



# MBA's 93<sup>rd</sup> ANNUAL CONVENTION & EXPO 2006

OCTOBER 22 • 25 HYATT REGENCY • CHICAGO

## BUSINESS STRATEGIES TRACK

*Assessing Your Mortgage Banking Strategy in a Changing Environment*

**Panelists:**

Michael R. Zarro  
*Head of Strategy*  
WAMU Home Loans

Richard J. Johnson  
*EVP/COO*  
Impac Mortgage Holdings

Robert (Bob) S. Reynolds  
*EVP/CAO*  
SunTrust Mortgage



**Moderator:**

Jeffrey M. Levine  
*Managing Director*  
Milestone Advisors, LLC





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## Panelist Introductions and Milestone Overview



## ***Company Overview***

- Washington Mutual, through its subsidiaries, is one of the nation's leading consumer and small business banks. At June 30, 2006, Washington Mutual and its subsidiaries had assets of \$350.7 billion. The company has a history dating back to 1889 and its subsidiary banks currently operate more than 2,600 consumer and small business banking stores throughout the nation.
- Washington Mutual's Home Loans segment is a leader in the mortgage industry in mortgage origination, sales and servicing. The segment offers a broad array of home lending products through its prime (retail, wholesale, consumer direct) and nonprime channels.
- "100 Best Companies to Work For" FORTUNE (January 2006). Washington Mutual is #87 on FORTUNE's annual list of America's best employers. Also listed as a best company for women and minorities.

## ***Michael R. Zarro, Jr., SVP – Home Loans, Strategy and Business Development***

- Mike Zarro leads the Strategy and Business Development area for the Home Loans group of WaMu. In this role, he has responsibility for strategic analysis and communication, operational risk, product development, and business initiative oversight.
- Mike has more than 20 years in the financial service industry, primarily in mortgage banking. He joined Washington Mutual in 2001 via the acquisition of Fleet Mortgage. Prior to Fleet, he held various positions with American Residential Mortgage and its predecessor Imperial Savings Association.
- Mike holds a Bachelor of Science degree in Finance from San Diego State University.
- He has been an active member of the industry groups including the Mortgage Bankers Association serving on the Ginnie Mae Liaison Committee and Loan Administration Committee.



## ***Company Overview***

- Impac Mortgage Holdings, Inc. is a mortgage REIT, which operates four core businesses: Long-Term Investment Operations, Mortgage Operations, Warehouse Lending Operations, and Commercial Operations. The Long-Term Investment Operations invests primarily in non-conforming Alt-A ("Alt-A") mortgage loans and to a lesser extent small-balance commercial loans originated by the Commercial Operations. The Mortgage Operations acquires, originates, sells and securitizes primarily Alt-A residential mortgage loans, the Warehouse Lending Operations provides short-term financing to mortgage loan originators and the Commercial Operations originates small-balance commercial loans for sale to the Long-Term Investment Operations or to third parties.
- Impac has total assets of \$22.7 billion and a market capitalization of \$739.8 million as of October 3, 2006.
- Impac is the nation's 38<sup>th</sup> largest originator with \$4.3 billion in YTD Q2 06 volume.

## ***Richard J. Johnson, EVP/Chief Operating Officer***

- Mr. Johnson graduated with a bachelor degree in accounting in 1984 from the University of Wisconsin Whitewater. He received his CPA certification while working as an Audit Senior for Kenneth Leventhal & Co.
- From January 1987 to February 1988, Mr. Johnson was Vice President of Finance for Merrill Lynch Huntoon Paige, Inc., a mortgage-banking subsidiary of Merrill Lynch Capital Markets.
- From November 1989 to May of 1992, Mr. Johnson was Vice President, Controller of Imperial Bank Mortgage, a Division of Imperial Bank (NYSE-IMP). While working full time as the Vice President and Controller of Imperial Bank Mortgage, Mr. Johnson obtained his MBA in 1991.
- From September 1992 to March 1995, Mr. Johnson was Senior Vice President and Chief Financial Officer of Imperial Credit Industries, Inc.
- From November 1995 to May 2006, Mr. Johnson was the Chief Financial Officer of Impac Mortgage Holdings, Inc.
- In May 2006, Mr. Johnson was promoted to Executive Vice President & Chief Operating Officer after serving as the company Chief Financial Officer since the company's formation.



## ***Company Overview***

- SunTrust Banks, Inc., headquartered in Atlanta, is one of the nation's largest banking organizations with \$181 billion in total assets, serving a broad range of consumer, commercial, corporate and institutional clients. The Company operates an extensive branch and ATM network throughout the high-growth Southeast and Mid-Atlantic states and a full array of technology-based, 24-hour delivery channels. The Company also serves customers in selected markets nationally. Its primary businesses include deposit, credit, trust and investment services. Through various subsidiaries the Company provides credit cards, mortgage banking, insurance, brokerage, equipment leasing and capital markets services.
- SunTrust Mortgage (STM), headquartered in Richmond, VA, is the nation's 13<sup>th</sup> largest residential servicer with a \$118 billion portfolio.
- STM is the 13<sup>th</sup> largest originator with \$26.9 billion in YTD volume.

## ***Robert (Bob) S. Reynolds, EVP, Chief Administrative Officer***

- Bob Reynolds is currently Executive Vice President, Chief Administrative Officer of SunTrust Mortgage, Inc., a role he has had since 2001. He joined the SunTrust organization in 1998 when SunTrust Bank acquired Crestar Bank.
- Mr. Reynolds' joined Crestar Bank in 1993 as Funds Management Division Head. In 1995, he became Division Head of Asset/Liability & Risk Management and in 1996, Mr. Reynolds was appointed Executive Vice President and Strategic Financial Officer for Crestar Mortgage Corporation.
- After Crestar's merger with SunTrust, Mr. Reynolds was appointed Chief Financial Officer of the new consolidated SunTrust Mortgage, Inc. headquartered in Richmond, VA and promoted to his current position in 2001. Mr. Reynolds' primary responsibilities are Balance Sheet Management, Mortgage Loan Portfolio Management, MSR/Servicing Asset Management, Credit Risk Management, Mergers & Acquisitions, Strategic Planning, Enterprise Risk Management and Production Profitability.
- Bob is a graduate of Hobart College with a degree in Economics and he resides in Richmond, VA.



## ***Company Overview***

- Milestone Advisors, LLC (“Milestone”) is the financial advisory division of Milestone Merchant Partners, LLC. Milestone is a NASD licensed broker/dealer headquartered in Washington, DC with an additional office in Miami, FL.
- Milestone was founded in February 2001 by a group of financial services sector veterans with extensive industry experience and transaction success. Milestone’s core focus is providing investment banking services to institutions and companies within the financial services sector. Our principals and professionals have extensive experience, having completed over \$16 billion in M&A and corporate finance transactions through approximately 270 engagements.
- Milestone’s partners and professionals have particular expertise in working with mortgage companies, banks, thrifts, commercial and consumer finance companies, insurance companies, and asset managers.
- We advise our clients on mergers, acquisitions, capital formation, business development, and other strategic alternatives.
- Milestone is ranked the #1 advisor to Specialty Finance Companies\*

*\*Source: SNL Financial, based on number of transactions, 2004-2005*

## ***Jeffrey M. Levine, Managing Director and Principal***

- Mr. Levine was previously a Managing Director of BayView Financial Advisory Services, a boutique investment banking firm specializing in the mortgage banking industry, whose M&A practice was acquired by Milestone in 2002.
- Mr. Levine has completed over 50 mortgage banking corporate transactions in his career for clients including Morgan Stanley, National City, Royal Bank of Canada, Washington Mutual, Chase Manhattan, Wells Fargo, ABN Amro, Lennar Homes and Independence Community Bancorp.
- Mr. Levine received his Bachelor of Science in Business Administration from the University of Florida.

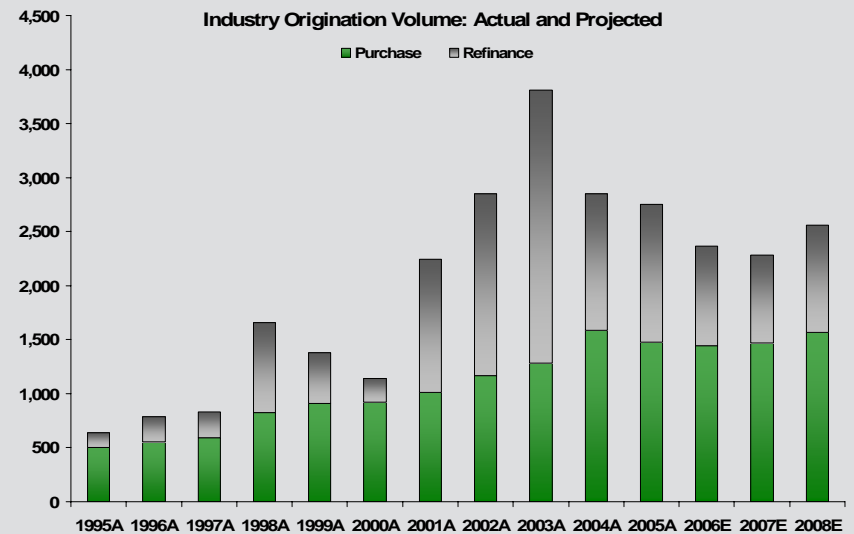
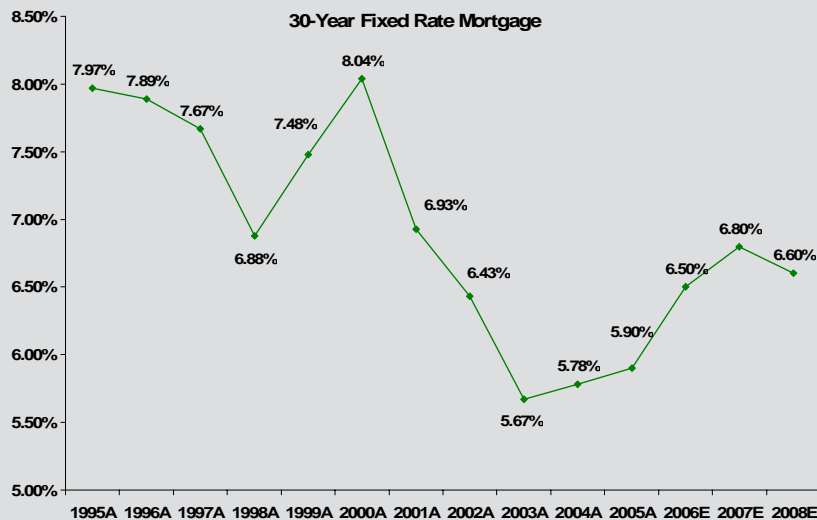


# Mortgage Market Overview

# Mortgage Market Overview – Overall Trends



- Volume decrease in 2006 as refinances slow and the housing market softens.
- Margin compression due to excess capacity.
- Gain on sale margins stabilized, but repurchase expense increasing.



