From: "Premiere Mortgage Services Inc." <dana@bainmortgage.com> on 04/09/2008 03:40:04 AM

Subject: Regulation Z

Short Summary of Current Mortgage Market Real Estate Conditions:

In years past a borrower would visit their local savings and loan to obtain a mortgage. The Loan Officer at the bank would approve the mortgage and fund it with cash reserves from the vault. This system worked well until the bank ran out of money to lend. Borrowers came to the S&L looking for a loan and were told to come back when a current mortgage paid off. What the bank needed was a way to sell the loans they made freeing up the capital to lend to new borrowers. This way they could lend the "same" money over and over, earning an income from servicing the loans and assisting the community by offering a near limitless pool of money.

To address this issue, FNMA and GNMA were established. The goal is to provide cheap mortgage money to prospective homeowners and a high quality bond for the investment community. The bond or Mortgage Backed Security (MBS) take mortgages with similar risk characteristics and pool them together. Investors in the MBS's know ahead of time the return they are going to receive, much like a Certificate of Deposit. To ensure the performance of the bond, each mortgage is underwritten to specific guidelines.

During the recent real estate boom underwriting guidelines were relaxed giving way to a whole new menu of mortgage products such as 100% financing. In addition, to streamline the influx of applications, income and asset verification took a back seat to a borrower with strong credit. With housing prices rising rapidly, the property could be sold to cover the note and foreclosure costs if this occurred. This cycle worked well until the price of houses moderated in 2006. Once the housing market began to cool and prices moderated, foreclosed homes were being sold for less than the notes. To add insult to injury, the loans underwritten to the looser guidelines did not perform as hoped. With the value of the collateral in question (falling home prices) and the future performance of the borrowers unknown, investors' appetite for this risk has waned. To attract investors in this environment, rates had to increase.

Unfortunately the liquidity issues associated with Alt A and subprime loans carried over to more secure AAA GNMA and FNMA loans. Sellers of AAA MBS's are finding it more difficult to find buyers. Many analysts believe the reaction has been too severe. Sanity will eventually return to the markets and AAA pricing will come in line with risk characteristics. Unfortunately it may take some time for this to occur.

Here is just one example of a daily changes to guidelines and pricing.

Taylor, Bean & Whitaker Mortgage Corp	**IMPORTANT BULLETIN - LP A Minus Restrictions**

Release Date: 4/7/2008

Effective on April 7, 2008 due to additional restrictions imposed by the mortgage insurance companies, TBW will no longer be able to accept or approve the following loans:

LP A Minus Loans with LTV greater than 80%, regardless of FICO, on the following:

- Investment Property
- Second Home
- 3-4 Units
- Manufactured Home
- Cash Out

These changes affect any Conventional or Home Possible loan as applicable. Any loan that has already been issued an underwriting approval must close by end of business on April 18, 2008. Any loan that has not been issued an underwriting approval, regardless of lock or submission date, or is unable to meet the closing deadline must meet new guidelines. We are unable to offer any exceptions on these changes as TBW is unable to obtain mortgage insurance coverage on these loans at this time.

Please direct questions to TBW Management, Account Executive, or Client Services

END OF ANNOUNCEMENT

Also major news: **WaMu will exit Wholesale Lending**