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Securitization Market

Bank of America
Merrill Lynch



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The New, New Normal Credit and Pricing Performance

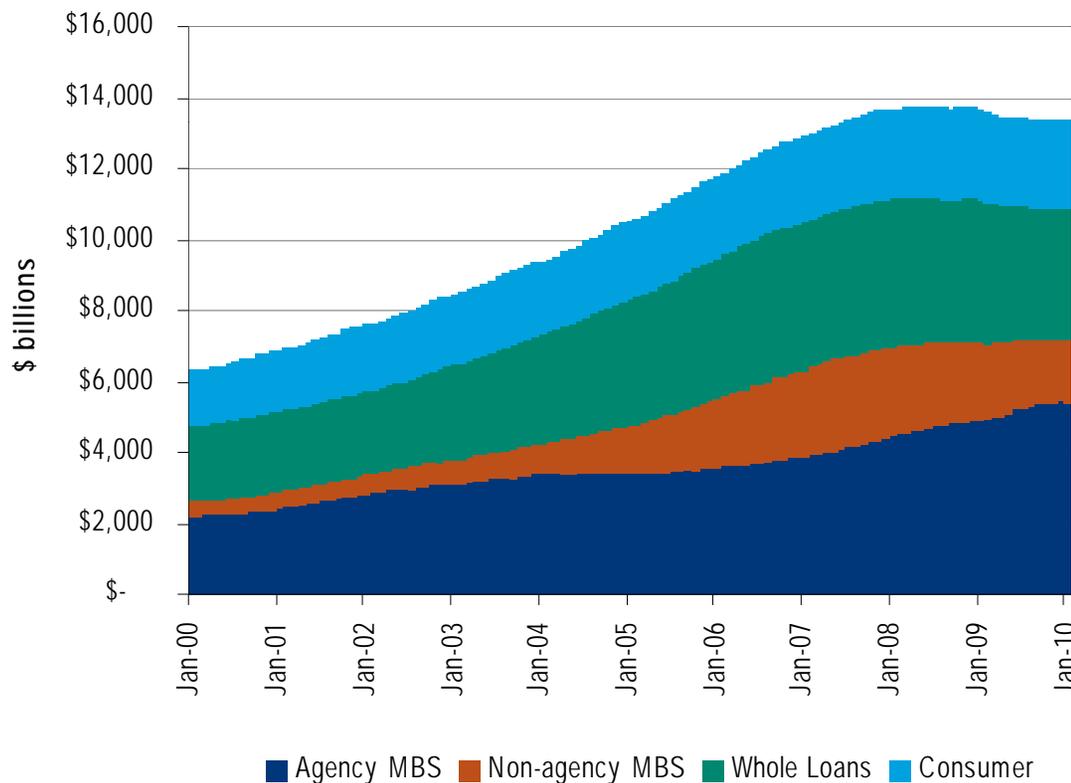
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Breakdown of Outstanding Household Debt

- Shrinking debt
- Agency MBS share on the rise



	2000	2007	2009
Agency MBS	35%	32%	40%
Non-Agency MBS	7%	19%	13%
Whole Loans	33%	31%	28%
Consumer Debt	25%	19%	19%
Total Outstanding	\$6,849	\$13,668	\$13,333

Net Supply - THE Story

- Shrinking securitized product debt, expanding Treasury debt
- Spreads contracting, yields contained

Net Supply Across Sectors (\$B)

	Consumer		Non-agency RMBS	Agency RMBS	Total	Treasury	Difference	5yr Cr Card Spread to Tsy	Corporate	Municipal	Agency Debentures
	ABS	CMBS									
2010E	-\$30	-\$10	-\$320	\$116	-\$244	\$1,300	-\$1,544	47	\$540	\$70	\$100
2009	-\$23	-\$36	-\$383	\$456	\$14	\$1,550	-\$1,536	107	\$493	\$128	-\$151
2008	-\$47	-\$33	-\$306	\$544	\$158	\$398	-\$240	614	\$285	\$66	\$164
2007	\$51	\$158	\$292	\$502	\$1,003	\$135	\$868	140	\$525	\$215	\$29
2006	\$41	\$143	\$582	\$312	\$1,079	\$178	\$901	40	\$368	\$178	\$23
2005	\$55	\$110	\$532	\$125	\$822	\$263	\$559	53	\$225	\$194	\$40

