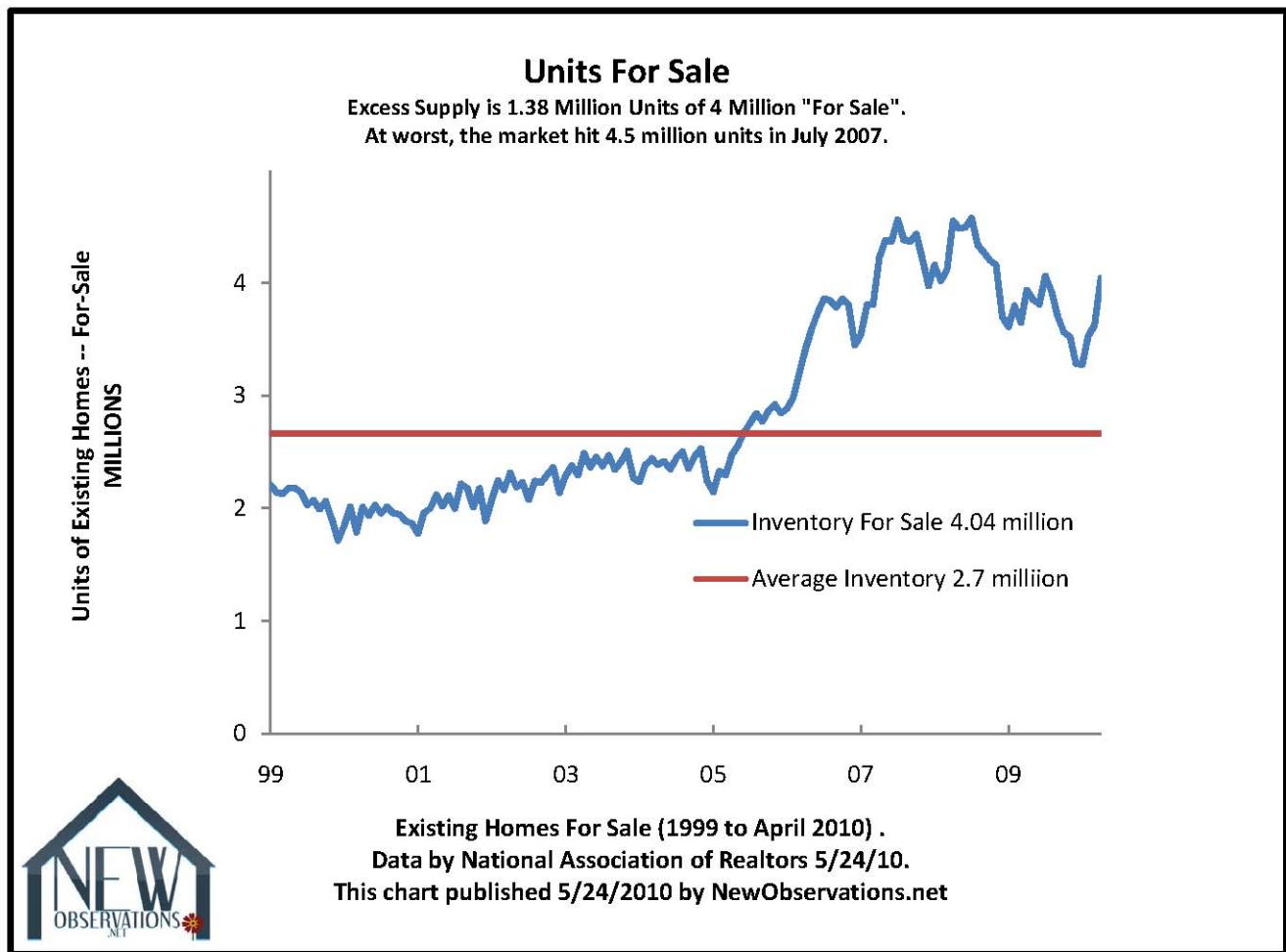
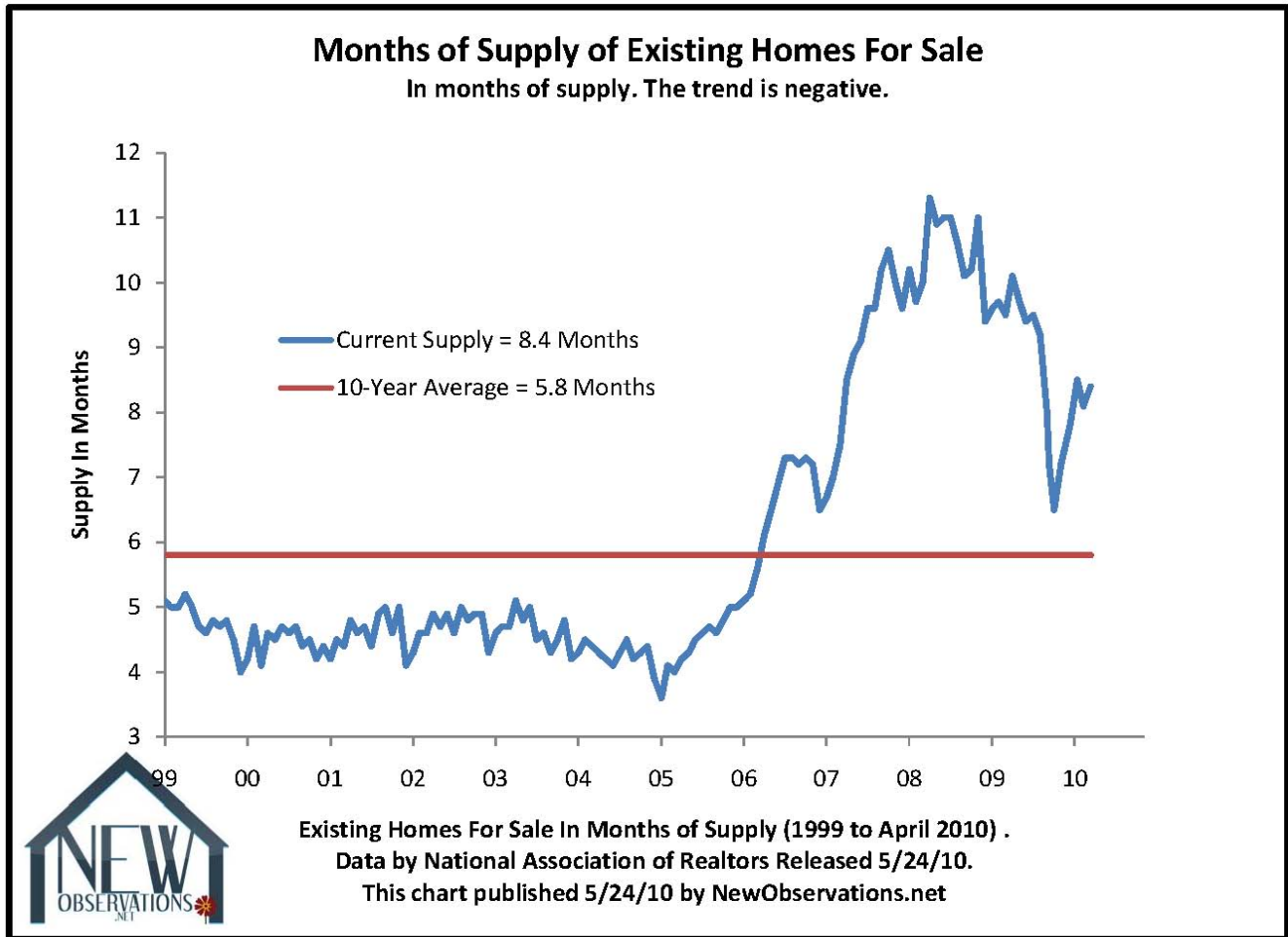


