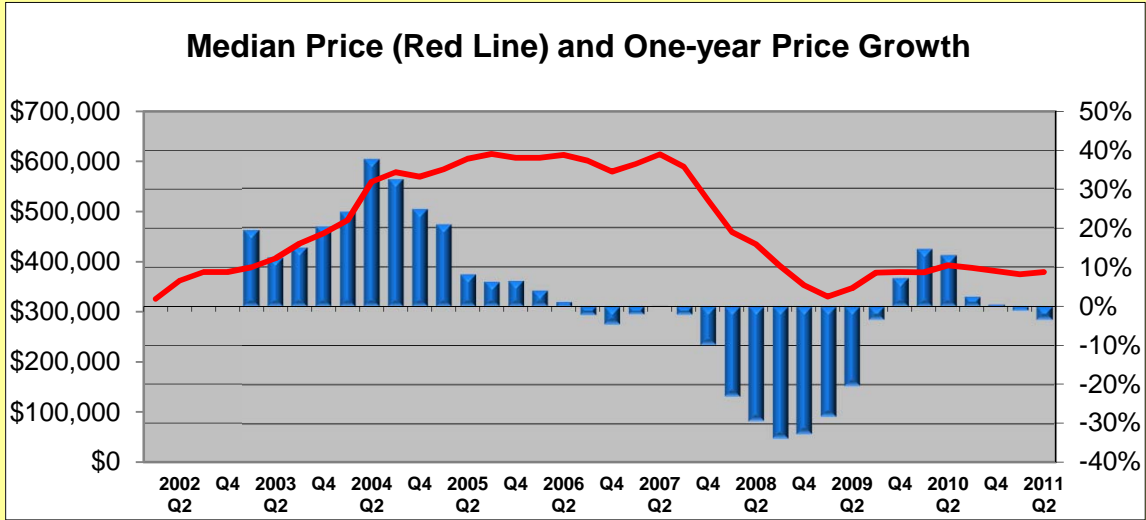


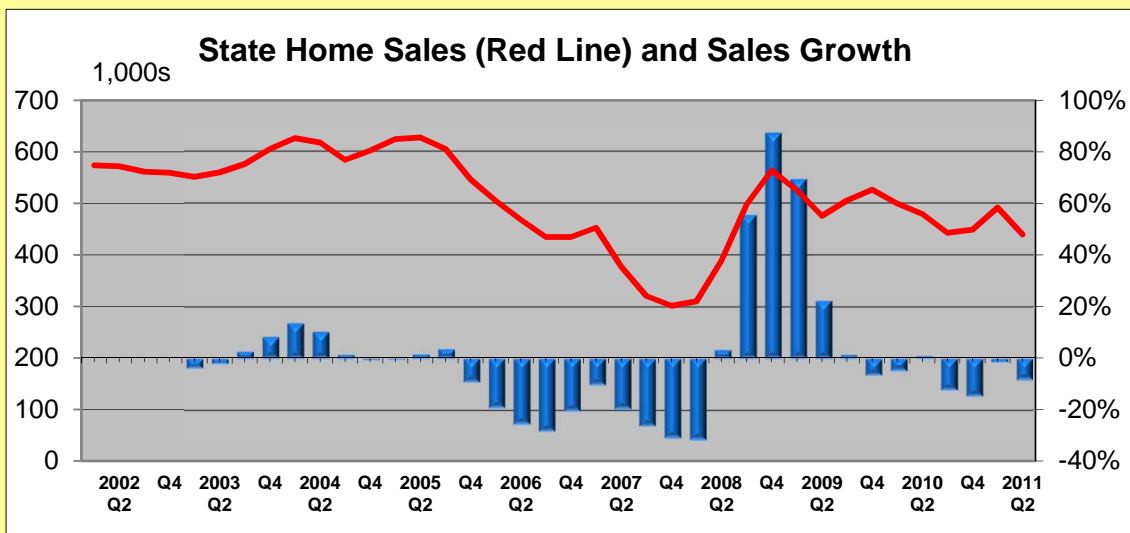
San Diego-Carlsbad-San Marcos Area Local Market Report, Second Quarter 2011



Today's Market...