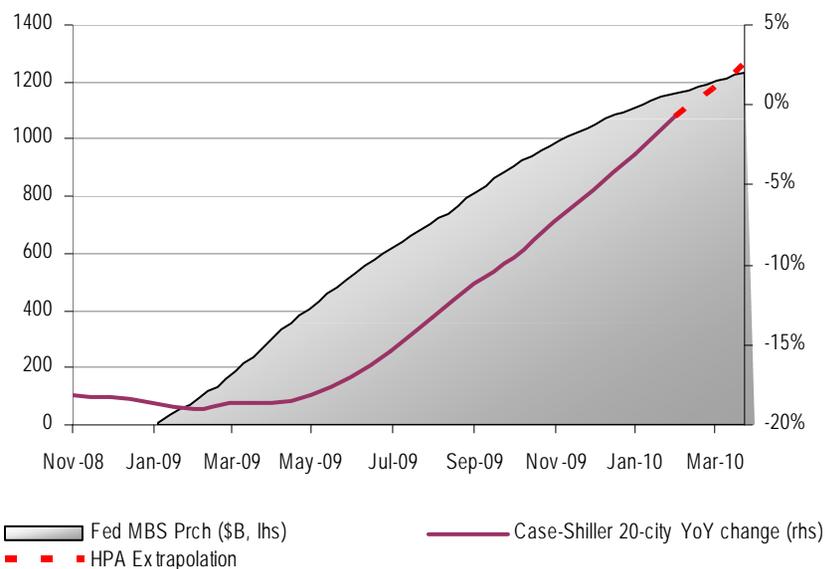
Source: ProfA Merrill Lynch Global Research

	Total Fixed		Net of Tsy/Fed MBS Purchases		5yr Tsy Yield
	Income	Net Supply / GDP	Total Fixed Income	Net Supply / GDP	
2010E	\$1,766	11.86%	\$1,645	11.04%	2.60
2009	\$2,034	14.07%	\$475	3.29%	2.69
2008	\$1,071	7.46%	\$1,003	6.99%	1.55
2007	\$1,907	13.30%	\$1,907	13.30%	3.45
2006	\$1,825	13.41%	\$1,825	13.41%	4.70
2005	\$1,545	11.97%	\$1,545	11.97%	4.35

Fundamentals - Recovery Under Way

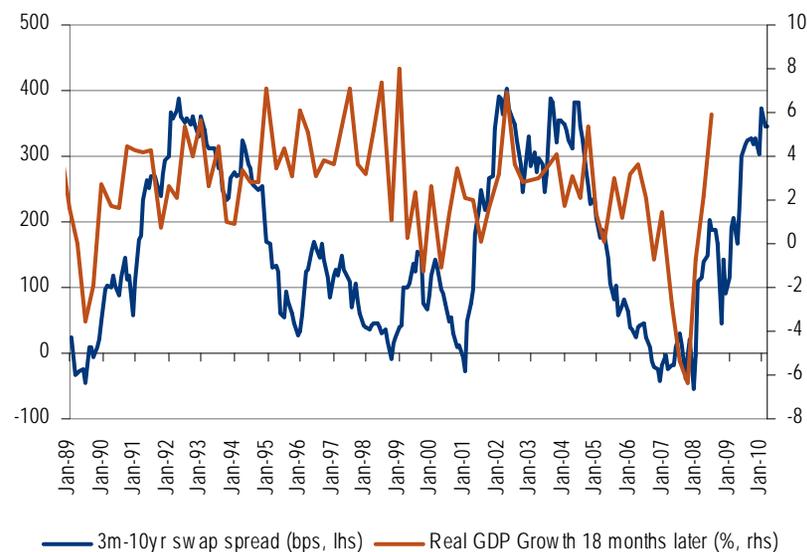
- Government support (e.g. MBS purchases) has clearly been successful
- Economic recovery is beginning to take hold
 - Steep yield curve predicting strong growth in 2011
 - Housing demand to strengthen
 - YoY HPA about to turn positive - important for expectations & user costs

