	165.0	166.3	168.2	168.7	169.1	167.6	159.4	164.4	168.4
% change	-1.4	-0.6	1.4	0.8	1.1	0.3	0.2	-0.9	4.9	3.1	2.4
Interest Rates (%)											
30-Year FRM Contract Rate	8.3	8.3	8.0	7.9	7.9	7.9	7.9	7.9	7.4	8.1	7.9
10-Year Treasury Yield	6.5	6.2	5.9	5.9	5.9	5.9	6.0	6.0	5.6	6.1	6.0
1-Year ARM Contract Rate	6.7	7.0	7.3	7.3	7.2	7.2	7.2	7.2	6.0	7.1	7.2
1-Year Treasury Yield	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	5.1	6.2	6.2
Mortgage Originations											
Total 1-4 Family (Bil.\$)	200 *	276 *	286	238	210	282	275	219	1,285	1,000	986
Refinance Share (%)	21 *	15 *	17	19	22	18	16	14	34	18	17
ARM Share (%)	31	30	24	20	20	20	20	20	22	26	20

* MBA estimate

Notes: Housing Starts, Existing Home Sales, and New Home Sales are seasonally adjusted at annual rates.

Existing Home Prices and New Home Prices are median prices.

Refinance Share is percent of total volume of loans closed.

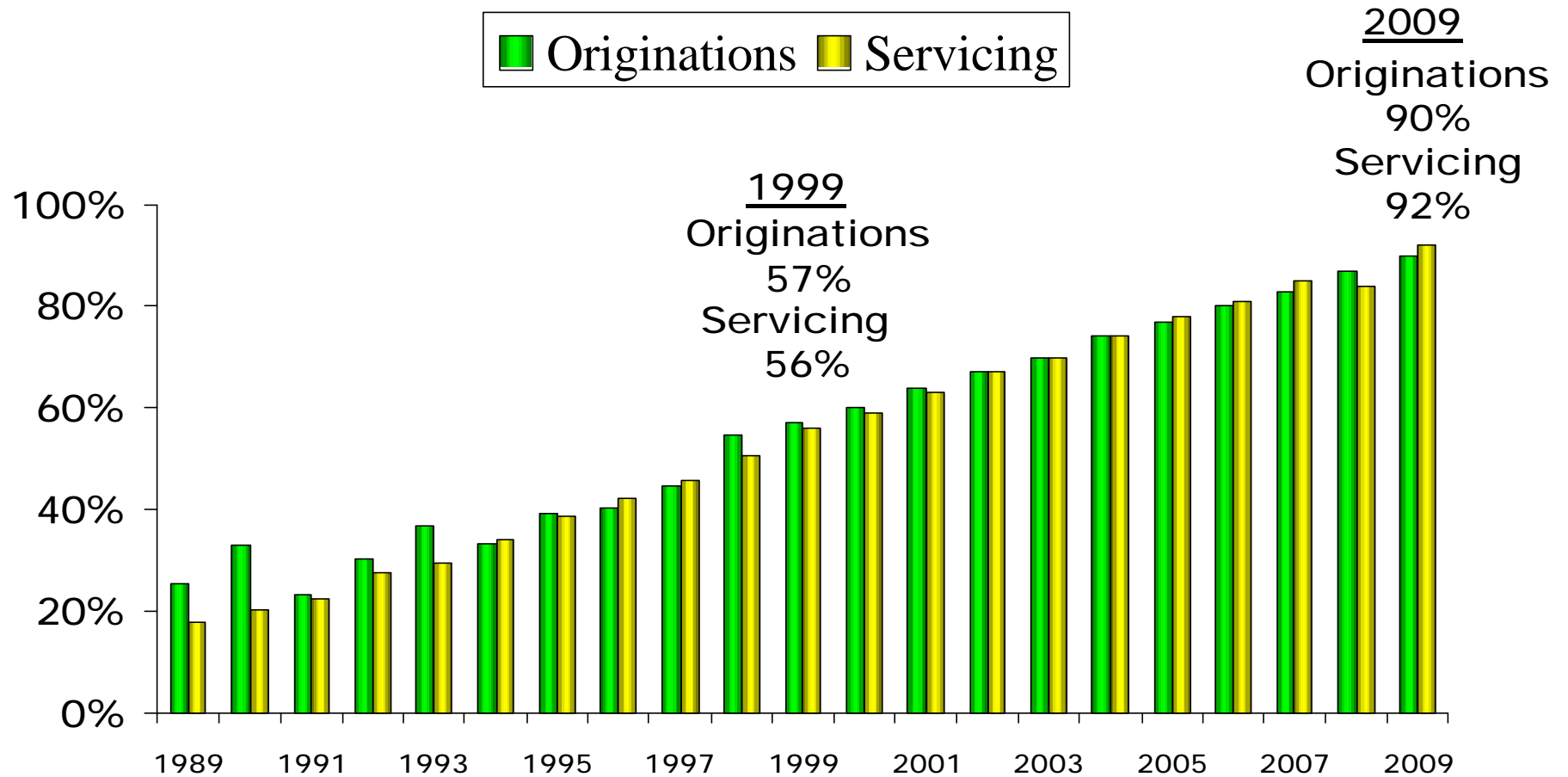
ARM Share is percent of total volume of conventional purchase loans closed.