Source: Mortgage Banker's Association

# Mortgage Market Overview – Public Comparables



Company Name	Ticker	Closing Price (\$)	52 W Low (\$)	52 W High (\$)	Market Value (\$M)	Total Assets (\$M)	Total Equity (\$M)	Current Dividend Yield (%)	P/B (%)	P/E (x)
<b>Public Comparable Prime Mortgage Focused C-Corps.</b>										
Countrywide Financial Corporation	CFC	34.95	29.34	43.67	21,390.0	194,984.5	14,297.0	1.72	149.3	7.6
IndyMac Bancorp, Inc.	NDE	40.88	34.40	50.50	2,806.5	23,756.4	1,804.2	4.70	155.5	6.9
Flagstar Bancorp, Inc.	FBC	14.31	12.62	17.06	909.3	15,225.9	803.9	4.19	113.1	8.1
	Mean				8,368.6	77,988.9	5,635.0	3.54	139.3	7.5
	Median				2,806.5	23,756.4	1,804.2	4.19	149.3	7.6
<b>Public Comparable Prime Active Focused REITs</b>										
American Home Mortgage Investment Corp.	AHM	34.92	25.45	36.96	1,750.9	17,325.6	1,253.9	11.57	156.2	6.4
MortgageIT Holdings, Inc.	MHL	13.97	8.86	15.00	406.5	8,704.9	368.5	8.59	110.3	17.5
HomeBanc Corporation	HMB	6.17	5.55	8.99	351.1	7,015.6	392.8	16.86	101.3	51.4
Opteum Inc.	OPX	8.07	7.61	11.35	196.6	4,506.8	200.1	2.48	98.2	NM
New York Mortgage Trust, Inc.	NTR	3.85	3.59	7.28	69.4	1,566.2	89.8	14.55	77.3	NM
	Mean				554.9	7,823.8	461.0	10.81	108.7	25.1
	Median				351.1	7,015.6	368.5	11.57	101.3	17.5
<b>Public Comparable Subprime Mortgage Focused C-Corps.</b>										
Fremont General Corporation	FMT	13.85	12.85	24.87	1,078.4	12,888.4	1,436.6	3.18	75.1	5.1
Accredited Home Lenders Holding Co.	LEND	34.68	30.48	60.13	748.5	10,051.1	664.2	0.00	112.6	4.7
Delta Financial Corporation	DFC	9.19	6.41	10.27	214.7	5,728.2	144.3	2.18	148.8	7.4
	Mean				680.5	9,555.9	748.4	1.79	112.1	5.7
	Median				748.5	10,051.1	664.2	2.18	112.6	5.1
<b>Public Comparable Subprime Focused REITs</b>										
New Century Financial Corporation	NEW	39.16	30.22	51.97	2,197.6	27,325.4	2,138.3	18.90	109.9	5.4
Impac Mortgage Holdings, Inc.	IMH	9.69	7.17	12.40	738.3	22,747.5	1,218.2	10.32	69.7	8.1
ECC Capital Corporation	ECR	1.00	0.95	3.40	100.2	5,006.3	260.2	0.00	38.5	NM
NovaStar Financial, Inc.	NFI	29.40	24.08	38.49	1,005.5	5,069.9	564.4	19.05	206.2	7.4
Fieldstone Investment Corporation	FICC	8.67	7.50	13.99	406.7	6,322.6	483.7	15.69	84.1	27.1
	Mean				889.6	13,294.3	933.0	12.79	101.7	12.0
	Median				738.3	6,322.6	564.4	15.69	84.1	7.7

Performance and Pricing as of 10/03/06

Source: SNL Financial

(1) Pending sale to Deutsche Bank

- Sub-prime REITs and C-Corps have suffered significant price declines as they face performance headwinds:
  - » Countrywide's announcement that volume growth will fall short of target
  - » Accredited and H&R Block realizing higher levels of loan repurchase activity related to early default clauses
- Most sub-prime entities are trading at or below book value multiples:
  - » Sub-prime REIT dividend yields approximate 20% on average for the group.

# Top Residential Originators YTD Q2 2006



(dollars in millions)

Rank	Organization Name	Origination Volume YTD 06	Market Share
1	Countrywide Financial Corp.	\$220,027	13.11%
2	Wells Fargo Home Mortgage	\$206,590	12.31%
<b>3</b>	<b>Washington Mutual</b>	<b>\$104,645</b>	<b>6.24%</b>
4	Chase Home Finance	\$91,738	5.47%
5	CitiMortgage, Inc.	\$84,120	5.01%
6	Bank of America	\$80,811	4.82%
7	Wachovia + Golden West Financial	\$53,722	3.20%
8	GMAC-RFC	\$40,306	2.40%
9	IndyMac Bancorp, Inc.	\$40,037	2.39%
10	GMAC Residential Holdings	\$37,027	2.21%
11	EMC Mortgage	\$36,326	2.17%
12	American Home Mtg. Investment	\$28,104	1.68%
<b>13</b>	<b>SunTrust Mortgage, Inc.</b>	<b>\$26,882</b>	<b>1.60%</b>
14	PHH Mortgage	\$21,269	1.27%
15	ABN Amro Mortgage	\$18,887	1.13%
16	Aurora Loan Services, Inc.	\$18,840	1.12%
17	GreenPoint Mortgage Funding	\$17,657	1.05%
18	First Horizon Home Loans	\$16,643	0.99%
19	MortgageIT	\$14,784	0.88%
20	First Magnus Financial Corp.	\$14,081	0.84%
21	Homecomings Financial	\$13,529	0.81%
22	National City Mortgage	\$12,369	0.74%
23	Taylor, Bean & Whitaker	\$11,291	0.67%
24	U.S. Bank Home Mortgage	\$10,602	0.63%
25	Flagstar Bank, FSB	\$8,961	0.53%
<b>38</b>	<b>Impac Funding Corporation</b>	<b>\$4,306</b>	<b>0.26%</b>

- The top 10 lenders control more than 57% market share.
- Non-Conforming “innovators” are realizing volume growth.
- Conventional originators are seeing volumes decline, unless they diversify.

Source: National Mortgage News

# Top Subprime Residential Originators YTD Q2 2006



(dollars in millions)

Rank	Organization Name	Subprime Volume YTD 06	Market Share
1	Wells Fargo Home Mortgage	\$43,783	9.82%
2	HSBC Finance	\$28,538	6.40%
3	New Century Financial Corp.	\$25,600	5.74%
4	Countrywide Financial Corp.	\$20,411	4.58%
5	Fremont Investment & Loan	\$18,078	4.05%
6	Option One Mortgage Corp.	\$15,963	3.58%
7	Ameriquest Mortgage Corp.	\$15,578	3.49%
8	WMC Mortgage Corp.	\$14,100	3.16%
<b>9</b>	<b>Washington Mutual</b>	<b>\$13,702</b>	<b>3.07%</b>
10	CitiFinancial	\$12,400	2.78%
11	First Franklin Financial	\$12,250	2.75%
12	GMAC-RFC	\$10,483	2.35%
13	Accredited Home Lenders+Aames	\$10,427	2.34%
14	BNC Mortgage, Inc.	\$7,025	1.57%
15	Chase Home Finance	\$5,601	1.26%
16	NovaStar Mortgage, Inc.	\$5,554	1.25%
17	Ownit Mortgage	\$5,458	1.22%
18	Aegis Mortgage Corporation	\$5,020	1.13%
19	Mortgage Lenders Network, USA	\$4,909	1.10%
20	EMC Mortgage	\$3,780	0.85%
21	ResMAE Mortgage Corp.	\$3,516	0.79%
22	First NLC Financial Services	\$3,355	0.75%
23	Decision One Mortgage	\$3,301	0.74%
24	Encore Credit Corporation	\$3,248	0.73%
25	Fieldstone Mortgage	\$2,428	0.54%
<b>49</b>	<b>Impac/Novelle</b>	<b>\$150</b>	<b>0.03%</b>

- Significant M&A activity, along with capital allocation rationing, is creating industry consolidation and market share shifts.
- Bank comfort with the risk/return fundamentals of the sub-prime market is growing (Citi, Wells, HSBC, WAMU).
- The top 10 subprime lenders control % of the market.

# Top Residential Servicers June 30, 2006



(dollars in millions)

Rank	Organization Name	Servicing Volume 6/30/2006	Market Share
1	Countrywide Financial Corp.	\$1,196,720	14.30%
2	Wells Fargo Home Mortgage	\$1,116,561	13.34%
<b>3</b>	<b>Washington Mutual</b>	<b>\$756,613</b>	<b>9.04%</b>
4	Chase Home Finance	\$639,594	7.64%
5	CitiMortgage, Inc.	\$480,589	5.74%
6	Bank of America	\$391,266	4.67%
7	GMAC Residential Holdings	\$305,877	3.65%
8	ABN Amro Mortgage	\$219,562	2.62%
9	National City Mortgage	\$169,588	2.03%
10	Wachovia + Golden West	\$166,826	1.99%
11	PHH Mortgage	\$158,726	1.90%
12	Homecomings Financial	\$118,232	1.41%
<b>13</b>	<b>SunTrust Mortgage, Inc.</b>	<b>\$118,204</b>	<b>1.41%</b>
14	IndyMac Bancorp, Inc.	\$117,417	1.40%
15	First Horizon Home Loans	\$99,304	1.19%
16	U.S. Bank Home Mortgage	\$93,457	1.12%
17	Aurora Loan Services, Inc.	\$84,756	1.01%
18	HSBC Mortgage Corp. USA	\$64,902	0.78%
19	Dovenmuehle Mortgage	\$63,250	0.76%
20	EMC Mortgage	\$59,421	0.71%
21	Branch Banking & Trust Co.	\$56,771	0.68%
22	GreenPoint Mortgage Funding	\$49,237	0.59%
23	Cenlar FSB	\$47,000	0.56%
24	Flagstar Bank, FSB	\$42,146	0.50%
25	American Home Mtg. Investment	\$39,148	0.47%
<b>29</b>	<b>Impac Funding Corporation</b>	<b>\$26,265</b>	<b>0.31%</b>

- Non-conforming originators are enjoying growth in servicing portfolios.
- Wachovia's pending transaction with Golden West Financial will position it as a top 10 servicing player.
- Servicing is also experiencing strategic market repositioning, as evidenced by WAMU's pending \$140 Bn servicing sale, and the recent sale/exit of smaller servicing shops (e.g., Irwin, NetBank).

Source: National Mortgage News

# Top Subprime Servicers June 30, 2006



(dollars in millions)

Rank	Organization Name	Total Servicing Vol. 6/30/2006	Market Share
1	Countrywide Financial Corp.	\$115,615	9.01%
2	Ameriquest Mortgage Corp.	\$112,000	8.73%
3	Chase Home Finance	\$78,406	6.11%
4	Option One Mortgage Corp.	\$74,060	5.77%
5	CitiFinancial	\$62,000	4.83%
6	Homecomings Financial	\$54,032	4.21%
7	HSBC Mortgage Services	\$50,522	3.94%
8	Wells Fargo Home Mortgage	\$47,202	3.68%
9	Ocwen Financial Corp.	\$46,385	3.62%
10	Litton Loan Servicing Inc.	\$46,069	3.59%
11	National City Home Loan	\$44,201	3.45%
12	Homeq Servicing Corp.	\$42,298	3.30%
13	New Century Financial Corp.	\$39,700	3.09%
14	Saxon Mortgage	\$25,931	2.02%
15	Fremont Investment & Loan	\$24,900	1.94%
16	Select Portfolio Servicing	\$24,621	1.92%
17	EMC Mortgage	\$22,163	1.73%
<b>18</b>	<b>Washington Mutual</b>	<b>\$19,779</b>	<b>1.54%</b>
19	NovaStar Mortgage, Inc.	\$15,784	1.23%
20	Accredited Home Lenders+Aames	\$14,243	1.11%
21	Key Consumer Real Estate	\$13,449	1.05%
22	Mortgage Lenders Network, USA	\$13,200	1.03%
23	Wilshire Credit Corp.	\$13,000	1.01%
24	Equity One, Inc.	\$10,591	0.83%
25	Nationstar Mortgage/Centex	\$10,193	0.79%
<b>Submitted Totals:</b>		<b>\$1,069,003</b>	<b>77.03%</b>

- Three notable Wall Street transactions: Merrill Lynch's acquisition of First Franklin, Morgan Stanley's acquisition of Saxon Capital, and Barclay's acquisition of HomeEq.
- KeyCorp positioning to sell Champion Mortgage.
- Accredited Home Lender's recent transaction with Aames will position it as a top 20 player.