	San Diego	U.S.	Local Trend
Price Activity			
Current Median Home Price (2011 Q2)	\$379,300	\$171,567	Prices are down compared to a year earlier and continue to weaken
1-year (4-quarter) Appreciation (2011 Q2)	-3.4%	-2.9%	
3-year (12-quarter) Appreciation (2011 Q2)	-12.8%	-17.5%	
3-year (12-quarter) Housing Equity Gain*	-\$55,600	-\$36,500	The relatively recent correction in local home prices wiped out most of the equity gained over the last 7 years
7-year (28 quarters) Housing Equity Gain*	-\$180,400	-\$22,400	
9-year (36 quarters) Housing Equity Gain*	\$17,500	\$7,733	
*Note: Equity gain reflects price appreciation only			
Conforming Loan Limit**	\$697,500	\$729,250	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$697,500	\$417,000	
Local Median to Conforming Limit Ratio	54%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

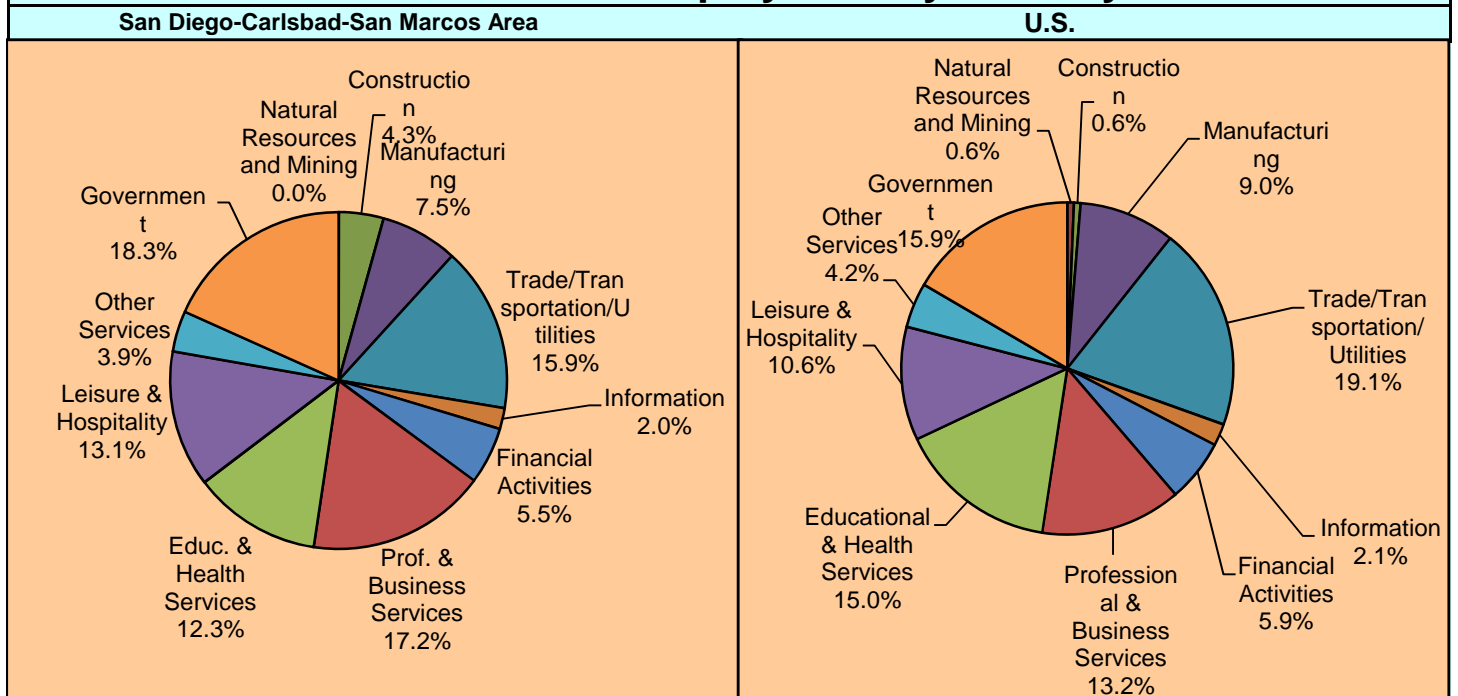


Home Sales	California	U.S.	Local sales growth continues to be weak
State Existing Home Sales (2011 Q2 vs 2010 Q2)	-8.3%	-12.7%	

Drivers of Local Supply and Demand...