AFFORDABILITY – The trend in affordability is great, but if prices are still falling and if you buy now, are you prepared to buy a loss of 10% or 20% or 30% of the price you pay?



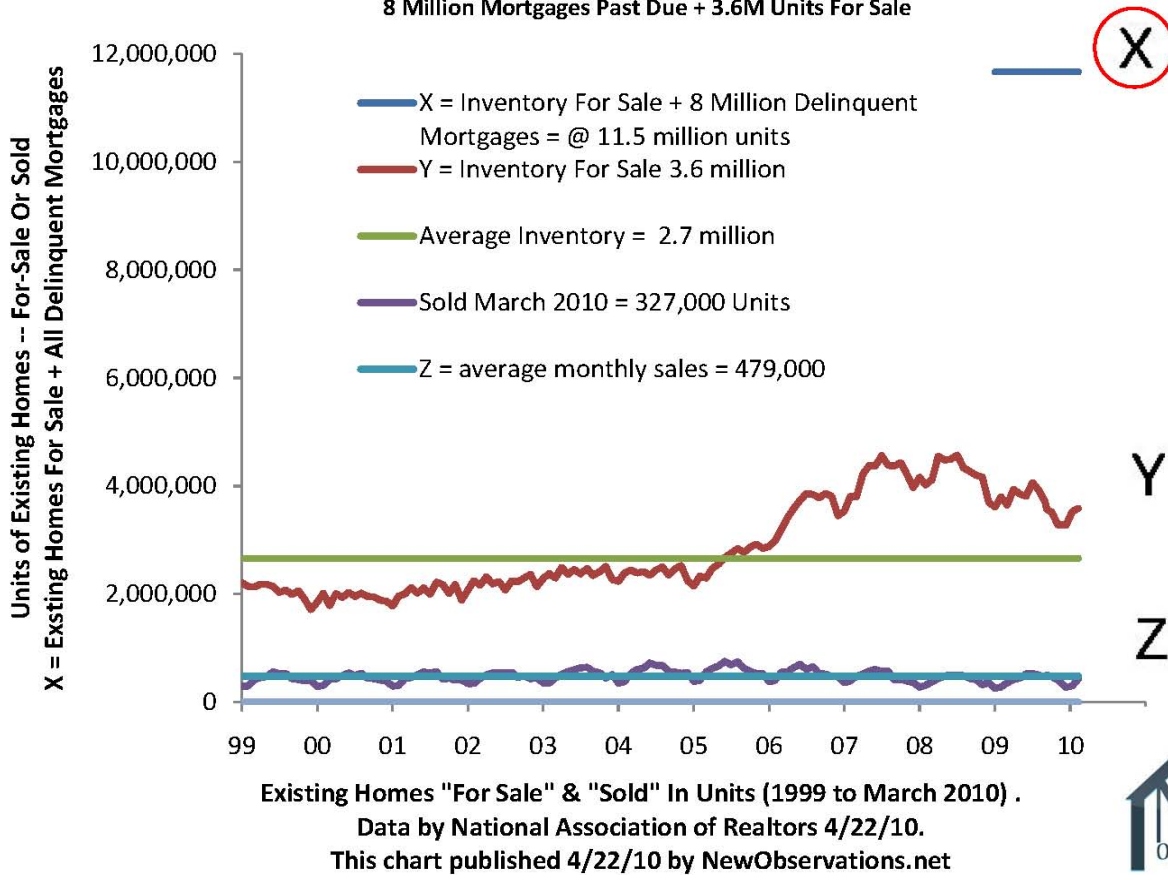
INVENTORY -- The total units for sale is high and may be moving to a point which will push prices down.