Source: National Mortgage News

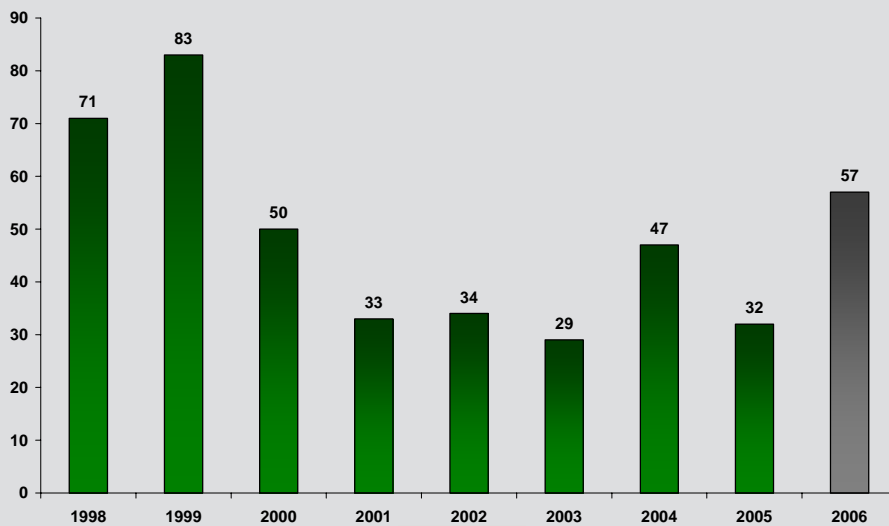


## Mortgage Finance M&A Activity

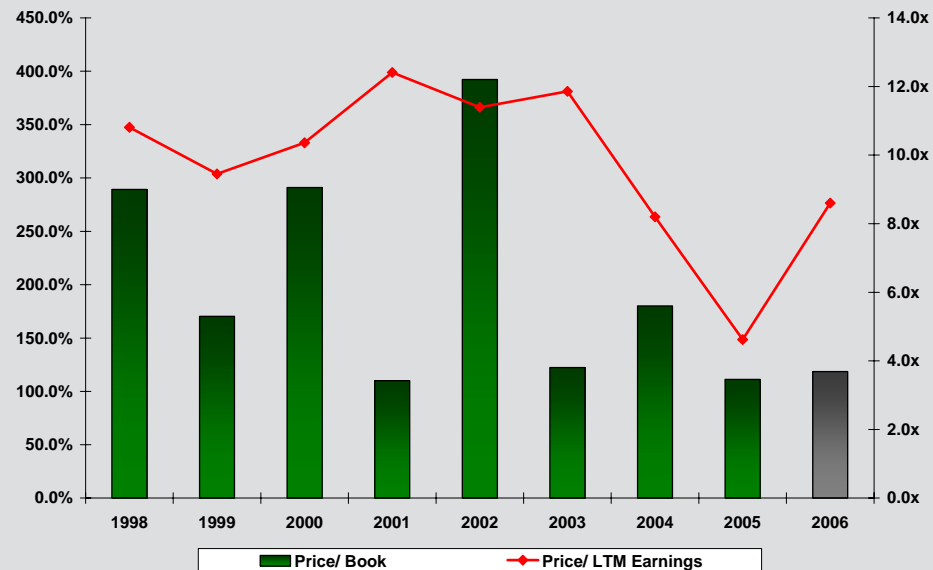
# Mortgage Finance M&A Activity



- There is a high level of M&A activity across all sectors of the mortgage industry
  - » As M&A activity has increased and profit margins have declined, relative pricing multiples have also declined
  - » Premiums are being paid for strategic opportunities



Source: SNL Financial



Source: SNL Financial

- See the following list of selected residential mortgage M&A deals:

# Select Residential Mortgage M&A Transactions

since January 2003



Buyer Name	Target Name	Announce Date	Deal Value (\$M)	Deal Value/ Total Originations (%)	Price/ Book (%)	Price/ LTM Earnings (x)
NovaStar Financial, Inc.	Oak Street Mortgage (21 retail locations)	09/12/2006	NA	NA	NA	NA
Merrill Lynch	First Franklin/ NationPoint	09/05/2006	1,300.0	4.4	200.0	10.0
HSBC Finance Corporation	Solstice Capital Group Inc.	08/29/2006	NA	NA	NA	NA
Morgan Stanley	Saxon Capital, Inc.	08/09/2006	705.8	21.5	118.6	8.6
Freedom Mortgage Corporation	Irwin Financial Corporation (origination business)	08/07/2006	NA	NA	NA	NA
Deutsche Bank	MortgageIT Holdings	07/12/2006	431.2	1.3	119.7	18.2
Opteum Inc.	Aclarian Mortgage	07/12/2006	NA	NA	NA	NA
Accredited Home Lenders	Aames Investment Corp.	05/26/2006	331.1	4.8	129.2	NM
Deutsche Bank	Chapel Funding LLC	05/17/2006	NA	NA	NA	NA
Cerberus Capital Management, LP	General Motors Acceptance Corporation	04/02/2006	7,353.0	NA	102.4	6.0
Fortress Investment Group LLC	Centex Home Equity Company, LLC	03/30/2006	70.3	1.3	120.1	7.5
Bank of Nova Scotia	Mortgage business of Maple Financial Group	02/14/2006	202.2	NA	NA	NA
American Home Mortgage Investment Corp.	Waterfield Mortgage Co.	01/12/2006	NA	NA	NA	NA
Morgan Stanley	Advantage Home Loans	12/06/2005	NA	NA	NA	NA
Bimini Mortgage Management Inc.	Opteum Financial Services, LLC	09/29/2005	81.2	NA	106.8	2.1
Wachovia Corporation	AmNet Mortgage, Inc.	09/13/2005	80.8	0.7	111.6	NM
WDM Fund L.P.	United Financial Mortgage Corp.	09/06/2005	35.8	1.3	110.8	25.6
Popular, Inc.	Infinity Mortgage Corporation	09/01/2005	10.9	5.0	NA	NA
Popular, Inc.	E-LOAN, Inc.	08/03/2005	298.6	5.8	311.7	70.8
New Century Financial Corporation	RBC Mortgage Company	05/27/2005	80.6	0.5	NA	6.8
American Home Mortgage Investment Corp.	Irwin Mortgage (retail mortgage offices)	03/14/2005	NA	NA	NA	NA
Pinnacle Financial Corporation	Irwin Mortgage (retail mortgage offices)	03/14/2005	NA	NA	NA	NA
First Horizon National Corporation	Greenwich Home Mortgage Corporation	03/01/2005	8.2	NA	NA	NA
Friedman, Billings, Ramsey Group, Inc.	First NLC Financial Services, Inc.	01/10/2005	88.0	5.1	447.1	4.6
Capital One Financial Corporation	eSmartloan.com, Inc.	12/14/2004	155.0	NA	NA	NA
New York Mortgage Trust, Inc.	Guaranty Residential Lending (retail mortgage offices)	11/04/2004	1.6	NA	NA	NA
LendingTree, Inc.	Home Loan Center	09/08/2004	NA	NA	NA	NA
Texas Regional Bancshares, Inc.	Valley Mortgage Co. Inc.	06/09/2004	13.6	NA	239.0	5.1
Citigroup, Inc.	Principal Residential Mortgage Inc.	05/11/2004	1,260.0	2.1	129.9	NA
GE Consumer Finance	WMC Finance Co.	04/04/2004	NA	NA	NA	NA
Royal Bank of Canada	Sterling Capital Mortgage Company	07/17/2003	100.0	2.0	331.1	7.9
American Home Mortgage Investment Corp.	American Mortgage LLC	06/19/2003	1.6	0.1	100.0	NA
		Mean	600.5	4.0	178.5	14.4
		Median	88.0	2.1	120.1	7.7

- Conduits and private equity groups have been active buyers.
- Prime / sub-prime REITs and bank-owned sub-prime entities have been selling.

Source: SNL Financial, other public research



- The value drivers for acquisitions:
  - » Strategic Buyers: looking for volume expansion and cost efficiency opportunities
    - Examples include Wells Fargo's \$140 Bn purchase of mortgage servicing rights from Washington Mutual and Accredited Home Lenders' purchase of Aames
  - » Wall Street: looking to secure volume flows, capture spread opportunities, and better control servicing effectiveness
    - Examples include Merrill Lynch's purchase of First Franklin / NationPoint, Morgan Stanley's purchase of Saxon Capital and Deutsche Bank's purchase of MorgageIT
  - » Private Equity: looking to capitalize on financial acquisitions at attractive valuations
    - Fortress' acquisition of Centex Corp's sub-prime home equity lending platform
    - Cerberus lead private investor group majority acquisition of GMAC
- The value drivers for divestiture:
  - » Decreasing industry volumes and economies of scale
  - » Flat yield curve and increasing cost of capital
  - » Deterioration of book value
  - » Expense burden of being public



## Panelist Presentations

# Forward-Looking Statements



The following presentations may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond the presenting companies' control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "should", "believe," "expect," "likely," "should," "anticipate," or similar terms or variations on those terms or the negative of those terms, and may include statements regarding the companies' mortgage loan margins and profitability. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors. For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in each presenting company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The following presentations speak only as of its date and none of the companies undertake, and specifically disclaim any obligation, to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.



**Michael R. Zarro, Jr**  
**SVP, Strategy and Business Development**  
**WAMU Home Loans**

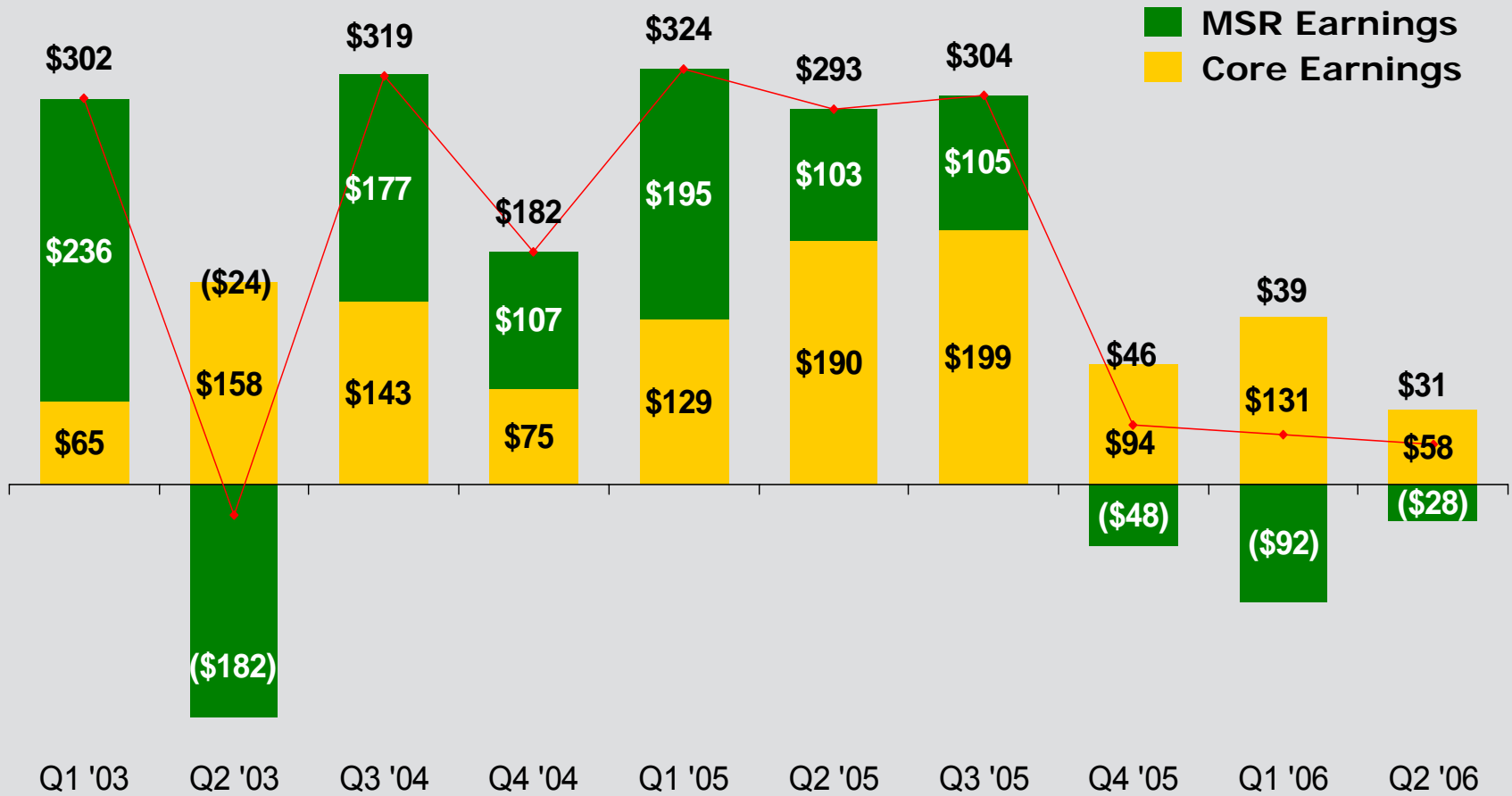


- Changing external environment
- Business model built for overall market share
- Cost structure “hung-over” from acquisitions and refi-boom
- Earnings disproportionately market-risk driven