Cumulative Fed MBS Purchases and the Housing Recovery



Source: Federal Reserve, S&P Case-Shiller, BofA Merrill Lynch Global Research

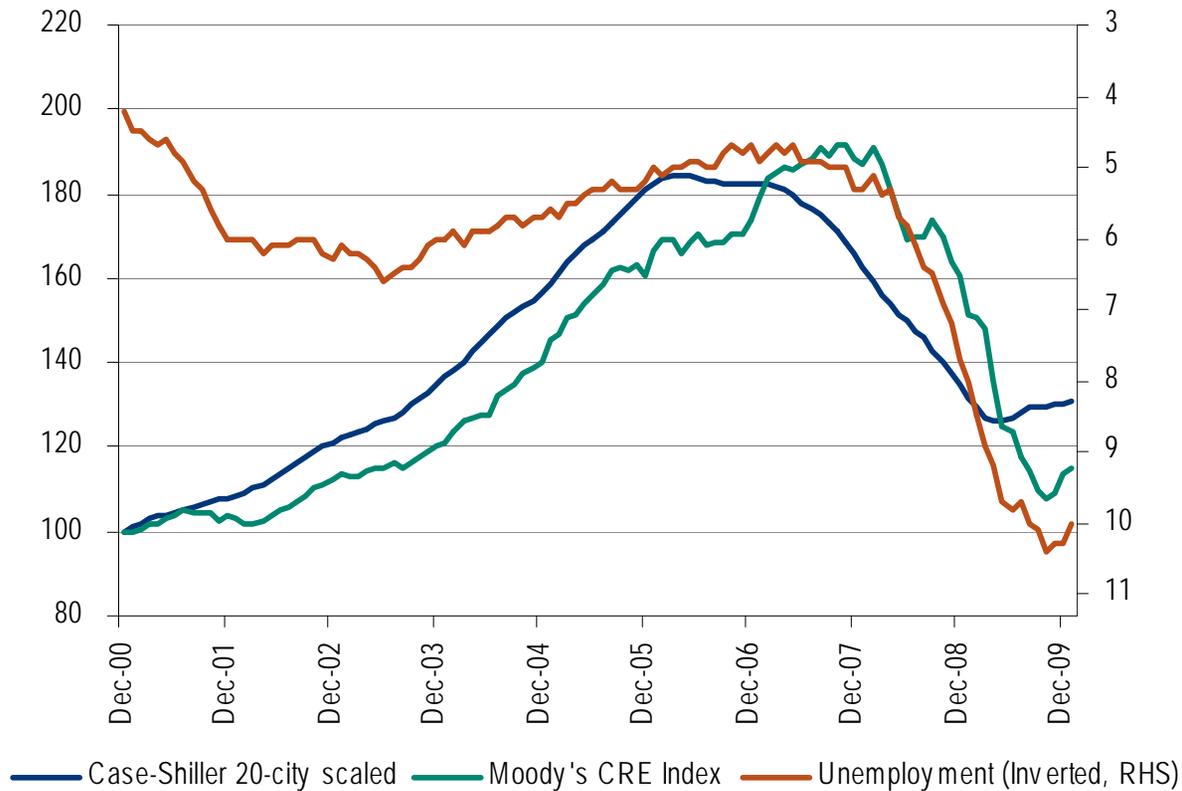
Yield Curve Slope vs. Real GDP Growth



Source: BEA, BofA Merrill Lynch Global Research

Fundamentals - Housing, CRE, Unemployment

Home Prices and CRE Prices vs. Unemployment

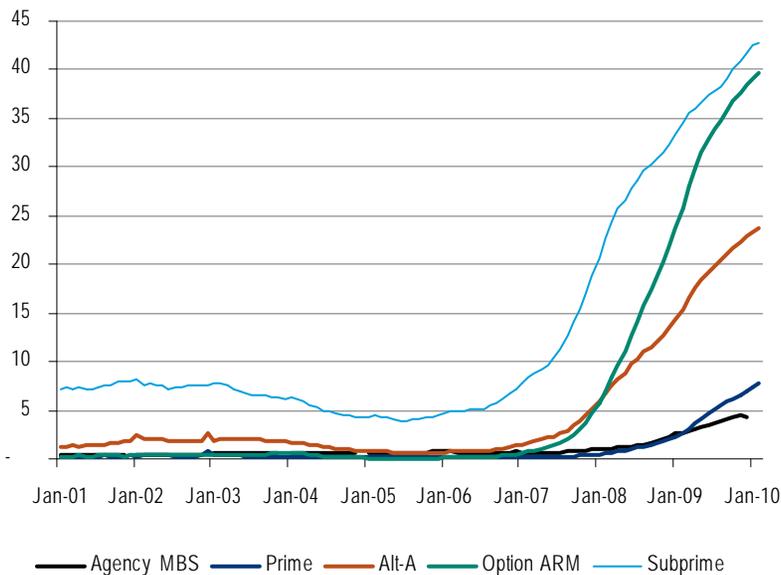