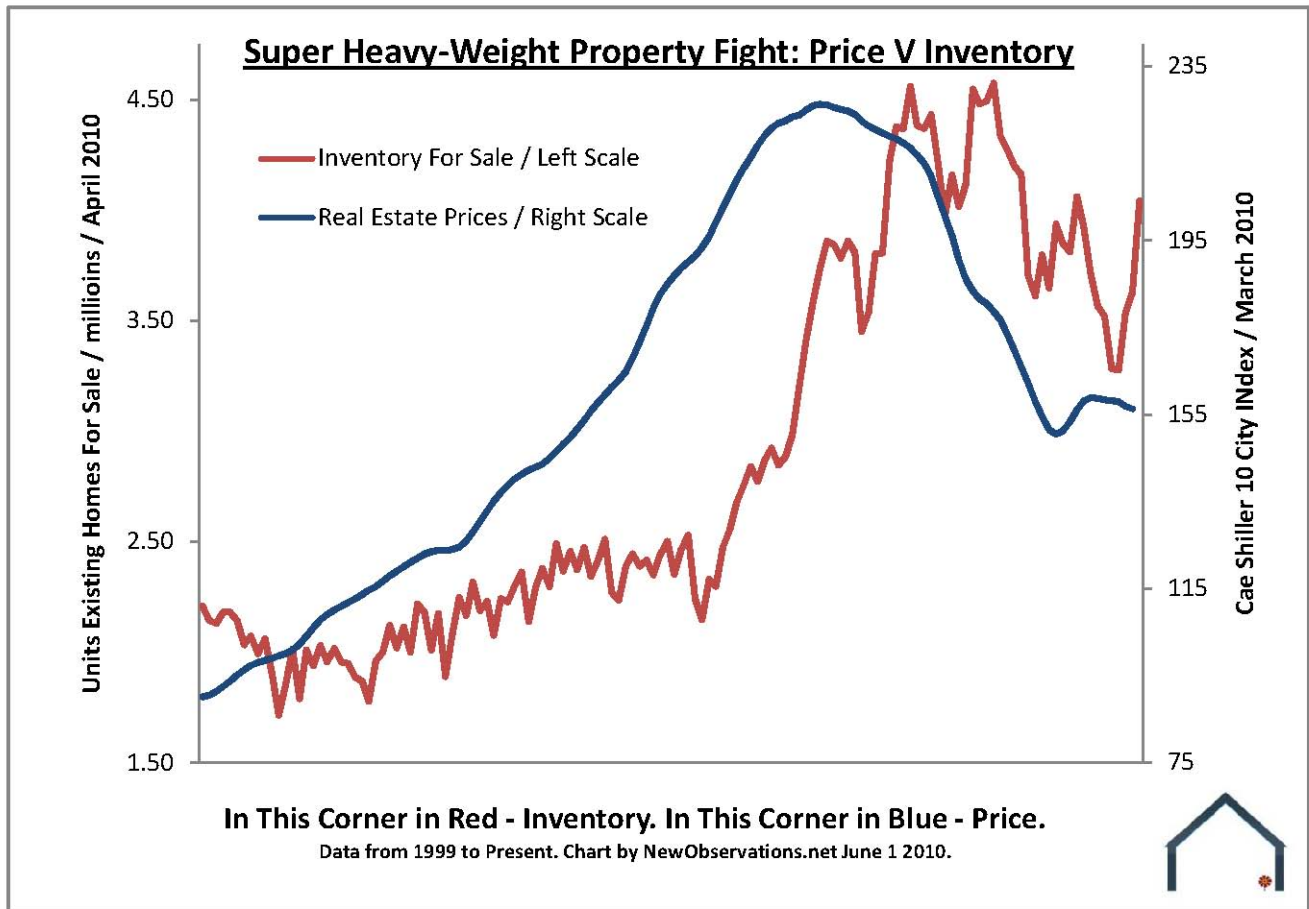
INVENTORY / Months of Supply -- The recent trend suggests inventory is falling up into the zone of distress.

Delinquent Mortgages Vs. Unit Sales --The Radical Risk Factor

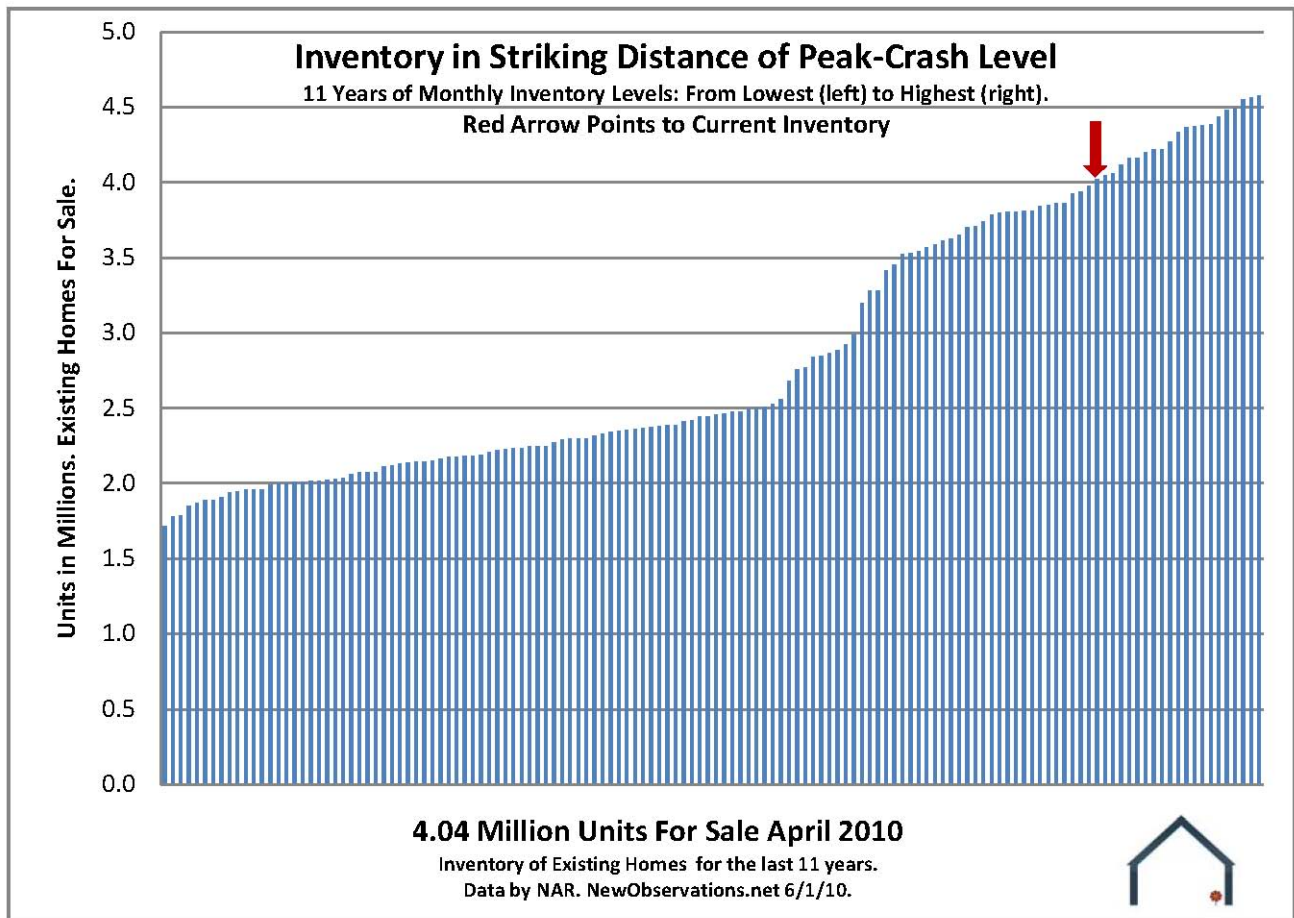
The New Barometer of the Financial Crisis
8 Million Mortgages Past Due + 3.6M Units For Sale