## Home Loans Net Income

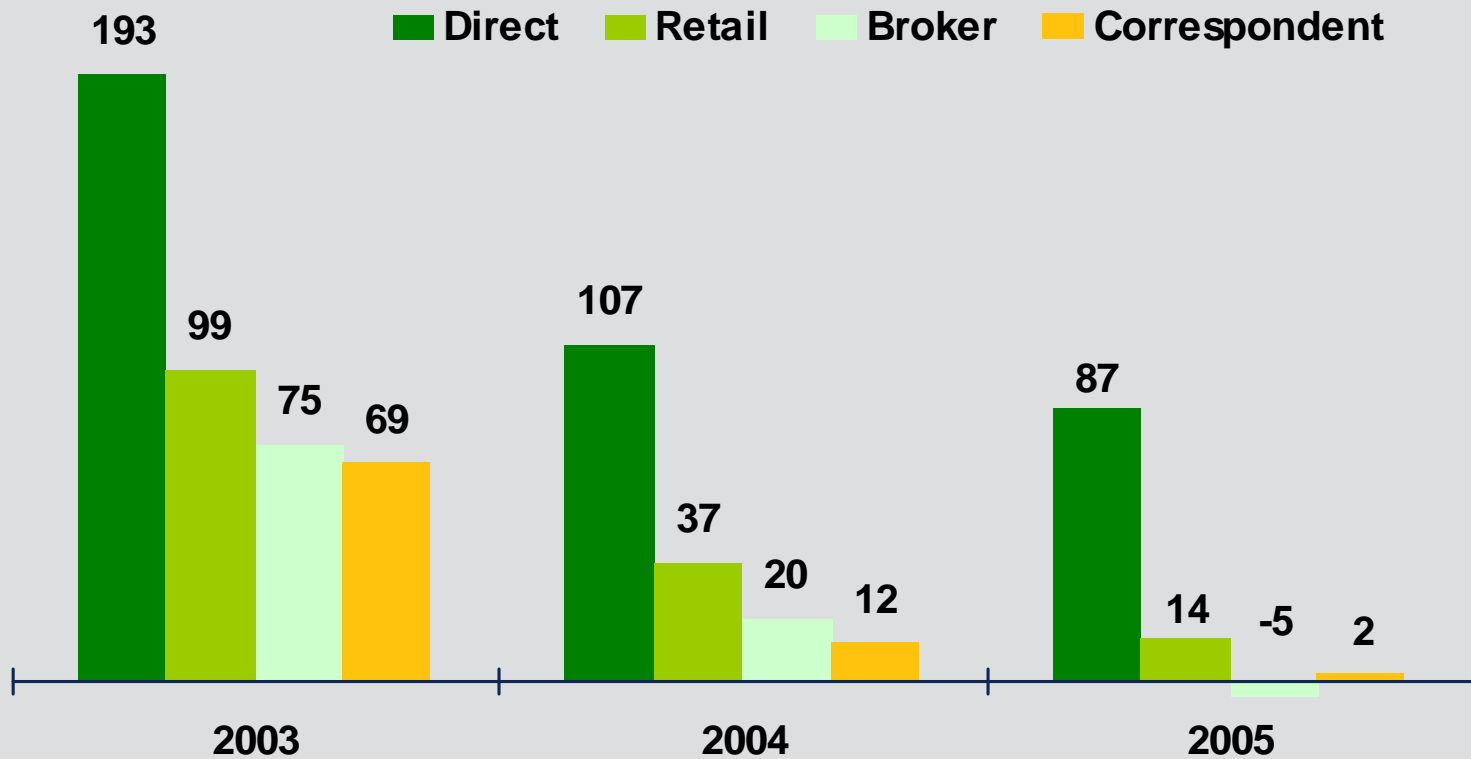
(\$ in millions)



# Industry Margin Pressure



(in basis points)



Source: Stratmor Spring 2006 Results, excludes Subprime



- **Market Leader in High Margin Products**

Objective: Growth in Home Equity, Subprime, Alt A, Option ARM product groups

- **Stable Earnings**

Objective: Reduce Exposure to MSR

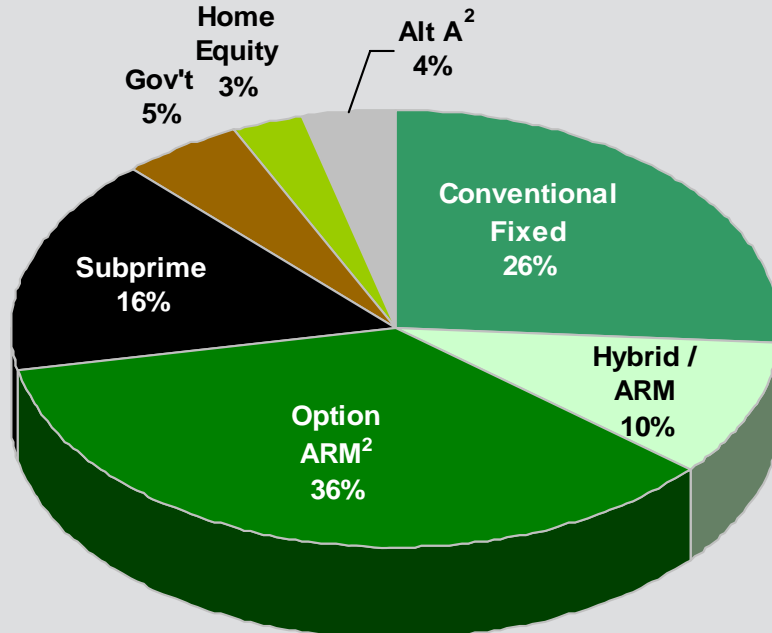
- **Efficient Operating Structure**

Objective: Continue to attack the cost structure

# Shift to Higher Margin Products



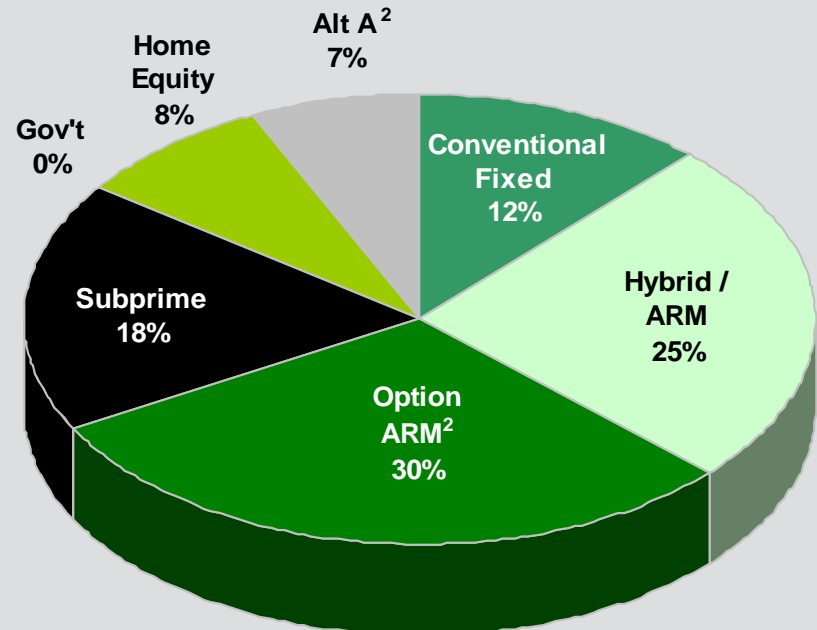
2Q '05



59%

"Higher Margin"

2Q '06<sup>1</sup>



63%

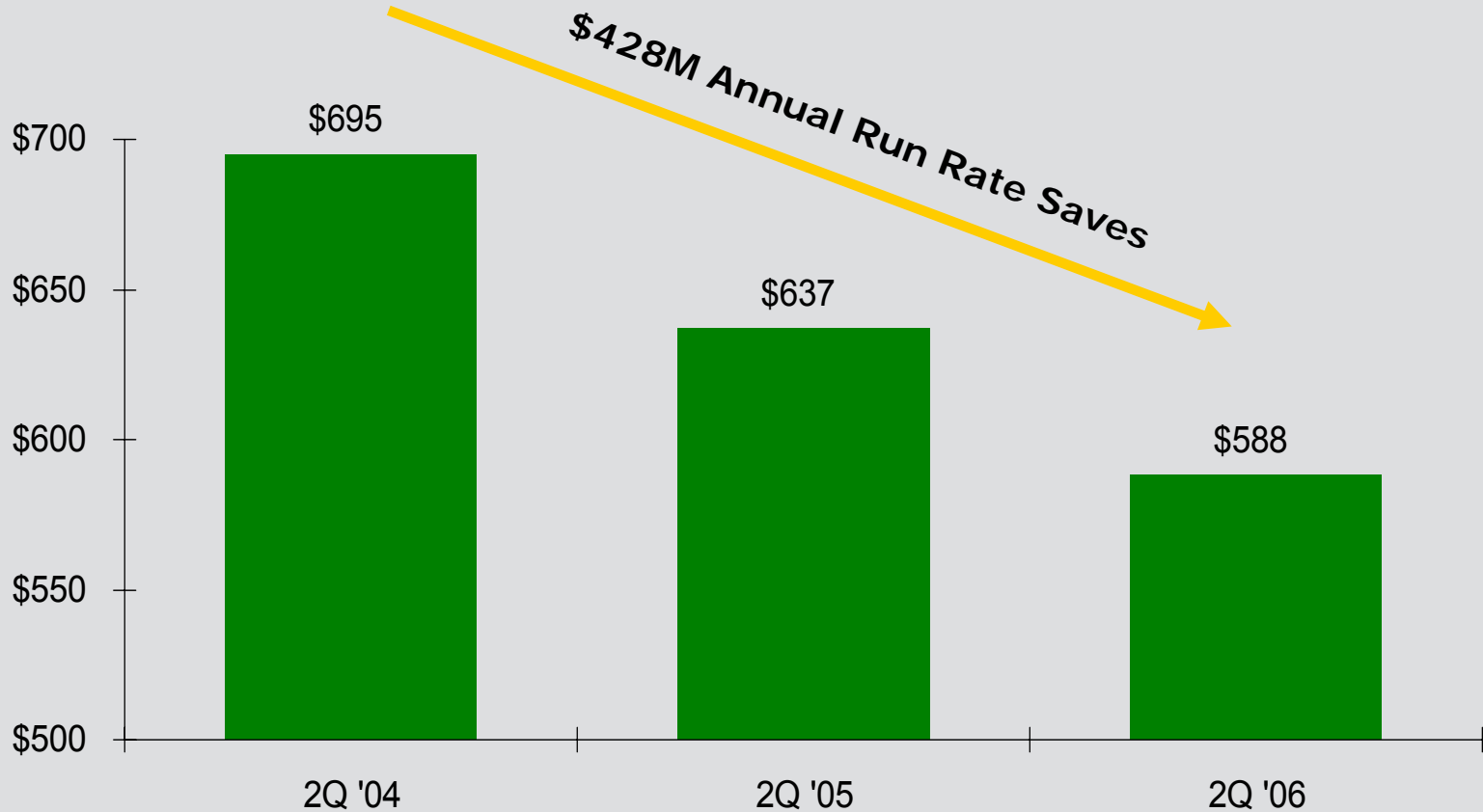
**Targeting 80%+ of Production in Higher Margin Products**

<sup>1</sup> Correspondent originations excluded in 2Q '06 to reflect realignment to Conduit

<sup>2</sup> Alt A Option ARM volume reflected in Option ARM category



## Noninterest Expense



Employees

20,177

15,048

13,964



Strategic Objectives	Execution
<b>Growth in Higher Margin Products</b>	<ul style="list-style-type: none"><li>• Increased Home Equity and Alt A volume</li><li>• Introduce non-prime into Retail channels</li><li>• Realigned traditional Correspondent to Conduit</li><li>• Exited Government lending and servicing</li></ul>
<b>Reduce MSR Exposure</b>	<ul style="list-style-type: none"><li>• Sold \$2.6 billion of mortgage servicing rights</li><li>• Structured fixed rate at 1/8<sup>th</sup> service fee</li></ul>
<b>Attack Cost Structure</b>	<ul style="list-style-type: none"><li>• Integrated all Single Family Lending into one organization</li><li>• Consolidated sites and systems<ul style="list-style-type: none"><li>» Core servicing sites to 2</li><li>» Loan origination systems down to 3</li><li>» Loan fulfillment centers down by 13</li></ul></li><li>• Outsourcing and offshoring</li></ul>