Source: S&P Case-Shiller, Moody's, BLS, BofA Merrill Lynch Global Research

Mortgage Credit Performance

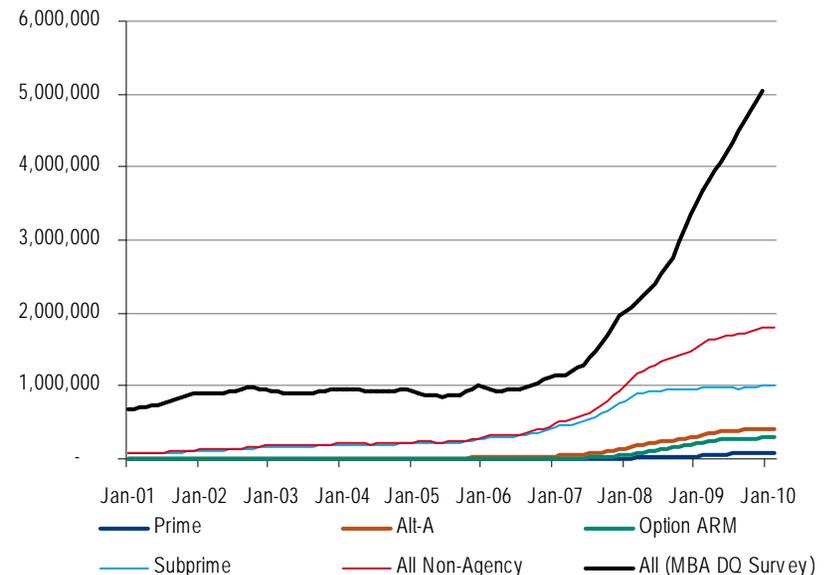
- Delinquency levels high, room for rate increases low
- Number of delinquent loans increasing, but stable in lower credit classes

Mortgage 90+ % Delinquency by Balance



Source: Fannie Mae, Freddie Mac, Ginnie Mae, LoanPerformance, BofA Merrill Lynch Global Research