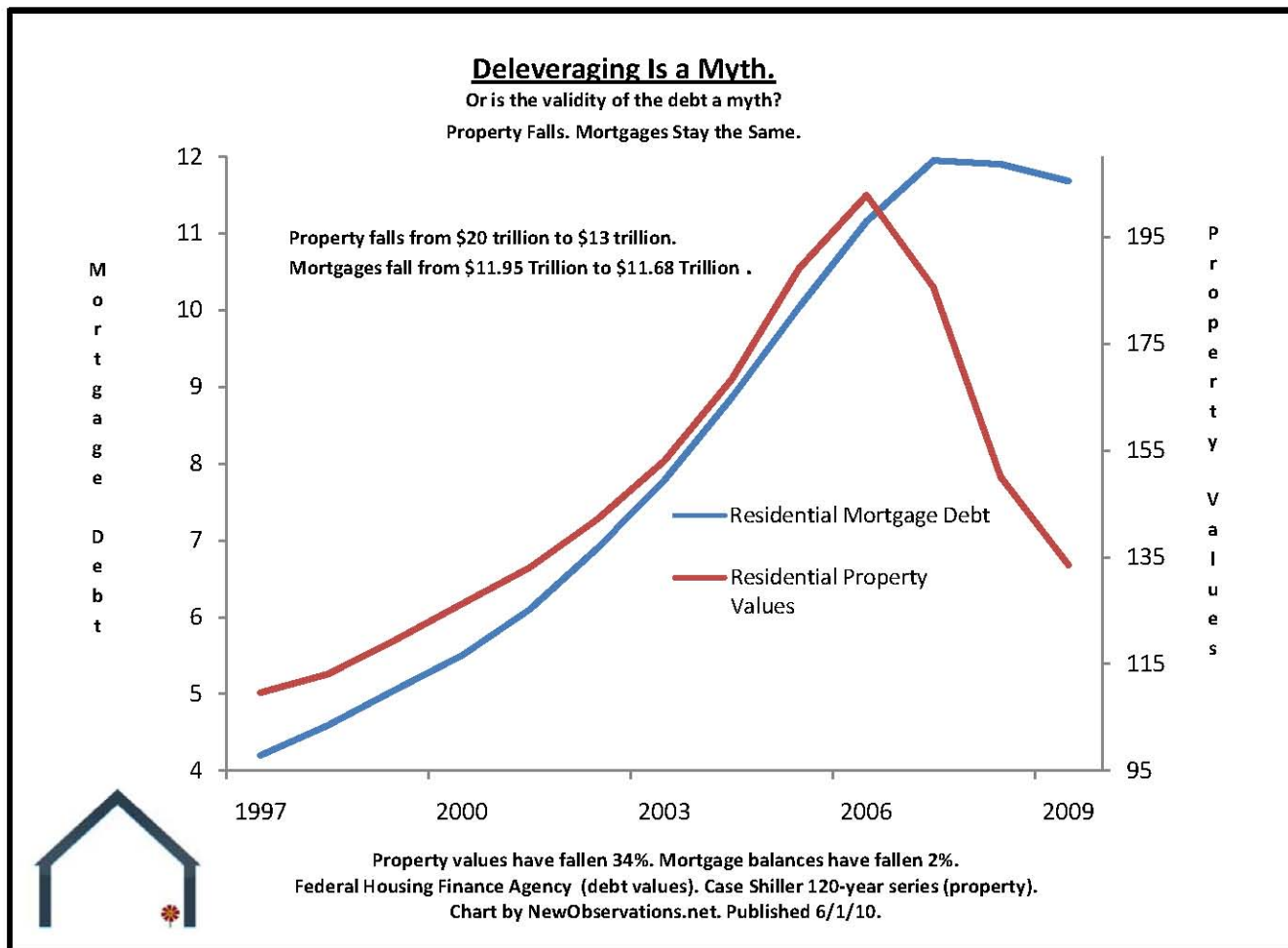
INVENTORY / Units For Sale vs. Delinquent Mortgages --
Arguably the central gauge of our economy, it shows high-distress among the owners of real estate, and the possibility of a severe correction in real estate prices.