Economics of Your Business

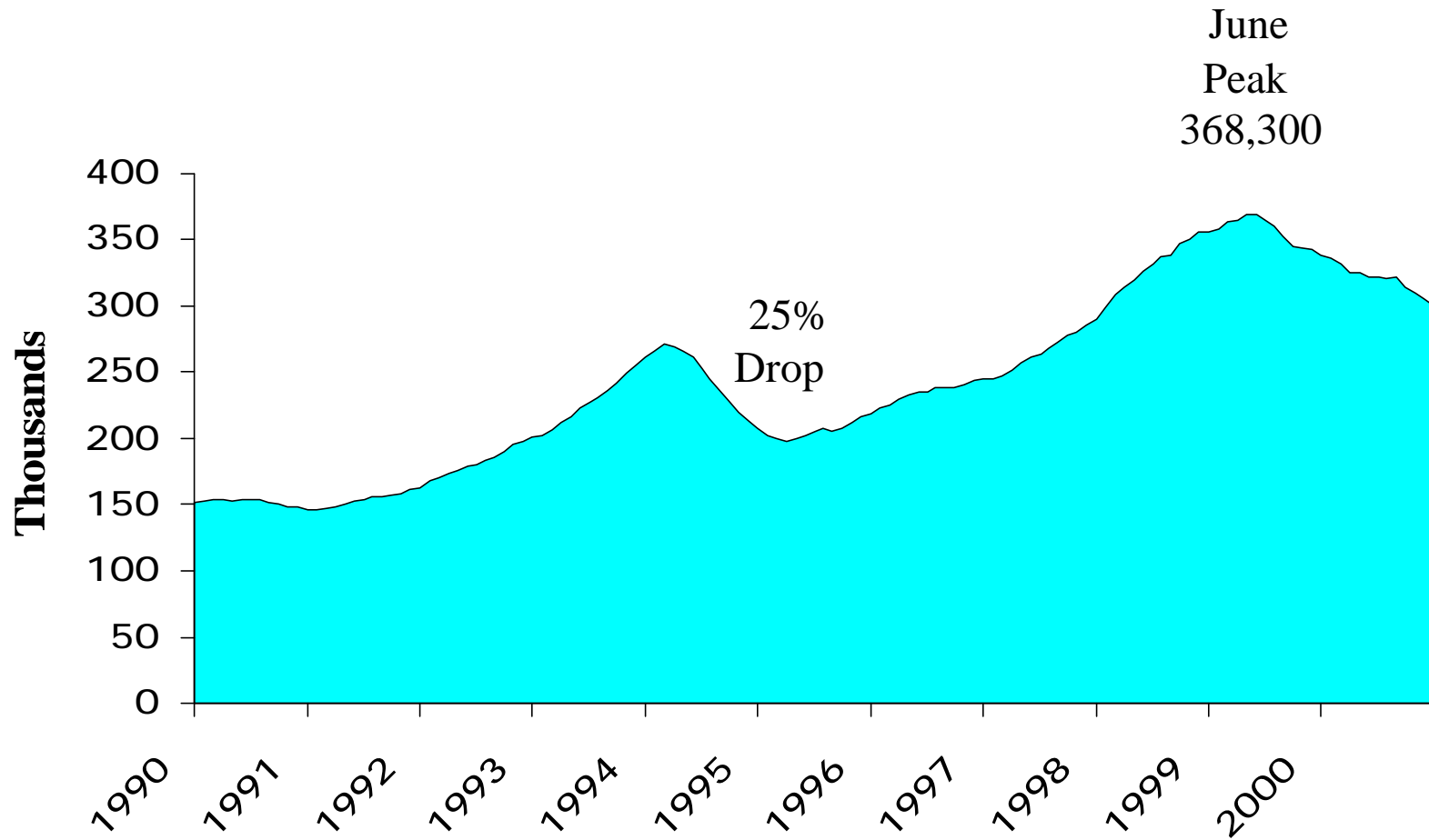
Consolidation Projections