- Alignment with Shareholders
- Decisiveness
- Focus on Execution



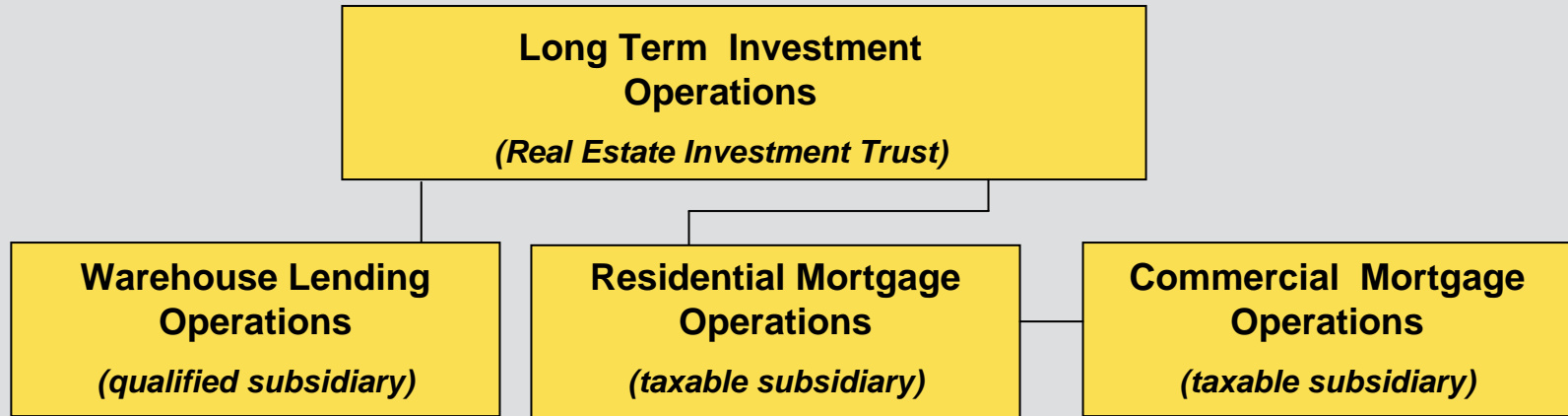
**Richard J. Johnson**  
**EVP and Chief Operating Officer**  
**Impac Mortgage Holdings, Inc.**





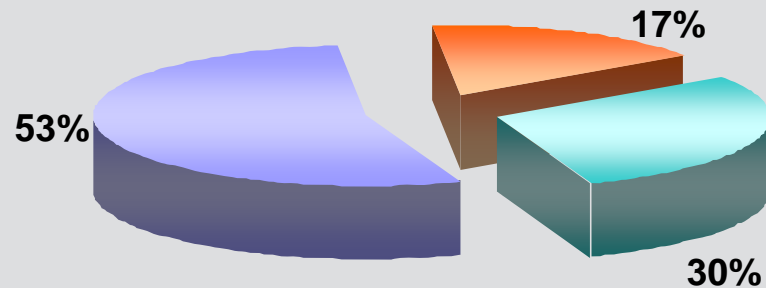
- Initial Public Offering in 1995
- \$22 Billion Real Estate Mortgage REIT
- 7<sup>th</sup> Largest Alt A Originator in the Nation (1)
  - » \$23.1 Billion in Acquisitions and Originations in 2005
- 27<sup>th</sup> Largest Securitizer in the World (2)
  - » \$14.0 Billion in Securitizations in 2005
- 10<sup>th</sup> Largest Warehouse Lender in the Nation (3)
  - » \$633 million in non-syndicated residential warehouse lines
- \$1.2 Billion in Stockholders Equity (4)

- 1) 12/31/05 National Mortgage News
- 2) 1/13/06 Asset Backed Alert
- 3) October 2005 Reynolds Warehouse Survey, among non-syndicated warehouse lenders
- 4) At 6/30/2006



## Estimated Taxable Income by Business Operation

QTD at June 30, 2006



- Long Term Investment Operations
- Mortgage Operations
- Warehouse Lending Operations



## *Balance Sheet Primary Component of Estimated Taxable Earnings*

- Short-Term Interest Rates Forecasts
  - » Expect Continued Benefit from Cash Receipts from Derivatives (Swaps)
  - » Expect Adjustable Rate Assets to More Fully Adjust
- Constant Prepayment Speeds (CPR) Trends
  - » CPRs have Stabilized Since Highs of 2005
  - » Strong Data Indicating Housing Market is Cooling
    - US Home Prices Continued to Rise, but Rate of Increase Fell Sharply <sup>(1)</sup>  
(up an annualized Rate of 4.68% at 2Q 2006 as compared to 8.8% at 2Q 2005)
  - » Recent Forecasts Project 2007 Median House Sales Price Decline of 2.6% <sup>(2)</sup>
- Credit Trends
  - » Invested in Alt-A and Commercial Loans with Historical Superior Performance
  - » Concentrated in Geographical Areas with Favorable HPA & Employment Characteristics
  - » Expect Future Delinquencies and Actual Losses to Increase as a Result of Slower Prepays and Decline in Housing Value

(1) OFHEO House Price Index September 5, 2006

(2) Moody Economy.com, private research firm owned by Moody'sCorp, October 4, 2006

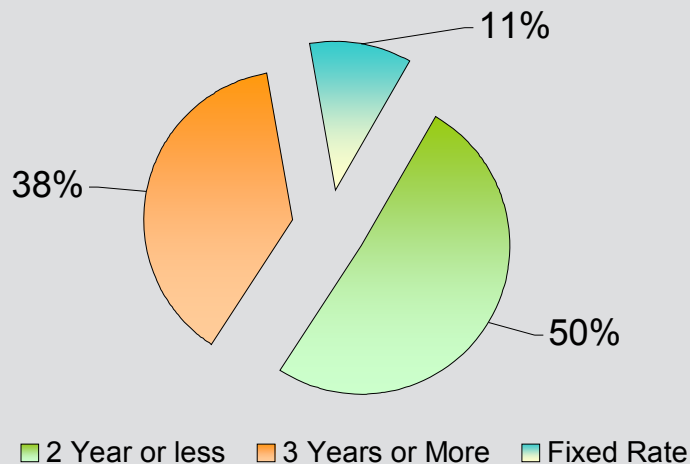


## *Investment Decisions*

- Continue to Selectively Add Longer Duration, Higher Credit Quality Loans
  - » 86% of Loans Acquired were 3 Years or More Duration
- Securitization Strategies Based on Best Execution and Liquidity Needs
- Evaluate Alternative Investment Strategies to Maximize Risk Adjusted Returns

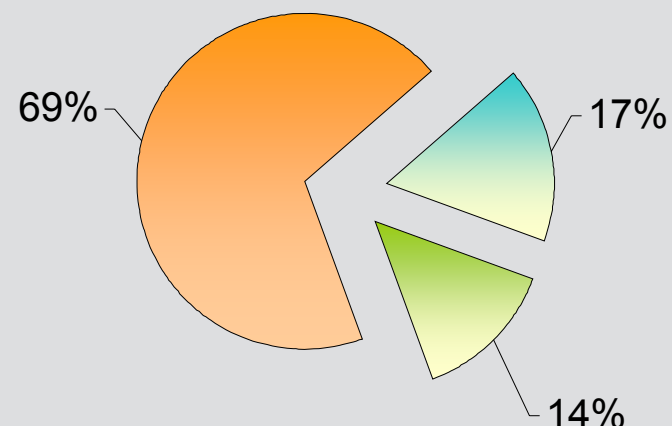
### Securitized Mortgage Portfolio

Year End 12/31/2005



### Loans Acquired by the REIT

YTD 8/30/2006



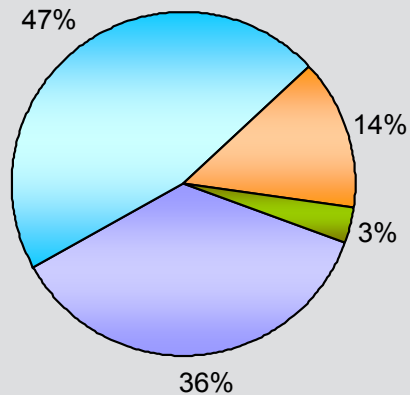


## *Focus Growth Strategy on Wholesale Alt A and Commercial Platforms*

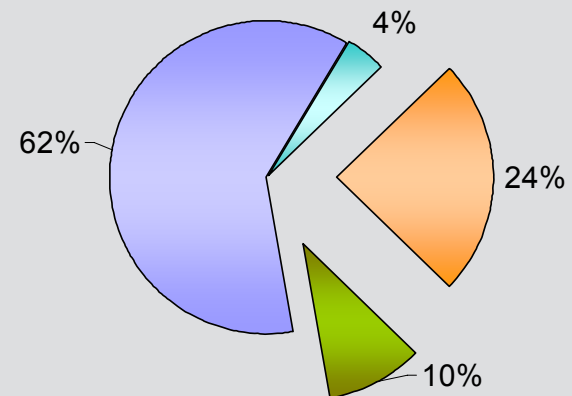
- Expand Sales and Marketing Efforts into New Geographical Areas
- Introduce New Loan Products and Targeted Marketing
- Evaluate Strategic Acquisitions to Grow Origination Platforms

### Total Loan Acquisitions and Originations

YE 2005



YTD 6/30/2006



■ Correspondent Flow ■ Correspondent Bulk ■ Wholesale Alt-A ■ Commercial



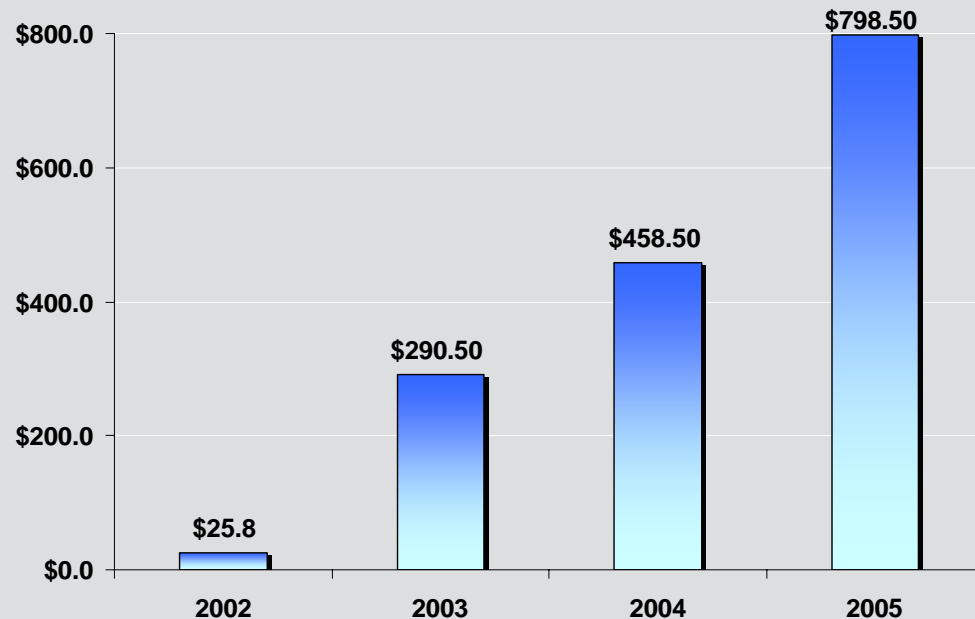
## *Expansion of Small Balance Commercial Platform*

- Superior Credit and Prepayment Characteristics
- Operate in Three Locations: Orange County, Chicago and Denver

### **Credit Performance of Commercial Portfolio** *Quarter Ended June 30, 2006*

• Weighted Average Credit Score	730
• Weighted Average LTV	67%
• Purchase / Refinance	52 / 48
• First Lien	100%
• Average Loan Balance	\$ 1.03 m
• 3 Month Constant Prepayment Rate	10%
• Delinquency	1 loan
• Annualized Losses	0%