Local Economic Outlook	San Diego	U.S.	
12-month Job Change (Jun)	16,300	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (May)	10,800	Not Comparable	
36-month Job Change (Jun)	-64,000	Not Comparable	San Diego's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Jun)	10.4%	9.2%	
Year-ago Unemployment Rate	10.5%	9.5%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	1.3%	0.5%	

Share of Total Employment by Industry



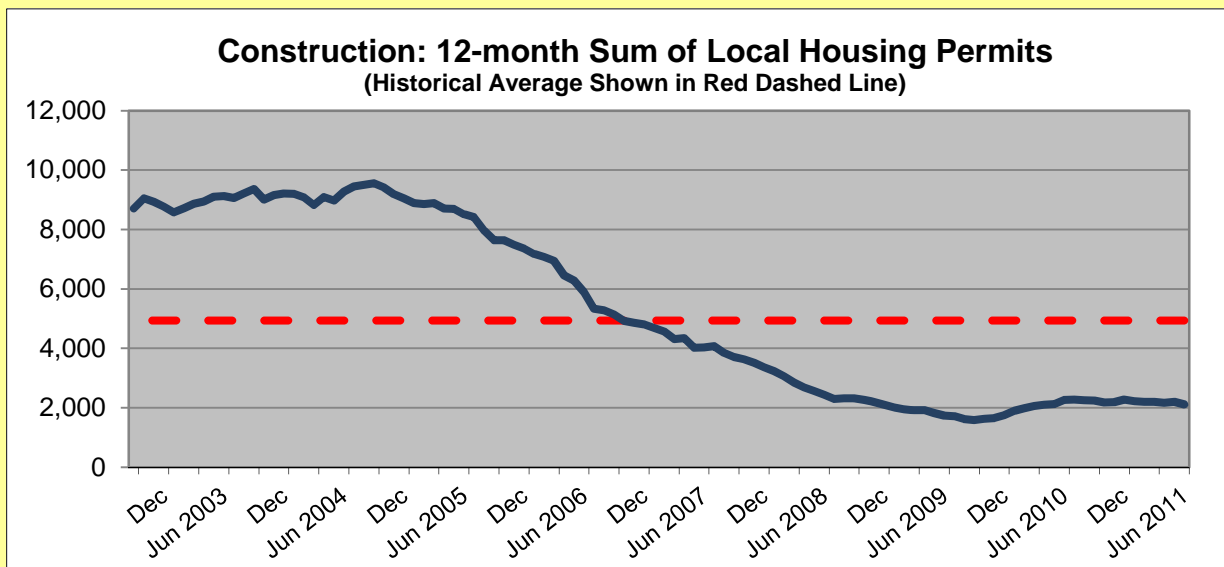
12-month Employment Change by Industry in the San Diego-Carlsbad-San Marcos Area (Jun - 2011)

Goods Producing	NA	Information	-400
Natural Resources/Mining/Construction	NA	Financial Activities	1,300
Natural Resources and Mining	0	Prof. & Business Services	6,700
Construction	-2,700	Educ. & Health Services	6,400
Manufacturing	-200	Leisure & Hospitality	5,100
Service Providing Excluding Government	NA	Other Services	700
Trade/Transportation/Utilities	1,600	Government	-2,200

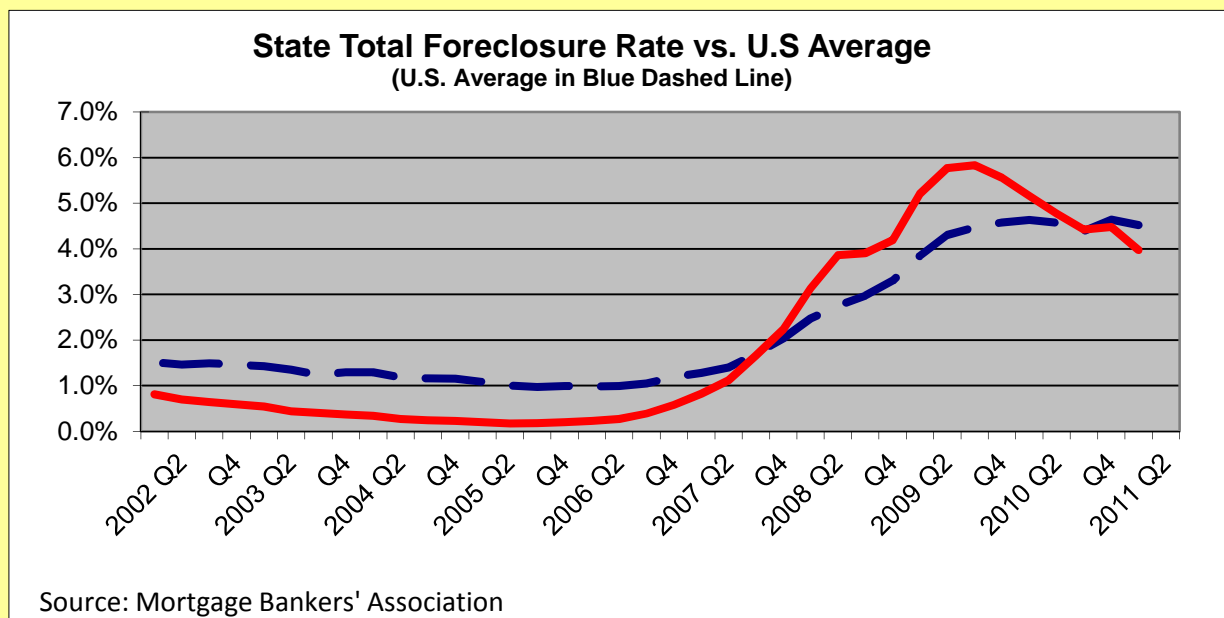
State Economic Activity Index	California	U.S.	
12-month change (2011 - Jun)	2.5%	2.2%	California's economy is stronger than the nation's, but slowed from last month's 2.52% change
36-month change (2011 - Jun)	-3.4%	-4.3%	