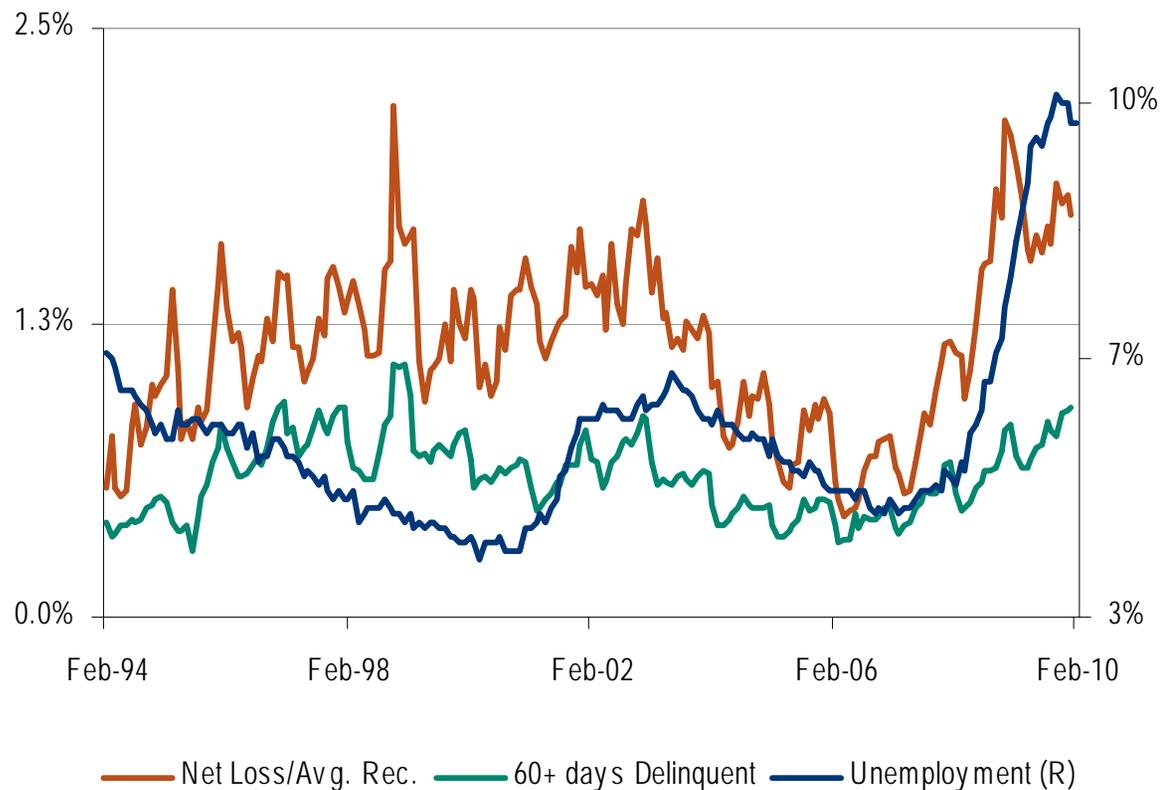
Mortgage 90+ Delinquency by Loan Count



Source: LoanPerformance, BofA Merrill Lynch Global Research

Auto ABS: Credit Performance Stabilizing as Unemployment Stabilizes

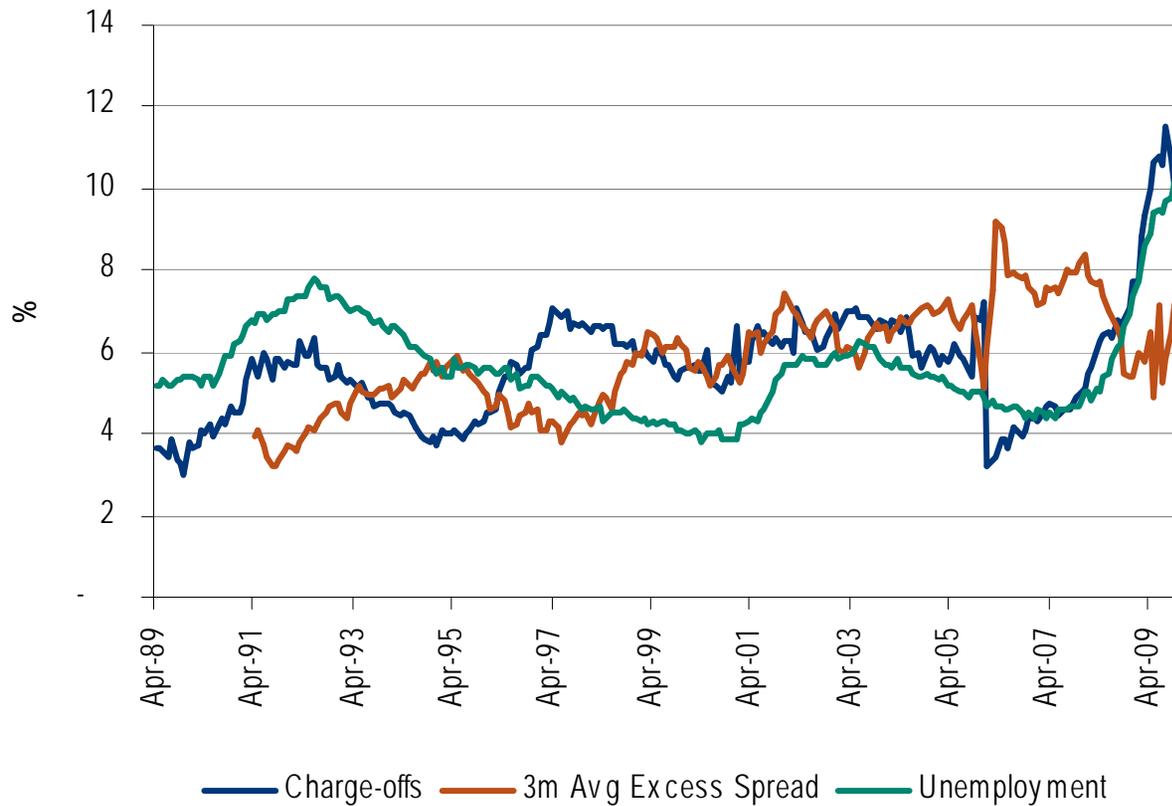
Auto Loan Performance versus Unemployment Rate