### **Impac Commercial Capital Corporation (ICCC)** **Total Originations**

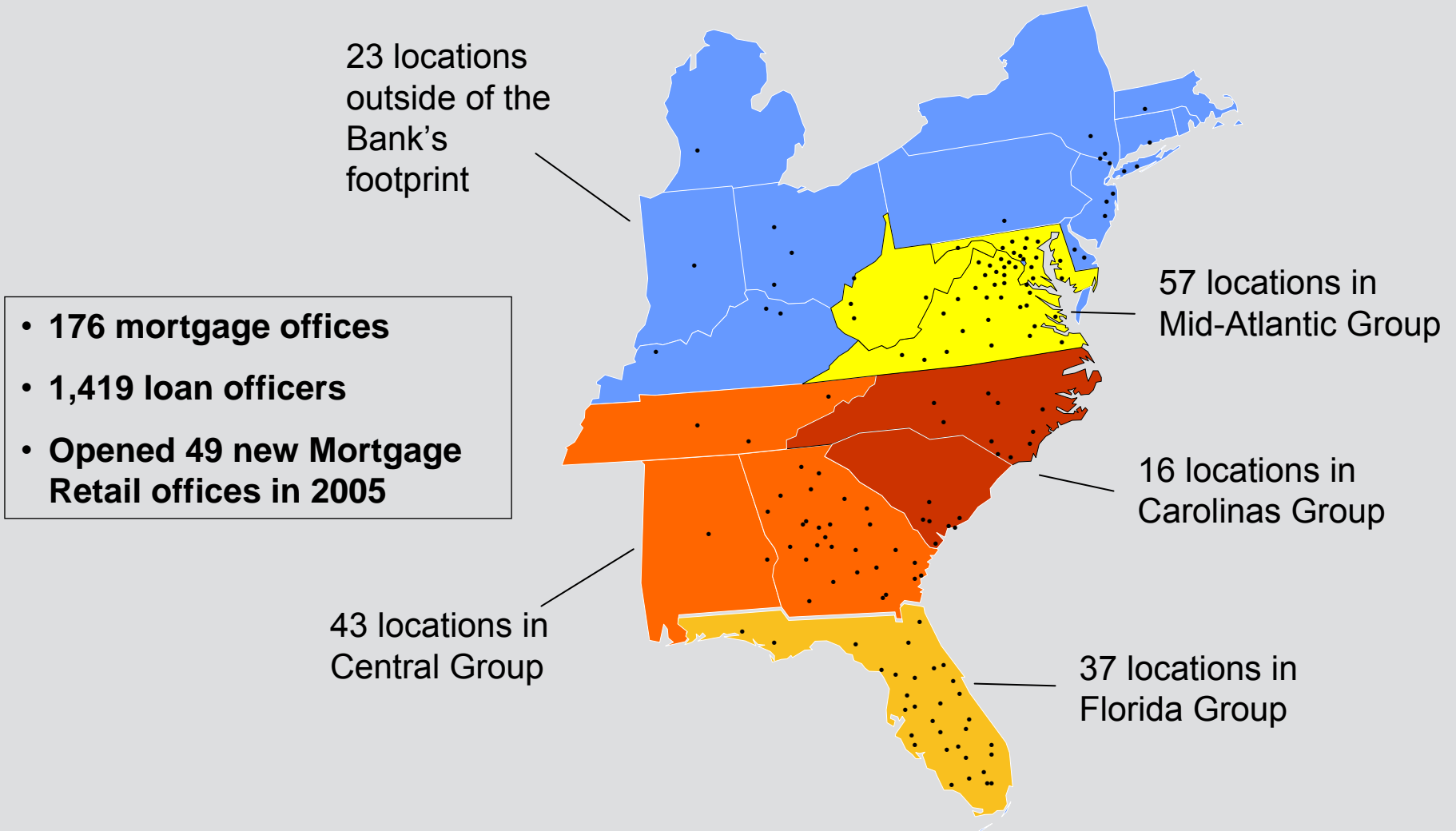




**Bob Reynolds**  
**Chief Administrative Officer**  
**SunTrust Mortgage**

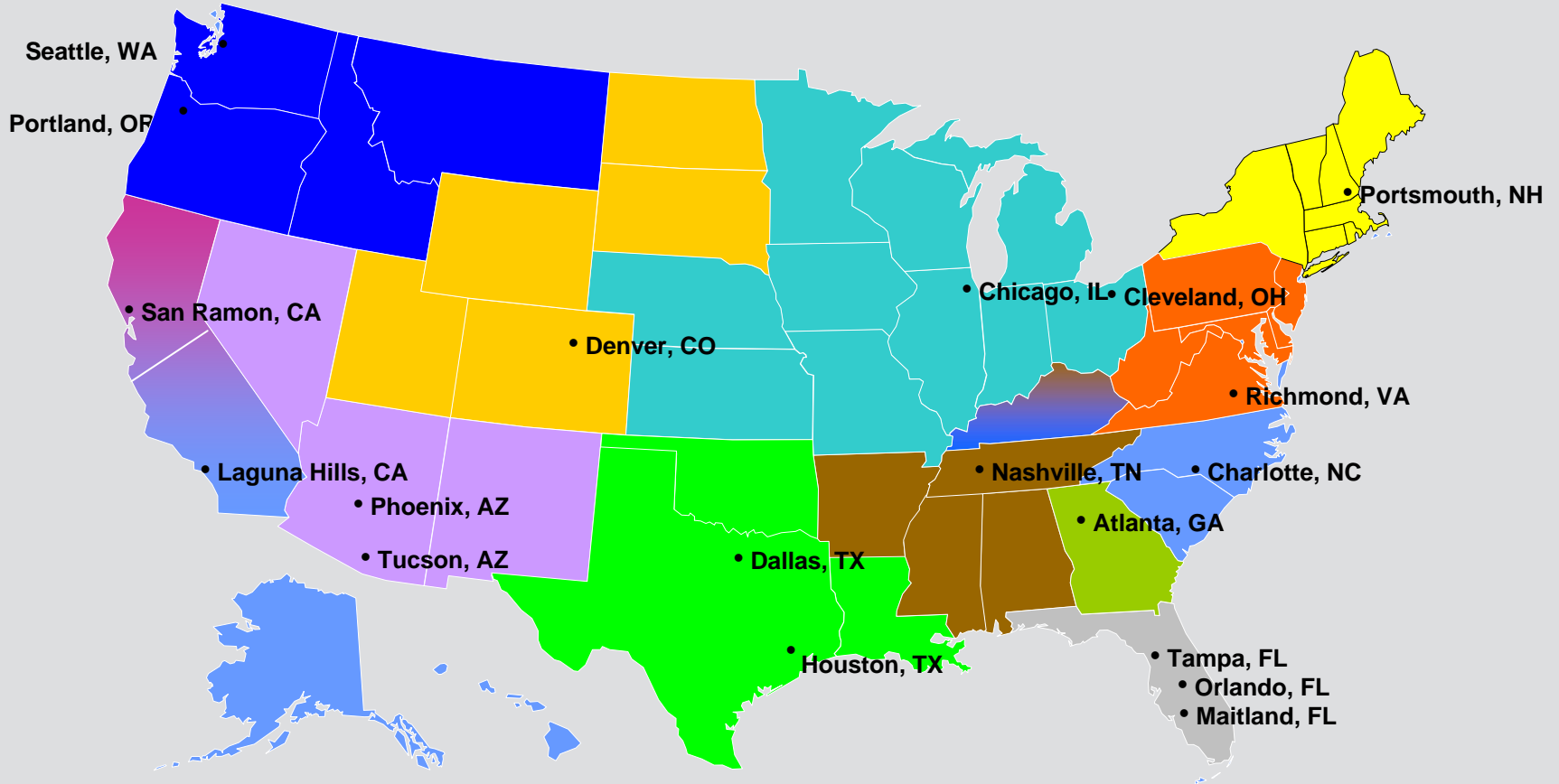


# Geographic Locations – Retail



Source: STM Branch Listing, December 2005

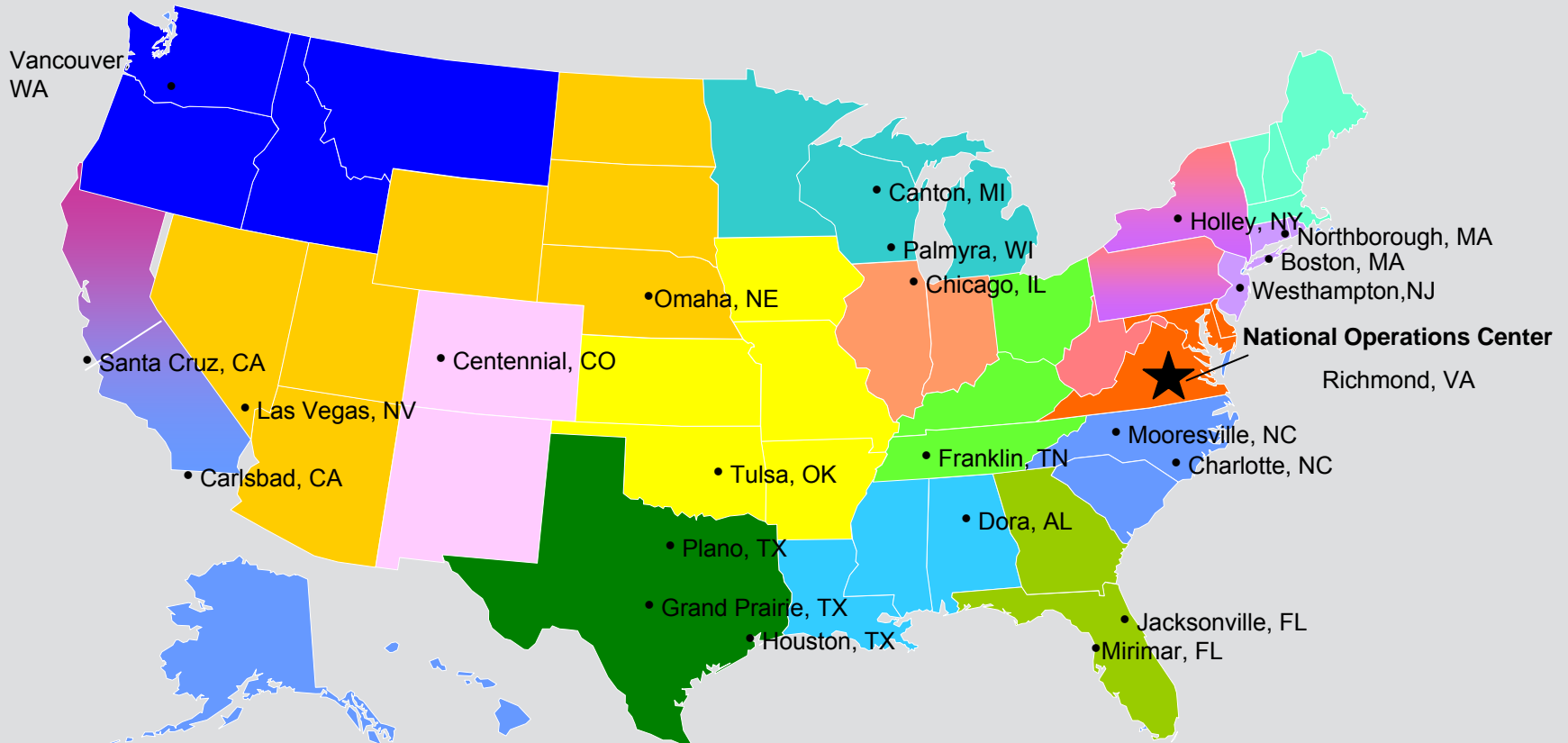
# Geographic Locations – Wholesale



- 19 Regional Operations Centers

Source: STM Branch Listing

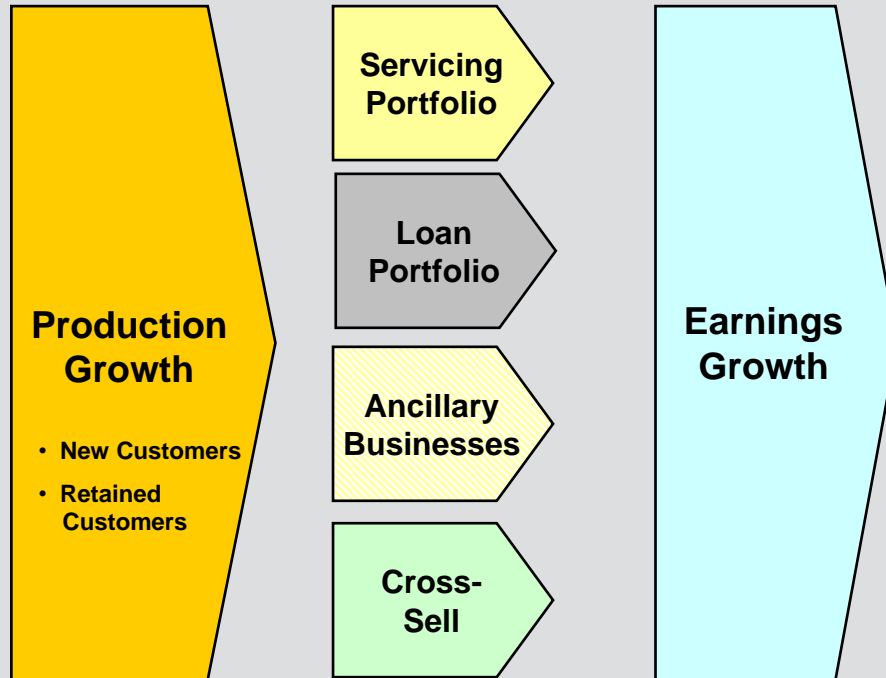
# Geographic Locations – Correspondent



Source: STM Branch Listing

- 24 Sales Offices
- Operations in Richmond Headquarters

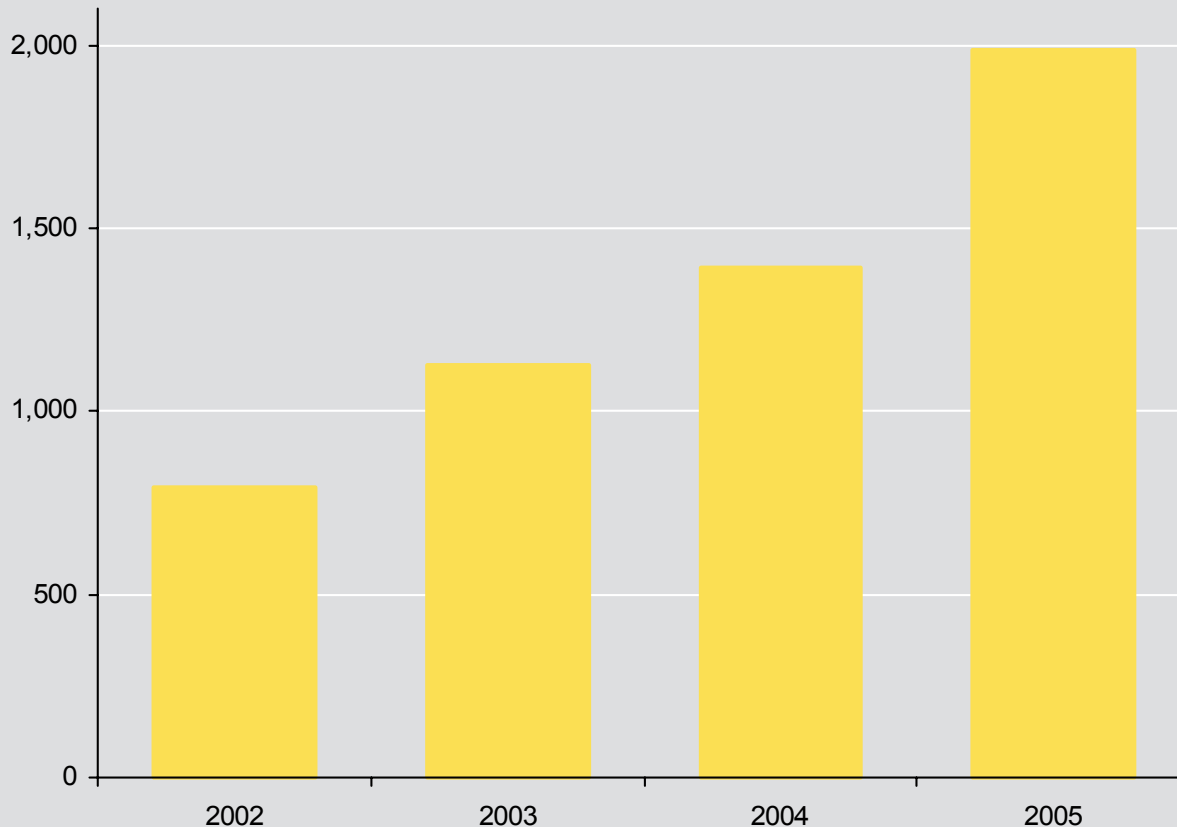
# Production Growth Drives Earnings Growth



**MORTGAGE'S MAJOR STRATEGIES FOCUS ON PRODUCTION GROWTH**

- Growth in production increases servicing portfolio
  - » Retention opportunities
  - » Escrow deposits
- Increasing loan portfolio balances provide a steady income stream
- Ancillary businesses grow
  - » Captive reinsurance
  - » Tax services