New Housing Construction

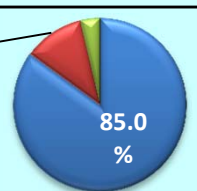
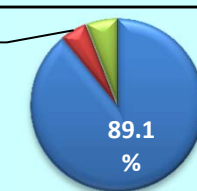
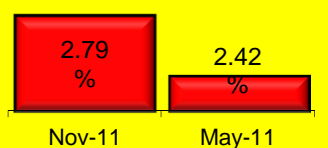
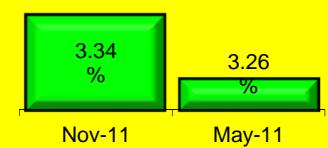
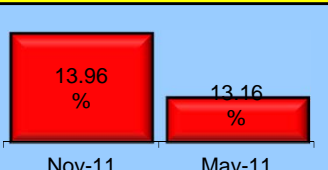
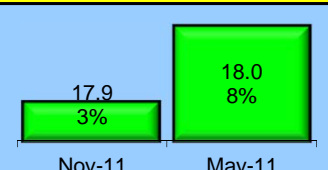
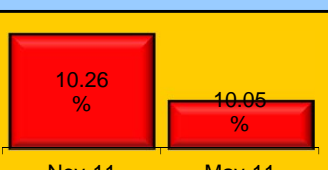
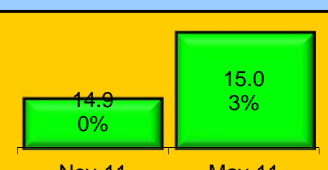
Local Fundamentals	San Diego	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2011	2,107	not comparable	The current level of construction is 57.3% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	4,932	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more quickly
Single-Family Housing Permits (Jun 2011) 12-month sum vs. a year ago	-7.0%	-14.5%	Construction continues to decline from last year



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.



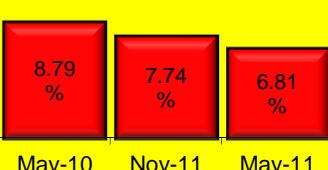
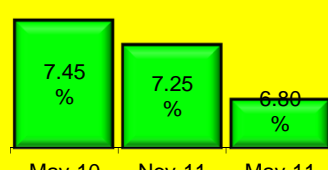
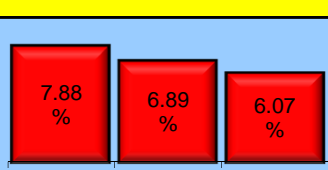
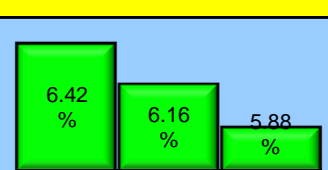
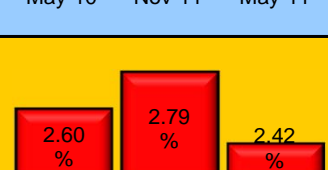
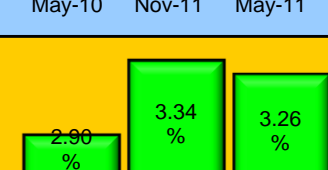
Foreclosures by Type