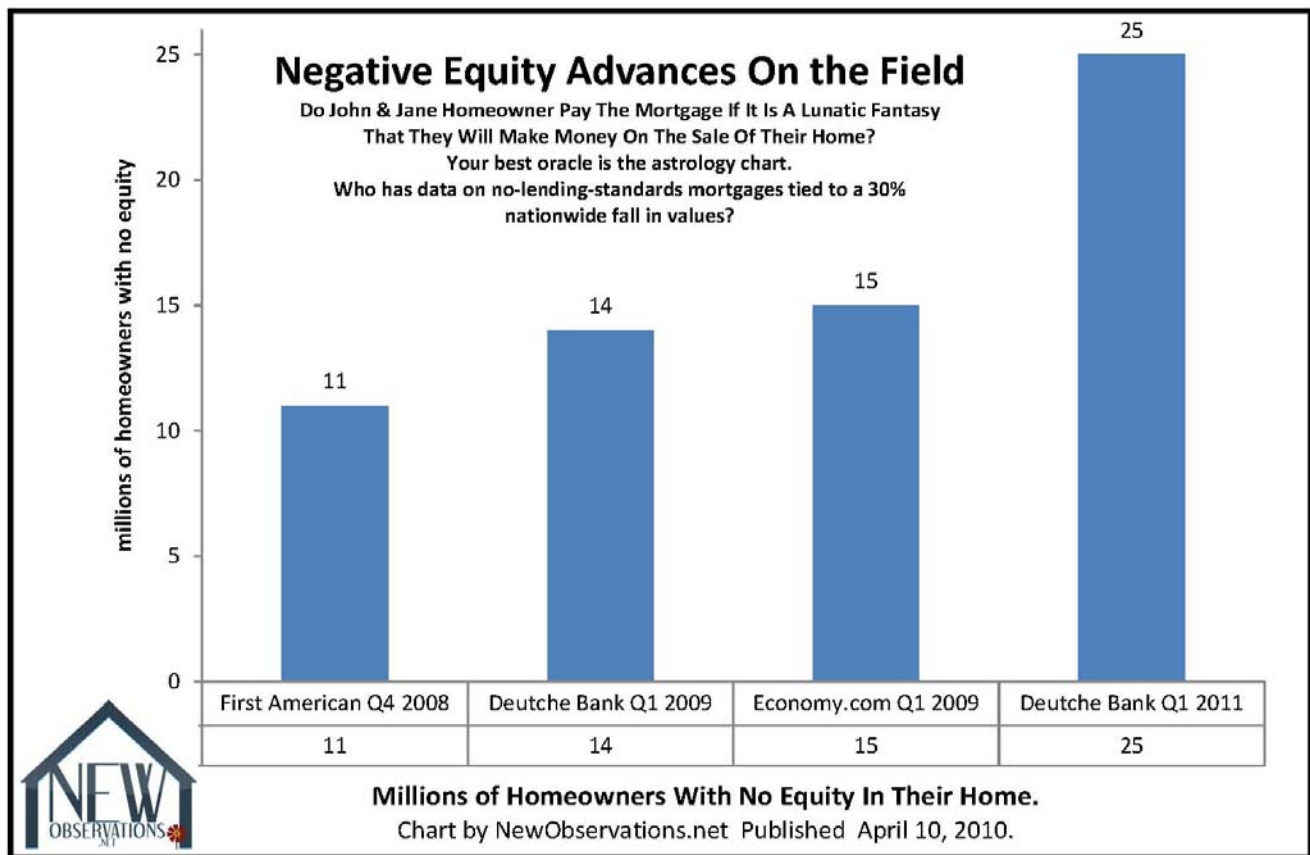
Inventory for Sale versus Price – The last time inventory increased according to the current pattern, prices fell dramatically.



Inventory For Sale – Inventory is much closer to the highs than the lows.

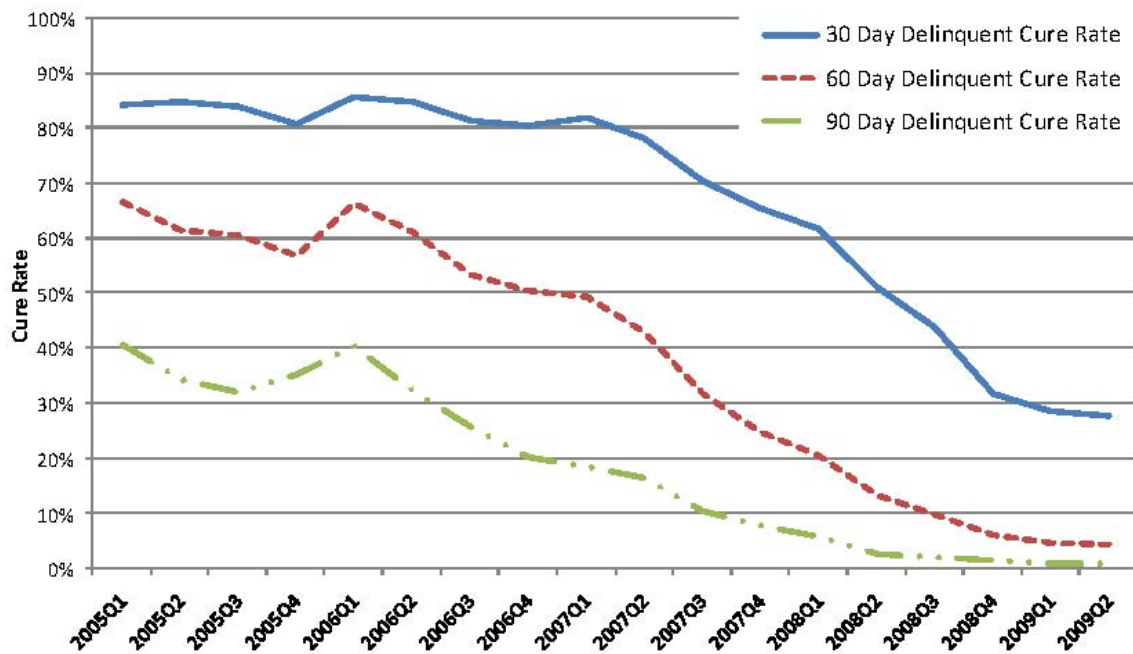


Mortgage Bubble – You know about a housing bubble, but not a mortgage bubble. Yet our mortgage bubble persists -- based upon bank-reported balances. Pray-it-is-true accounting is a global trend, as was the housing bubble, as is the housing crash, and as will be the next panic and crisis. Repeat and repeat the crisis cycles until the garbage debt gets written off and goes bye-bye.



Mortgage Performance / Negative Equity -- A Ten-Ton Gorilla -- How many homeowners would make money by walking away from their mortgage and their home? If it is 11 million or 25 million, the low and the high estimates in this graph, the risk factor is high for prospective purchasers.