- Production growth also fuels cross-sell
  - » Home Equity
  - » Deposits
  - » Consumer Loans
  - » Credit Card
  - » Wealth and Investment Mgmt

# SunTrust Mortgage's Sales Force Growth



**SunTrust Mortgage Sales Force Growth = 40% CAGR**

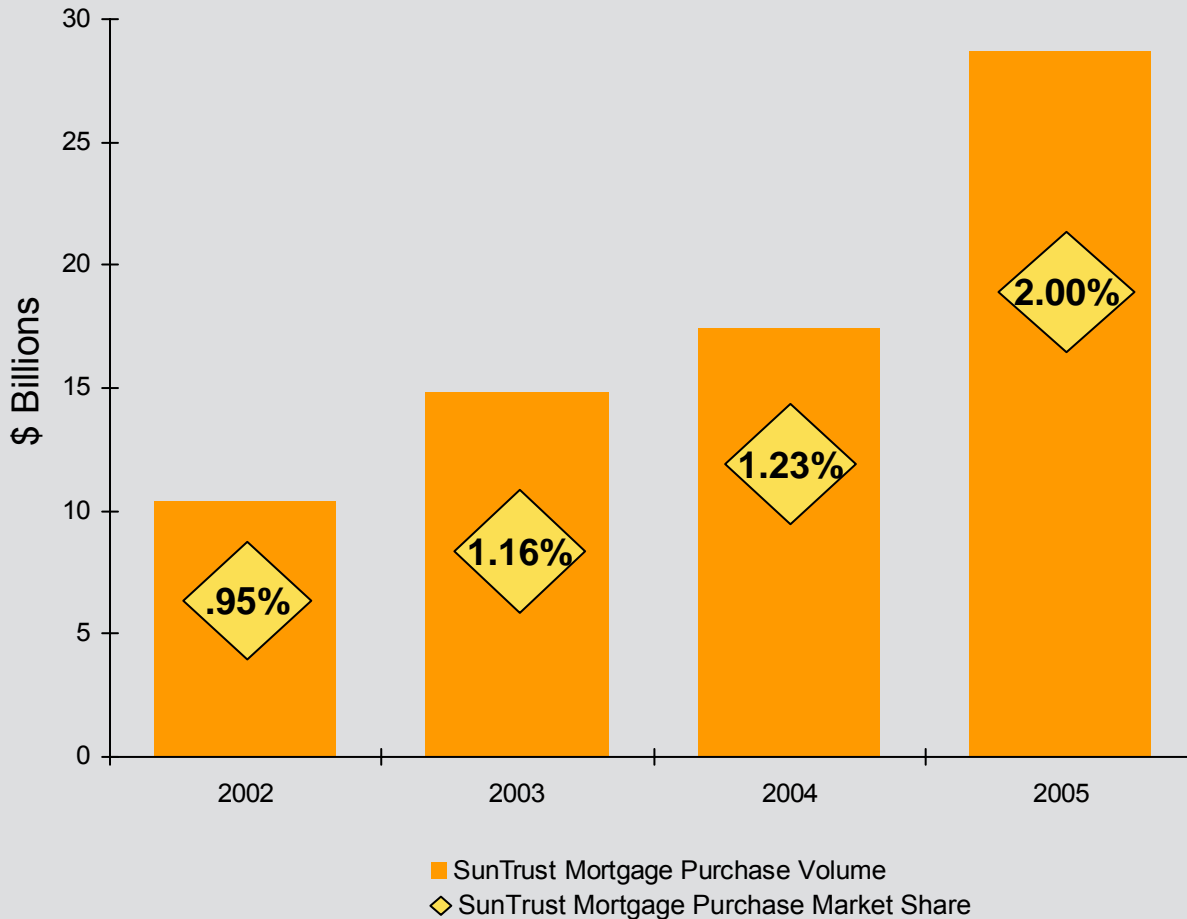
Sales force excludes sales assistants.

<sup>1</sup>*Mortgage Originator*, April, 2006. "Top 200 2005 – Dollar Volume".

## Results

- Retained 98% of Top Producers
- Average annual production per loan officer = \$20MM
- 18 SunTrust loan officers recently listed in *Mortgage Originator's* "Top 200 Originators 2005"<sup>1</sup>

# SunTrust Mortgage's Consistent Growth



Sales Force  
Growth Drives  
Purchase  
Volume and  
Market Share  
Growth

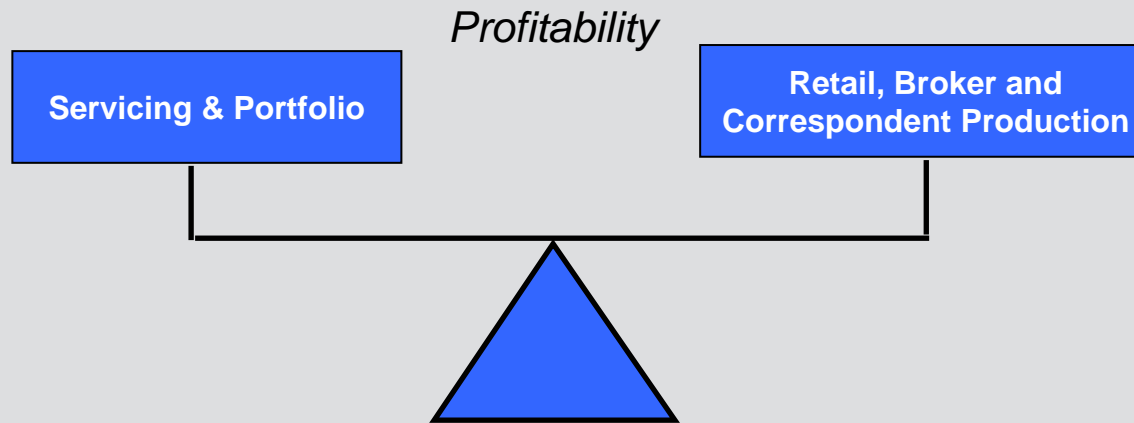
SunTrust  
Mortgage  
Purchase  
Originations  
Growth = 36%  
CAGR

Market Share Source: *Inside Mortgage Finance*.





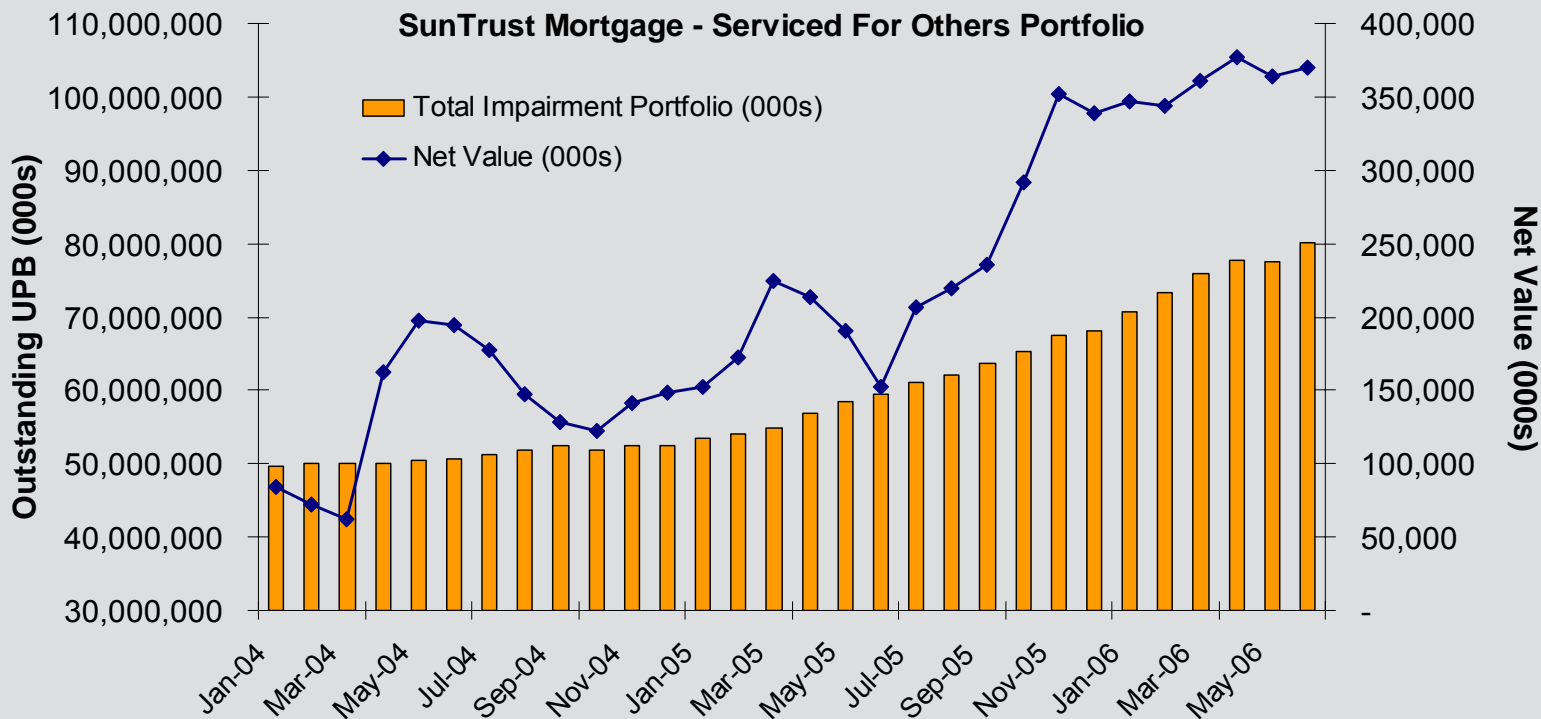
Use natural hedge of servicing and the mortgage portfolio to offset the cyclical nature of loan origination business