Top 25 Lenders



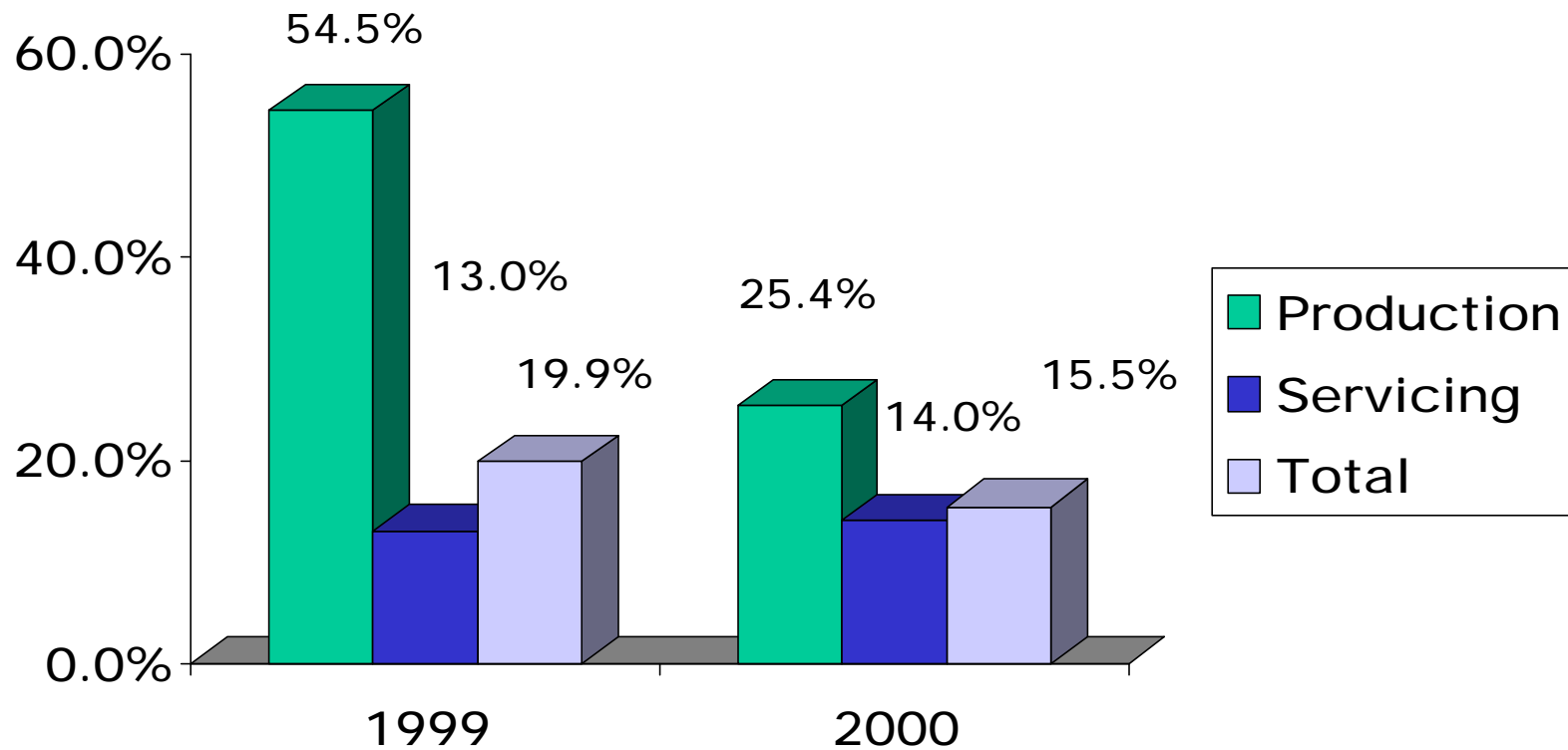
Sources: Inside Mortgage Finance, MBA Research