Source: Moody's, BLS, BofA Merrill Lynch Global Research

Credit Card ABS - Charge-Offs Leveling Off with Unemployment

Credit Card Charge-Offs and Excess Spread

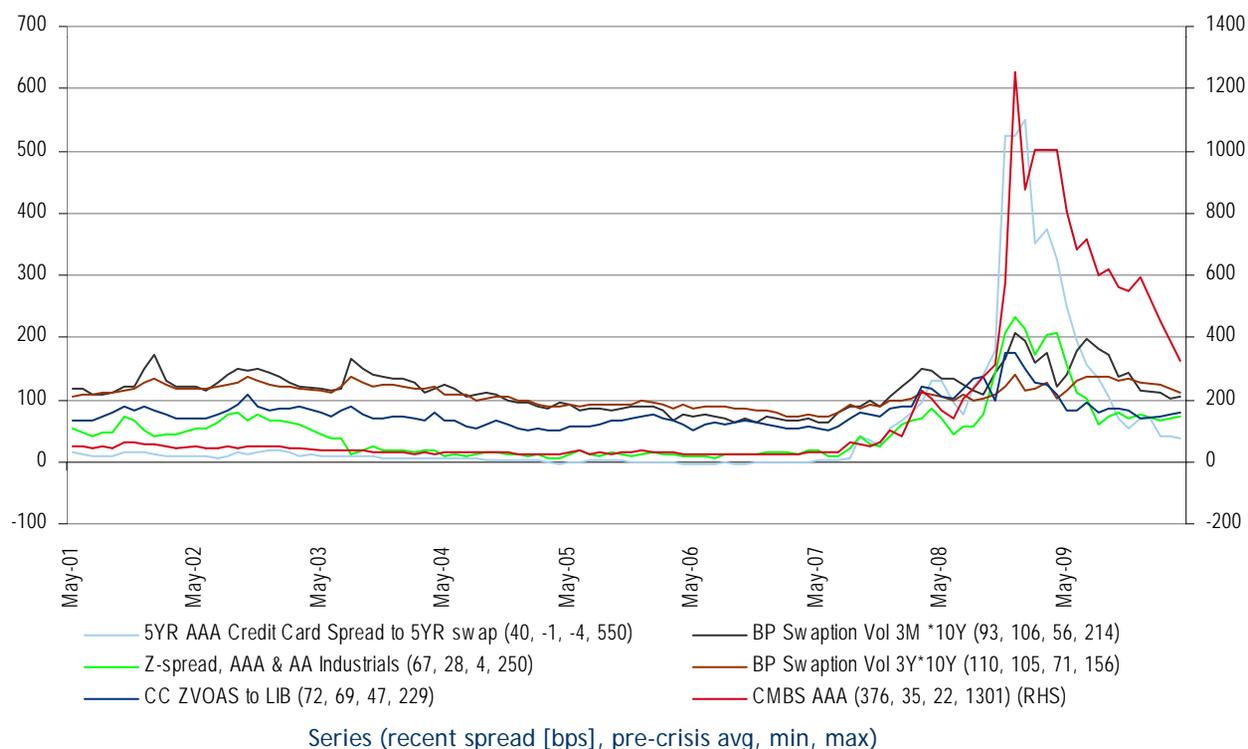


Source: Moody's, BLS, Lundquist Consulting, Inc., BofA Merrill Lynch Global Research

Spreads and Volatility - Back to Normal

- Spreads across sectors returning to a normal environment
- Normalized spreads, steep yield curve and economic recovery argue for down in credit, off the run

Spreads Across Sectors and Volatility, in Basis Points, as of March 30



Source: BofA Merrill Lynch Global Research



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BofAML Credit Opinion Key

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Recommendation	Investor Action Points (Cash and/or CDS)	Primary Investment Return Driver
Overweight-100%	Up to 100% Overweight of investor's guidelines	Compelling spread tightening potential
Overweight-70%	Up to 70% Overweight of investor's guidelines	Carry, plus some spread tightening expected
Overweight-30%	Up to 30% Overweight of investor's guidelines	Good carry, but little spread tightening expected
Underweight-30%	Down to 30% Underweight of investor's guidelines	Unattractive carry, but spreads unlikely to widen
Underweight-70%	Down to 70% Underweight of investor's guidelines	Expected spread underperformance
Underweight-100%	Down to 100% Underweight of investor's guidelines	Material spread widening expected

Time horizon – our recommendations have a 3 month trade horizon.



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