## Strategy Highlights:

- Retain Servicing associated with 90%+ of originated volume
- Retain “Portfolio” production as held for investment: Hybrid (i.e. 3/1, 5/1, 7/1) ARMs, closed-end second lien mortgages, and construction-permanent loans
- Sell whole loans servicing released for products which do not fit our risk profile
- Mitigate impairment risk by amortizing paid-in-full mortgage servicing rights

# SunTrust Mortgage Servicing Portfolio

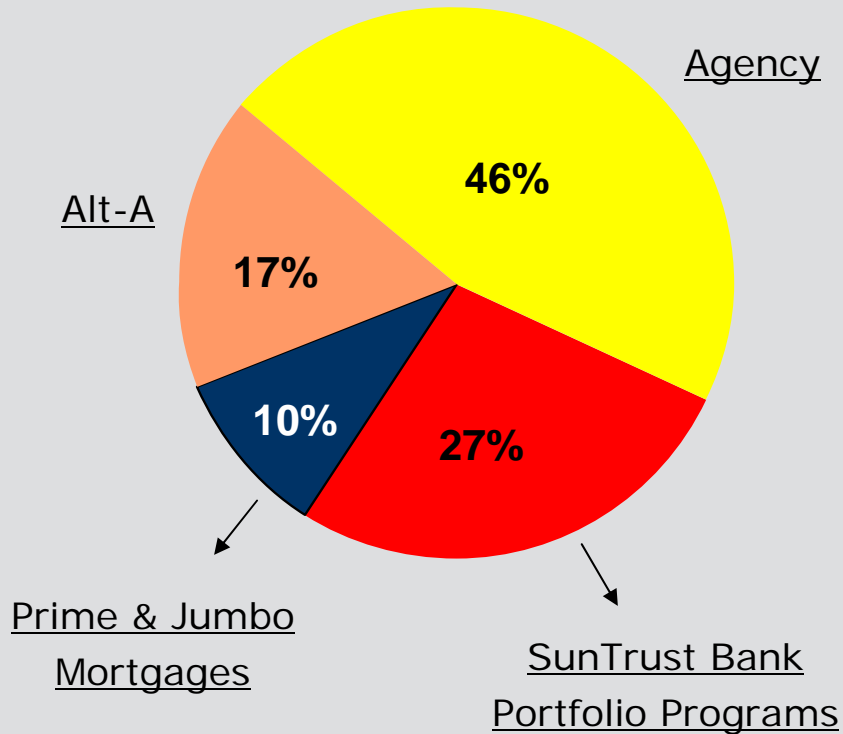


- MSR Portfolio is managed to balance the overall Mortgage LOB volatility
- Using origination capabilities as the balancing factor to the MSR Portfolio eliminates the need for financial hedges and thus the market value appreciation is not offset by hedge losses
- Surgical MSR sales are used to manage the balance in higher rate environments

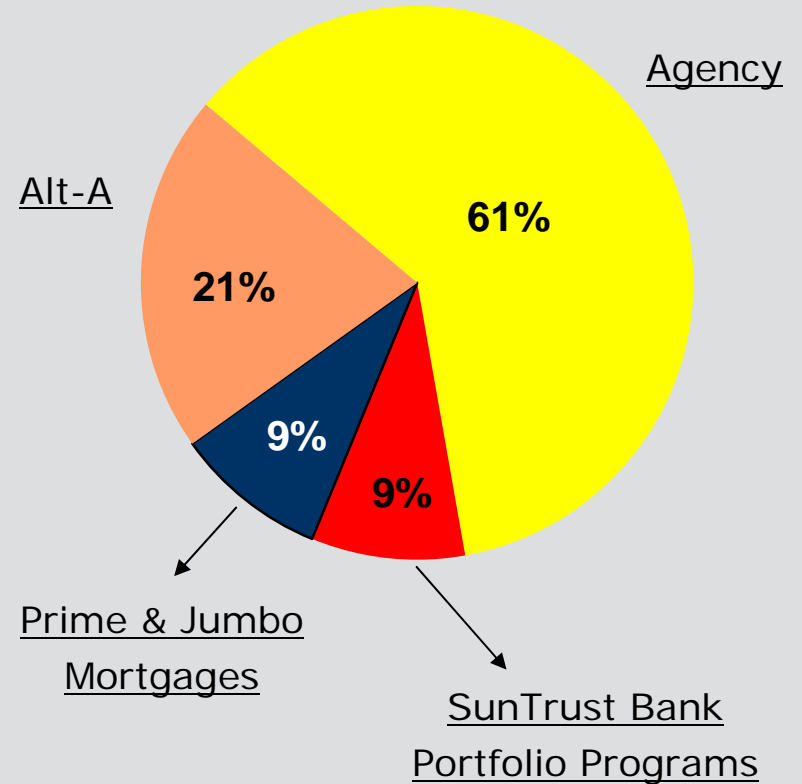
# SunTrust Mortgage: *Diverse and Flexible Origination Mix*



02/2006



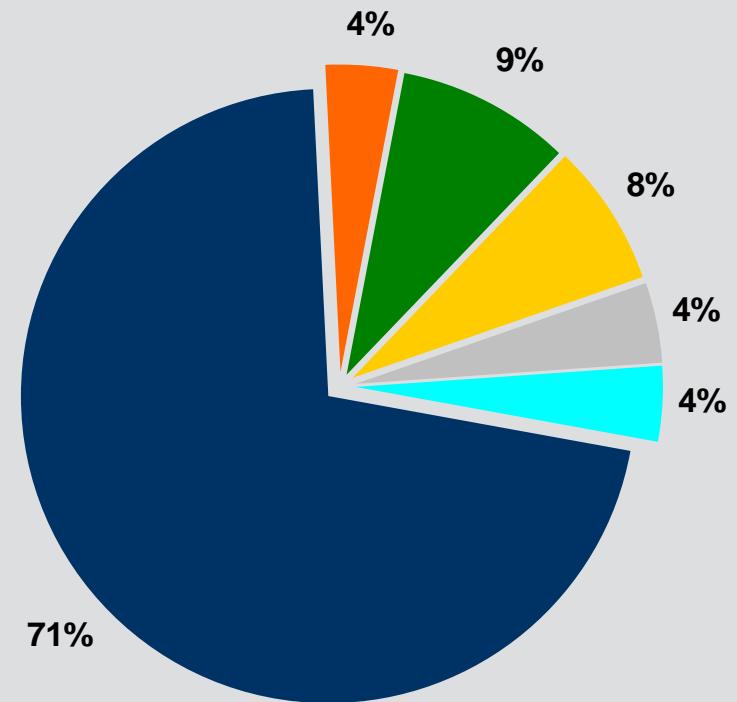
08/2006





- Primarily invests in Prime and Alt-A Hybrid ARMs and Second Mortgages
- No negative-amortizing mortgages
- No sub-prime mortgages
- Selectively transfer credit risk to other investors
- Sold \$2.1 B in 2<sup>nd</sup> quarter as part of balance sheet management strategy.

**Total Loan Portfolio: \$31.1 Billion**  
As of June 30, 2006



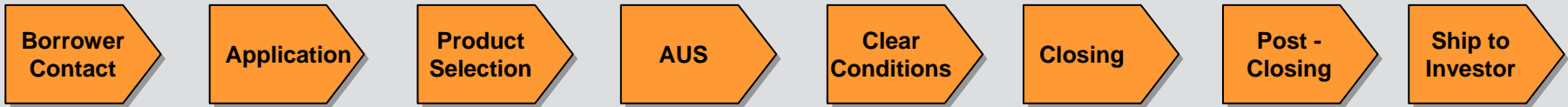
■ Prime Hybrid ARMS ■ Alt A Hybrid ARMS  
■ Construction Perm ■ 2nd Mortgages  
■ Fixed Rate ■ Lot Loans



# Mortgage Transformation Program

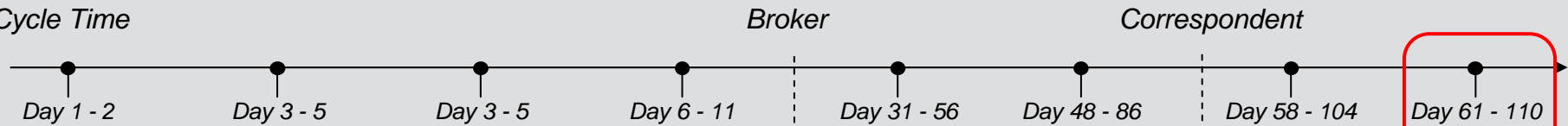


## Business Process Changes



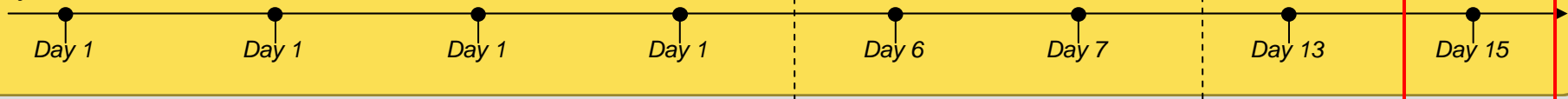
### Current (As-Is) State (averages based on site visit observation)

Cycle Time



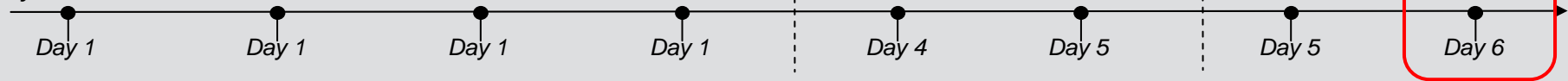
### Interim State (18 Months - October 2006)

Cycle Time



### Future (To-Be) State (End of 2008)

Cycle Time





## Interactive Session / Q & A



- ***Expanding the Product Offering***
  - » Alt-A, Option ARM and Sub-prime Loans
  - » Time to market?
  - » Develop organically or acquire knowledge and product set?
  - » Regulatory concerns about “exotic loan products”?
  
- ***Investment in Agency versus Non-Agency Loans and Servicing Rights***
  - » Shift in portfolio strategy?
  - » Where do you optimize returns?
  - » Is this the time to buy or sell servicing?
  - » Concerns about credit risk?
  
- ***Origination Channels***
  - » Have you been adding or exiting channels?
  - » Role of third-party channels (wholesale and correspondent)
  - » Value of retail in current environment
  - » What about consumer direct?
  
- ***Managing Excess Capacity***
  - » Do you shrink or grow?
  - » How have you responded to aggressive loan pricing from competitors?
  - » Technology, outsourcing and off-shoring initiatives?
  - » Is this cycle any different?
  
- ***Wall Street Expansion in the Mortgage Sector***
  - » View of the Street’s recent M&A activity and vertical integration strategies
  - » How do you feel having a partner who’s now a competitor?
  - » Back to them --- building out your own conduit and Broker/Dealer capabilities



- ***Using M&A to Implement Strategic Change***
  - » Adding product and/or channel capability
  - » Repositioning the franchise via acquisition or divestiture
  - » Market share plays
- ***M&A Execution***
  - » What are the critical issues to consider in an M&A transaction?
  - » How involved is your parent and/or board in looking at deals?
  - » What companies do you think are really good at M&A and why?
- ***M&A Climate***
  - » Do you see activity continuing to increase?
  - » View on transaction pricing
  - » Bolt-on versus franchise-defining deals



## Audience Q & A