Mortgage Industry Employment



Return on Required Equity

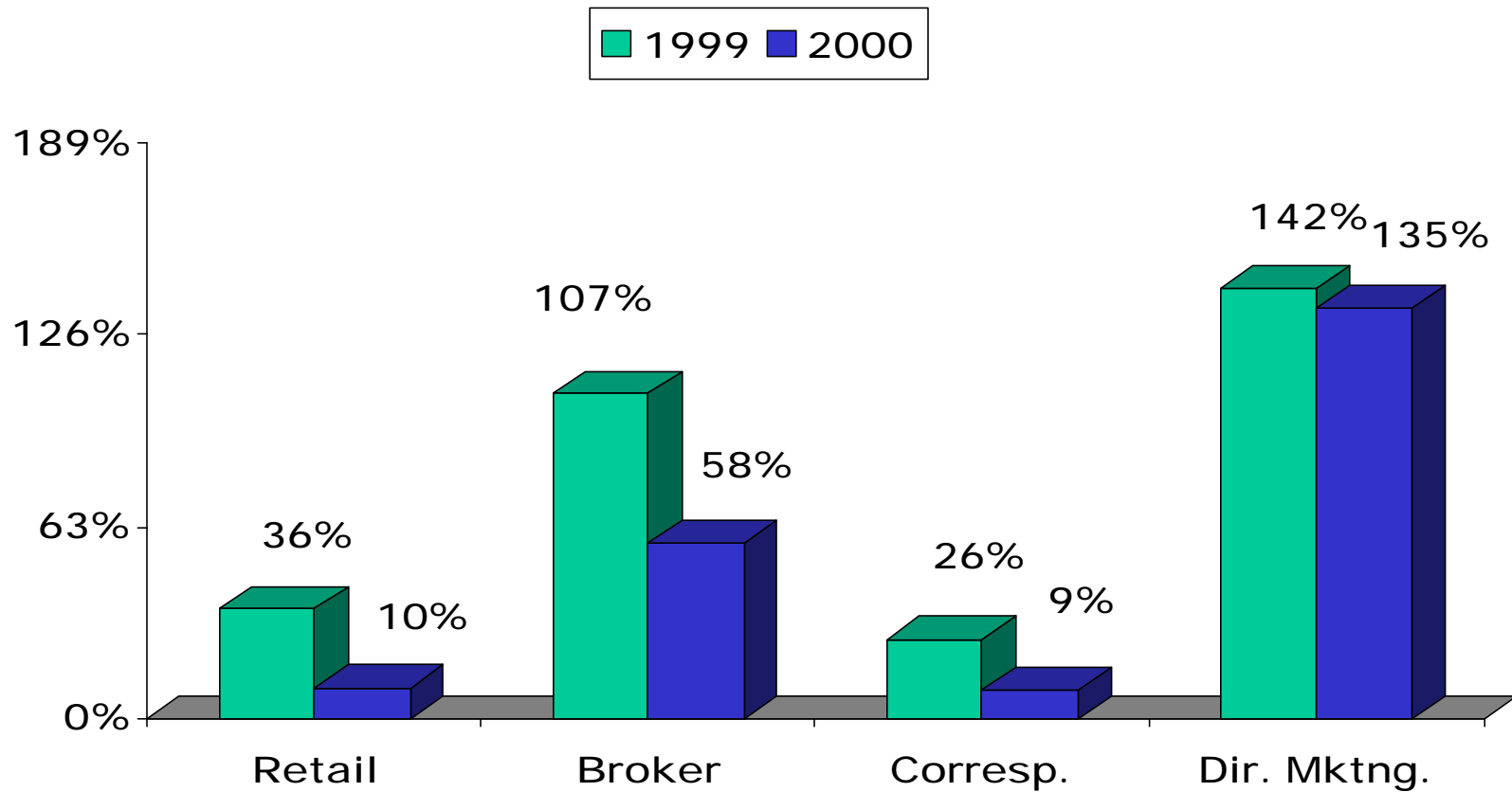
Weighted Average



Source: Peer Group Roundtables

Production Channel Performance

Return on Required Equity; Weighted Average



Source: Peer Group Roundtables

Weighted Average Production Margins (bps)

	<i>Group A</i>	<i>Group C</i>	<i>Group E</i>	<i>Group M</i>	<i>2000</i>	<i>1999</i>
Retail	-12	2	-75	21	5	18
Broker	-31	-10	13	44	32	47
Corresp	-6	-36	-45	6	5	13
Direct	7	18	14	88	81	75
Subprime	-39	n.a.	-174	n.a.	-69	-102
Average	-15	-1	-51	22	14	27