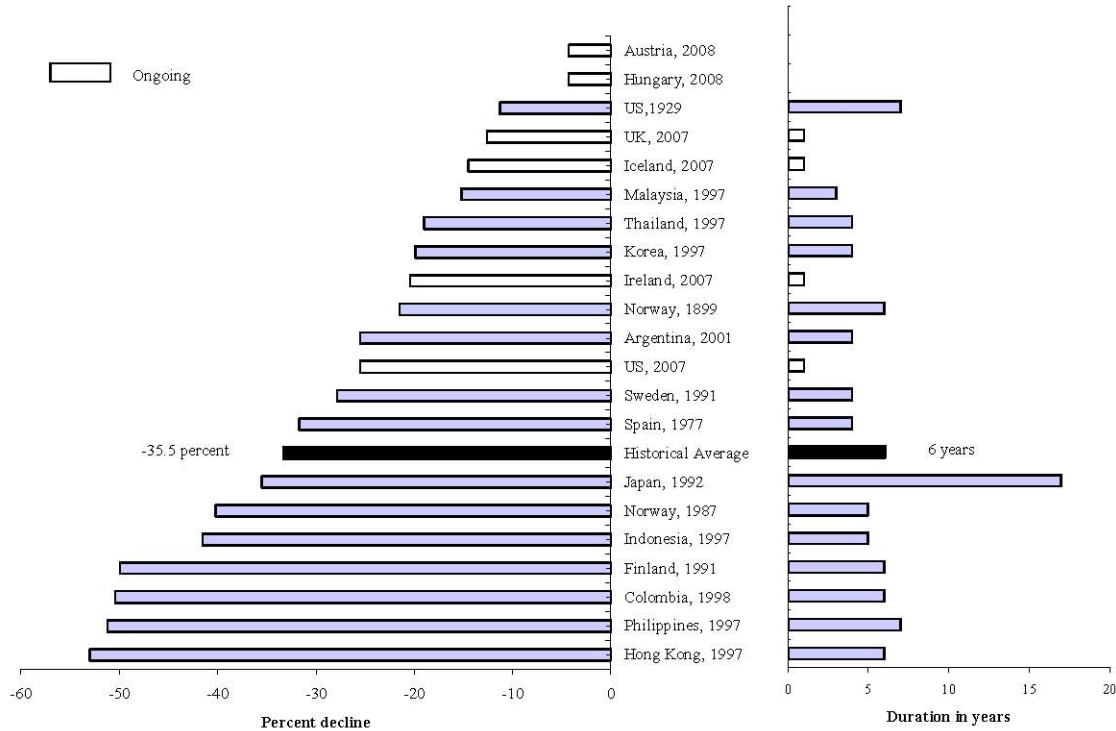
Exhibit 8: Cure Rate Time History



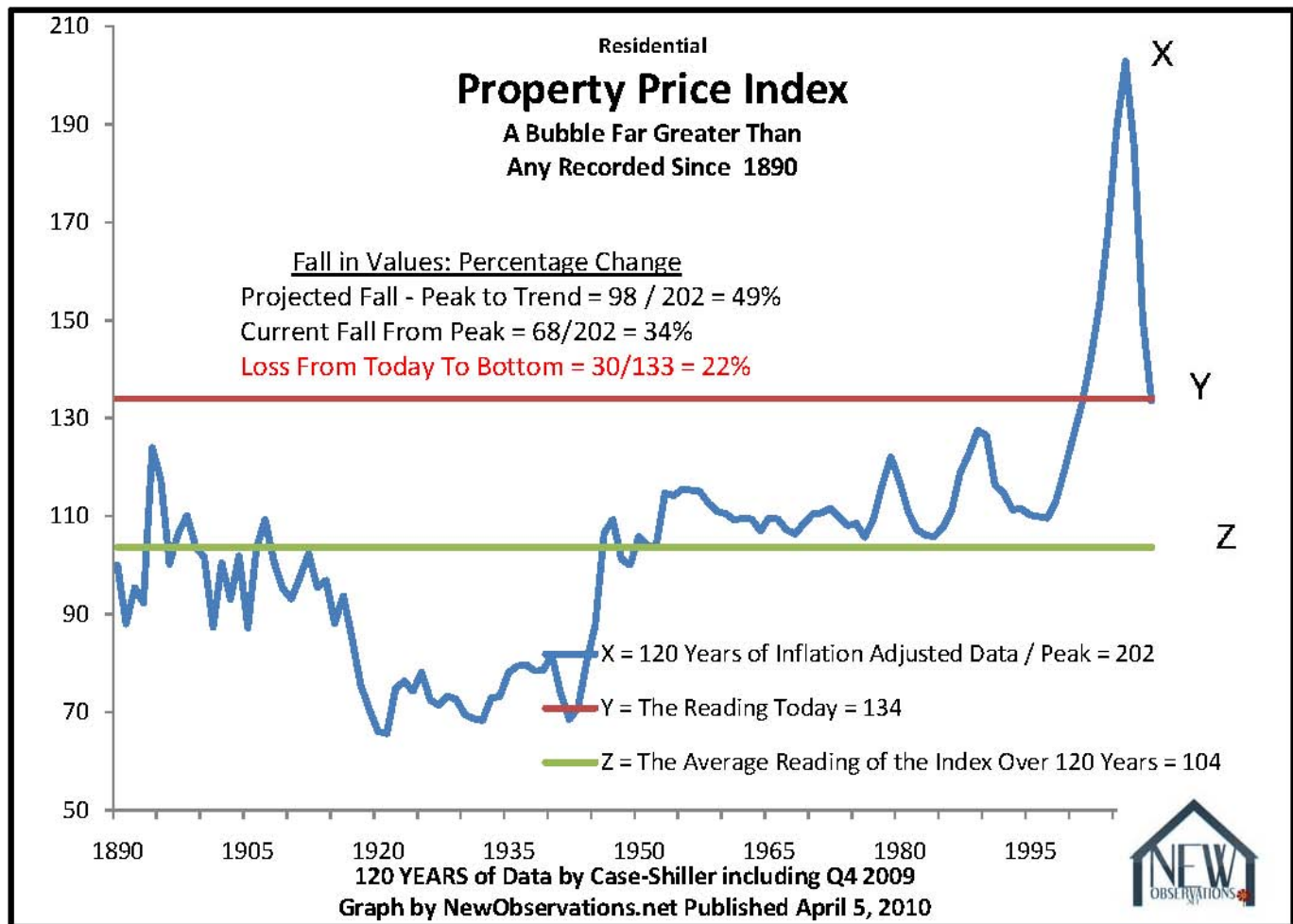
Source: Loan Performance, Amherst Securities

Mortgage Performance / Cure Rate – Fourteen percent of borrowers are 30-days late or worse. The cure rate at 60-days late is almost zero. What’s the French for Armageddon?

Past and Ongoing Real House Price Cycles and Banking Crises:
Peak-to-trough Price Declines (left panel) and Years Duration of Downturn (right panel)




Price Trends / HISTORY'S Numbers -- The best research into credit bubbles says that property's value will fall through the summer of 2012 -- until two years from now.



Price Trends / 120 Years -- We estimate values will fall 22 percent nationwide from current levels. The primary assumption is that prices will return to a trend predating 1990 when property prices were flat for 100 years after counting inflation.