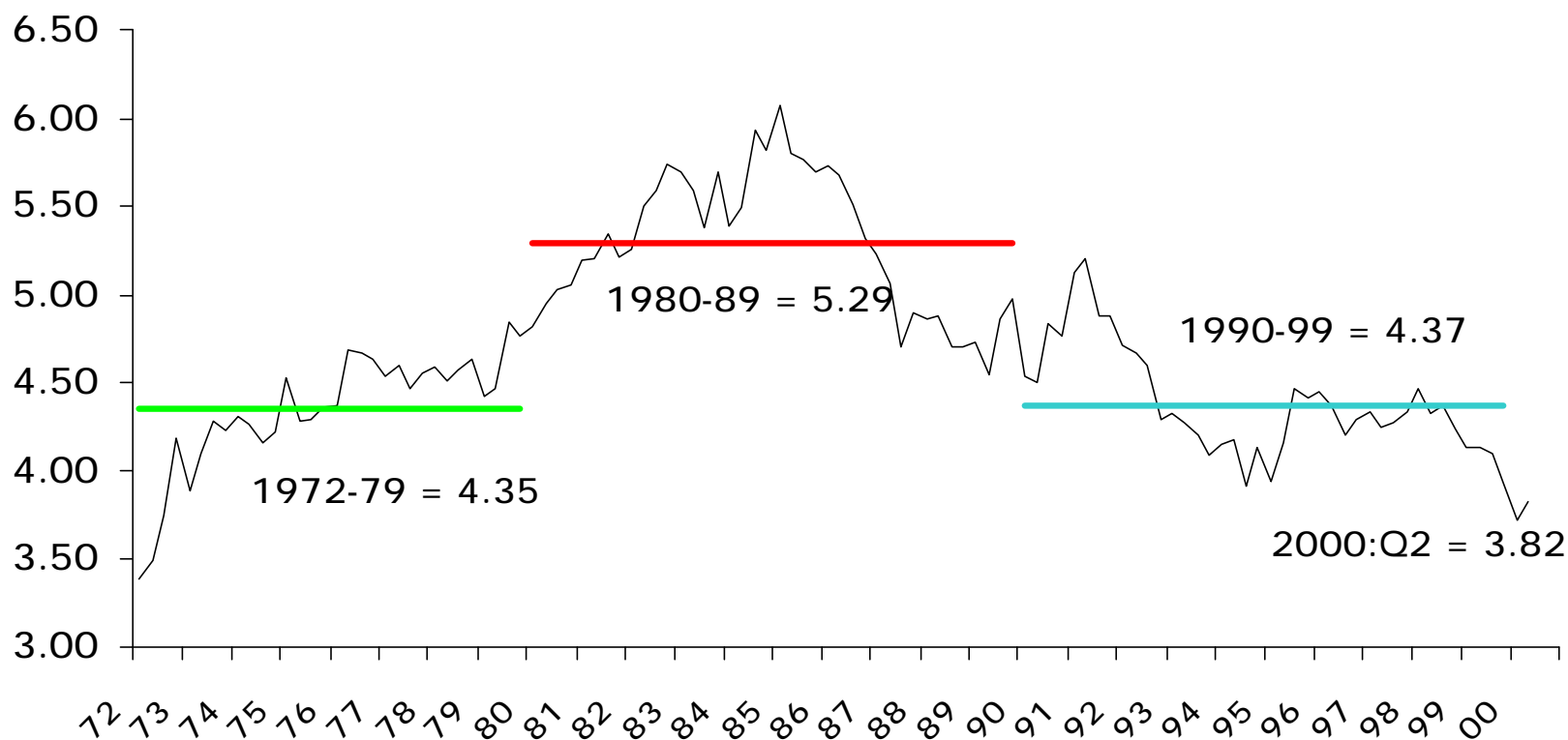
Weighted Average Summary Results - Servicing

	<i>Group A</i>	<i>Group C</i>	<i>Group E</i>	<i>Group M</i>	<i>2000</i>	<i>1999</i>
Net Income	17	9	16	9	10	9
Net Operational Income	25	27	26	32	31	29
Loans serviced per FTE	1,018	873	832	1,374	1,294	1,213

All Loans Past Due

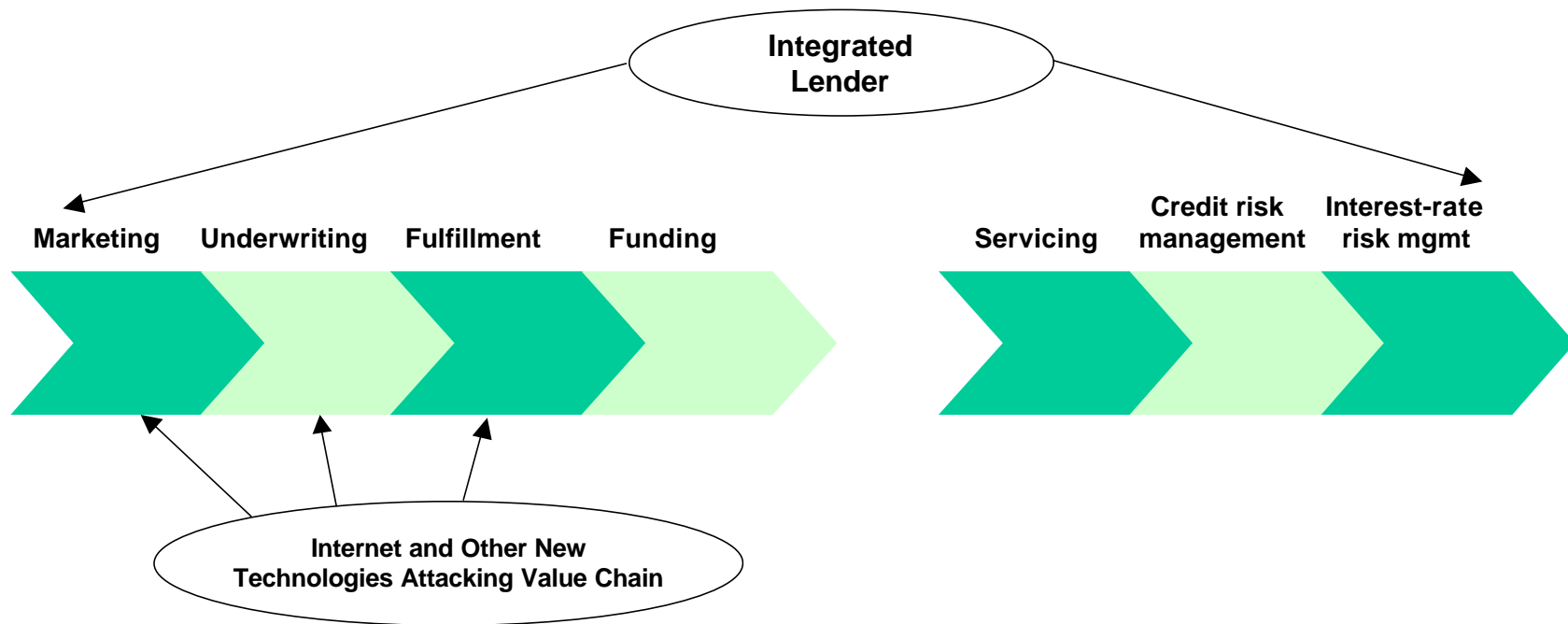
As A Percent of 1-4 Family Loans Serviced

Seasonally Adjusted, (%)