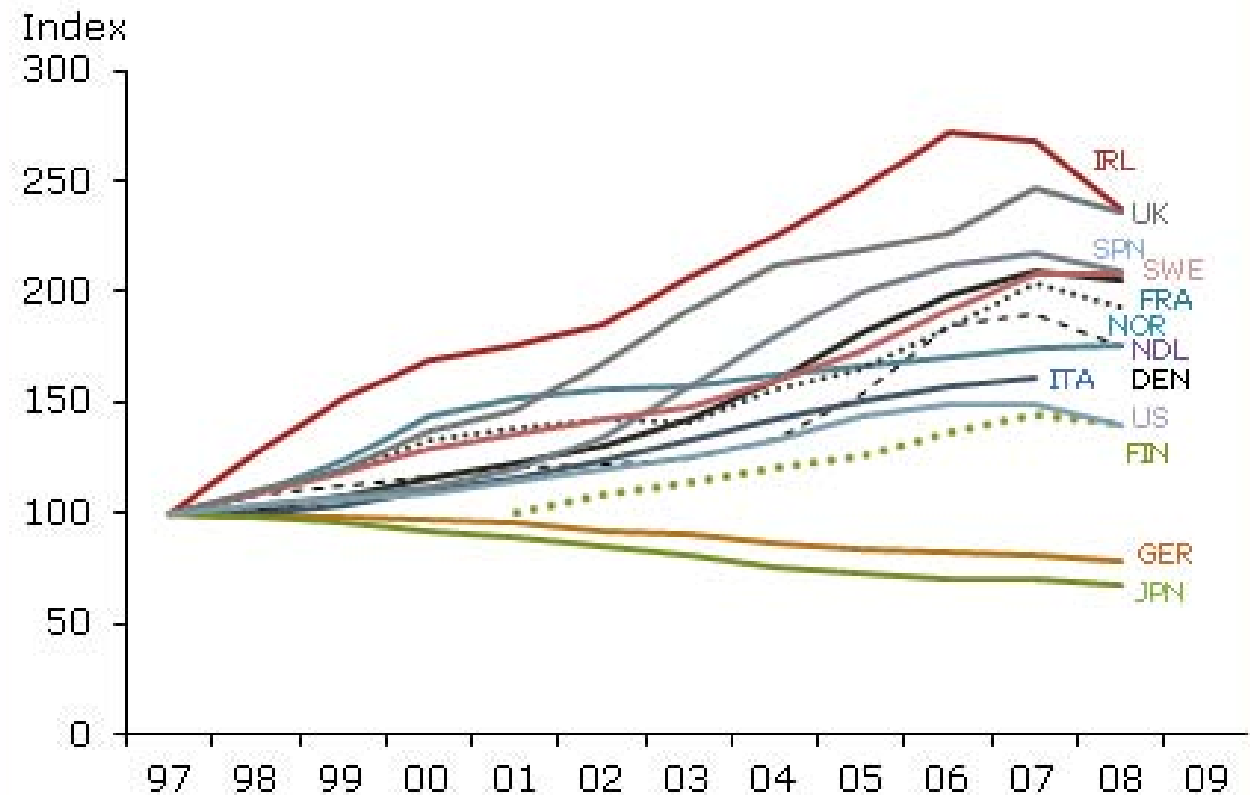
A summary of results from major residential-property indexes.

		Case-Shiller	FHFA	First American	Freddie
		23 years	35	34 yrs	40 years
Average					
A. Total Fall -- Peak to Trend	<u>33%</u>	50%	21%	37%	25%
B. Current Fall from Peak	<u>20%</u>	30%	9%	30%	10%
C. Loss -- Today to Bottom	<u>17%</u>	29%	13%	10%	17%
<u>D. ESTIMATED LOSS IN 2010</u>	<u>13%</u>	24%	3%	20%	4%
percentage of total fall already lost	56%	60%	43%	81%	40%

Please see below a graphical chart of each data set. April 8th, 2010 by New Observations.net.

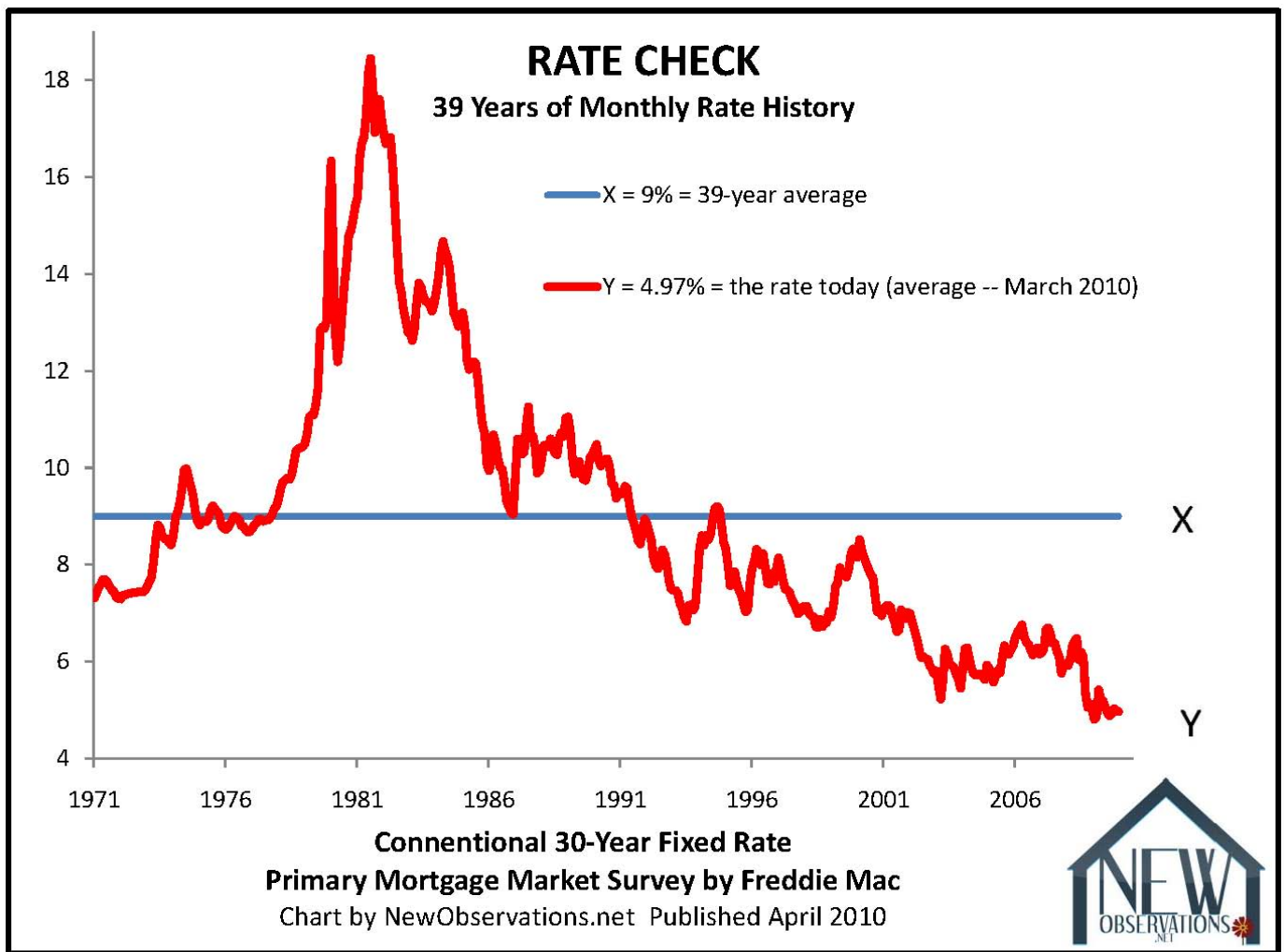
Price Trends / Forecast – The New Observations forecast of four major property price indexes suggests we are approximately half way through the total fall in property prices and that values will fall 17% from current levels.

Figure 2
Real house prices, 1997-2008

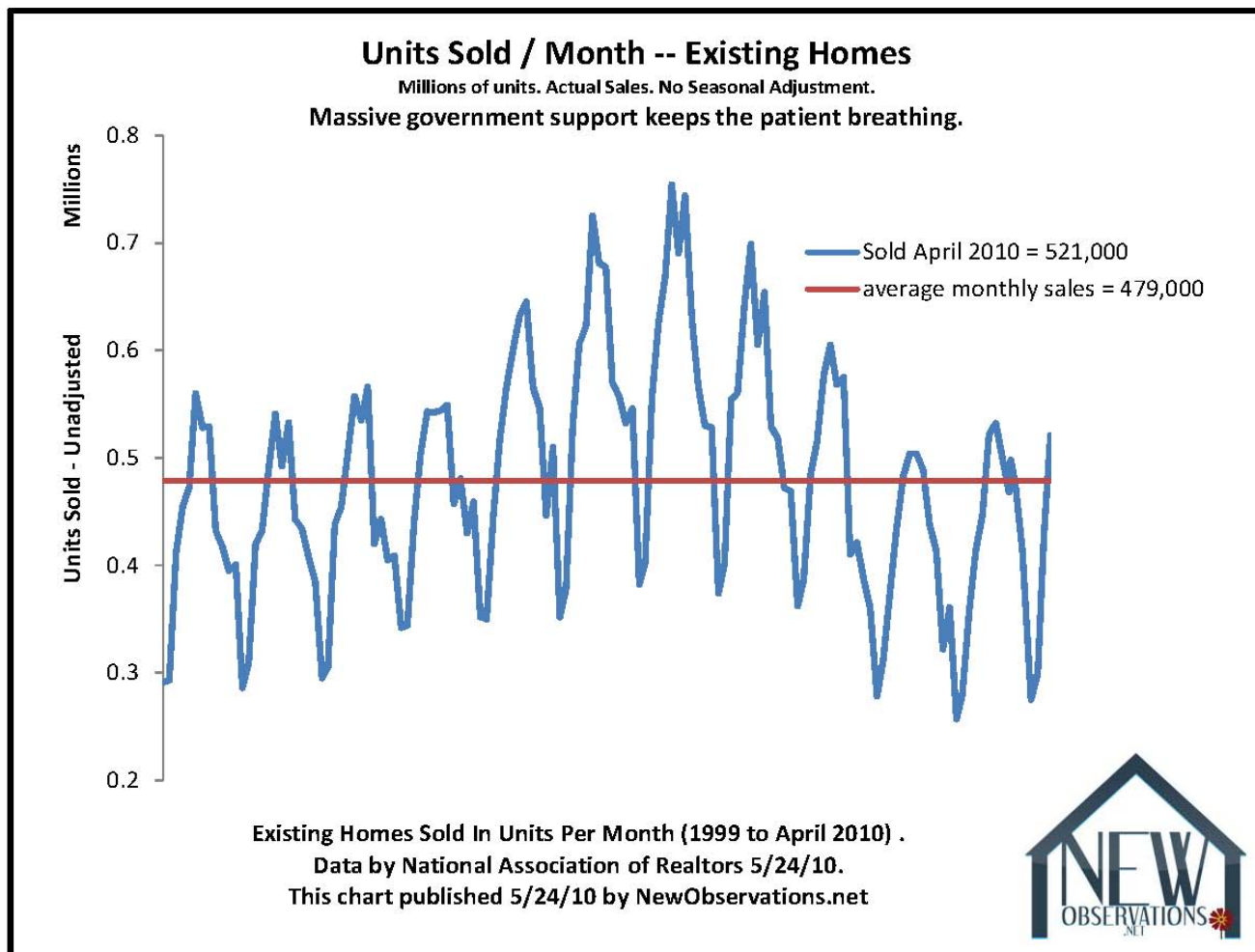


Note: All series are indexed to 100 in 1997 except Finland, which is indexed to 100 at 2001.

Price Trends / Global Dementia – The American housing bubble is far greater than any on record for the last 120 years. What if property values in many other advanced economies are far more manic than ours? It means you should plan for a global economic catastrophe. Put that in your pipe and smoke it.



RATES / An obvious risk in the current market foresees declining demand in the case that interest rates rise significantly.



SALES / UNITS -- Sales of units are weak in the last three years even with massive government subsidies.

The bottom line on these charts for buyers of real estate? Proceed with great caution. The world is filled with abnormal risks. Markets will kill currencies, countries, leading banks, and millions and millions of minor players caught somewhere in the middle. There's no shame in renting and there's a great deal of risk for buyers. And for sellers? Sell.