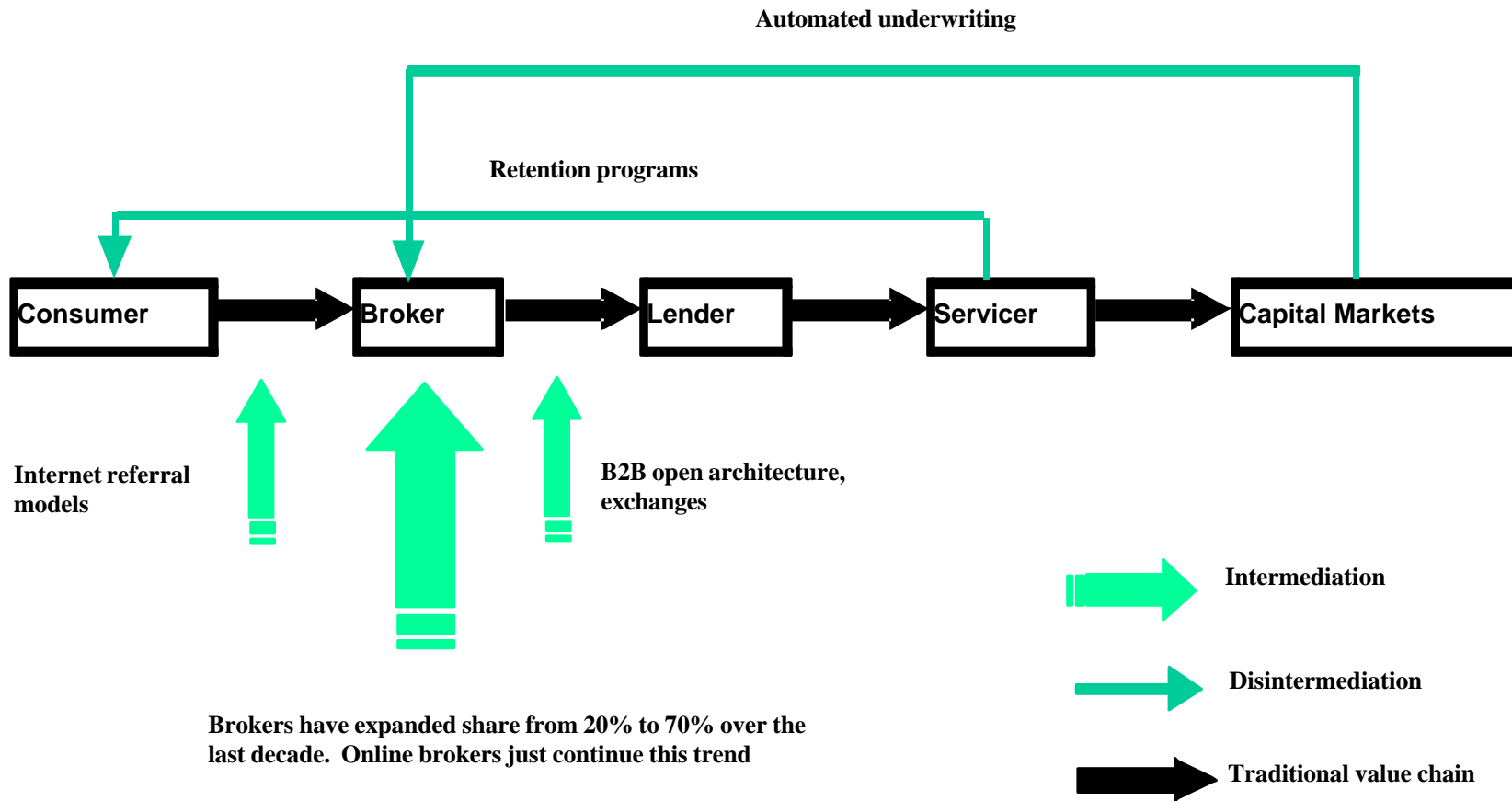
Source: MBA National Delinquency Survey

MORTGAGE INDUSTRY VALUE CHAIN AND WHERE IT'S CHANGING



Source: MSDW

INTERMEDIATION & DISINTERMEDIATION: THE RULES OF THE GAME ARE CHANGING



Source: MSDW

INTERNET MARKETING: HYPE AND REALITY

Online Mortgage Penetration: Morgan Stanley Dean Witter Research Projections

	1999E	2000E	2005E	2010E
Online Researching ^(a)	60%	62%	70%	75%
Pure Online Applications ^(b)	1%	2%	10%	20%
Total Direct Marketing (Online/Telephone) Applications ^(c)	25%	30%	40%	75%
Online Fulfillment ^(d)	0%	0%	3%	10%

Notes: (a) Percentage of consumers shopping for mortgages who use the Internet for product education and/or price comparisons

(b) Percentage of originations where consumers submits online application without telephone interaction

(c) Percentage of originations where consumer uses telephone and/or Internet to complete application;
Excludes realtor and branch leads

(d) Percentage of originations where consumer completes the entire transaction

Source: MSDW Research, CyberDialogue, TowerGroup

E-Signature

- The definition of a signature was purposely left general.
- The electronic signature will be legally valid for laws imposing writing or signing requirements.
- For governmentally mandated consumer disclosures the consumer must agree to receive the disclosures electronically or else they must still receive a paper copy.
- With few exceptions, the federal law supercedes the state laws and it assumes that regulators will develop interpretive regulations although it sets a high hurdle for the regulator to do so.
- In order to be fully effective there must be a security counterpart technology which makes consumers confident that they are protected from adverse effects.

Privacy/Security

- *Notice* – Consumers want to be informed of what information is being collected and how the company intends to use it.
- *Choice* – Consumers want companies to provide them with some control over the information (e.g., no telemarketers at dinner time).
- *Access* – Consumers want to gain access to the data about themselves as stored and used so as to verify its accuracy and have recourse to correct it if its wrong.
- *Security* – Consumers want protection of their right to privacy; it should not be available to those who have no right to it...either through intentional distribution by legit holders or fraud by hackers.