Monthly Market Data - May 2011	San Diego	U.S.	
Market Share: Prime (blue), Alt-A (green), and Subprime (red)			Suprime mortgages make up a larger than average share of the San Diego market, while prime foreclosures are in decline
PRIME: Foreclosure + REO Rate			<p>There was a substantial decline compared to November of last year</p> <p>Compared to the national average, today's local prime rate is low</p>
SUBPRIME: Foreclosure + REO Rate			<p>The local subprime rate eased modestly relative to November of last year</p> <p>Locally, today's foreclosure rate is low relative to the national average</p>
ALT-A: Foreclosure + REO Rate			<p>The local alt-A rate eased slightly relative to November of last year</p> <p>The May rate for San Diego is low compared to the national average</p>

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

Prime Foreclosures and Delinquencies in Process

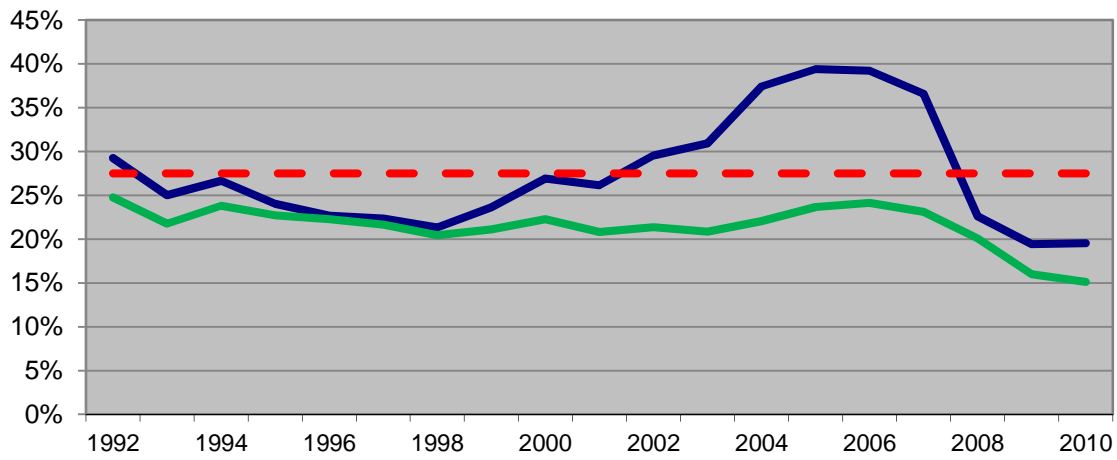
Monthly Market Data - May 2011	San Diego	U.S.	
Prime: 60-day Delinquent			The local 60-day delinquency rate fell over the 6-month period ending in May suggesting that 90-day delinquencies will decline in the near future
Prime: 90-day Delinquent			The 90-day delinquency rate in San Diego fell over the 6-month period ending in May
Prime: Foreclosure + REO Rate			The decline of both the 60 and 90-day delinquency rates over the most recent 6-month period suggests a decline in the local foreclosure rate in the near future.

Source: First American CoreLogic, LoanPerformance data

Affordability

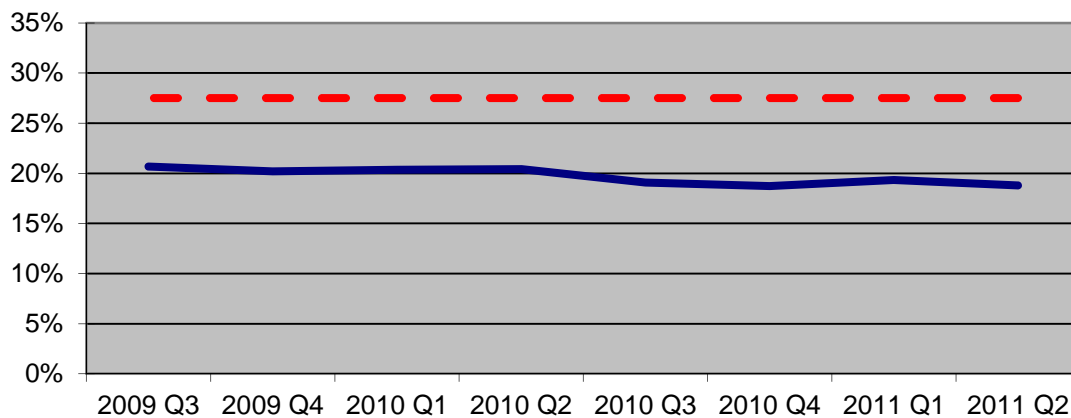


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

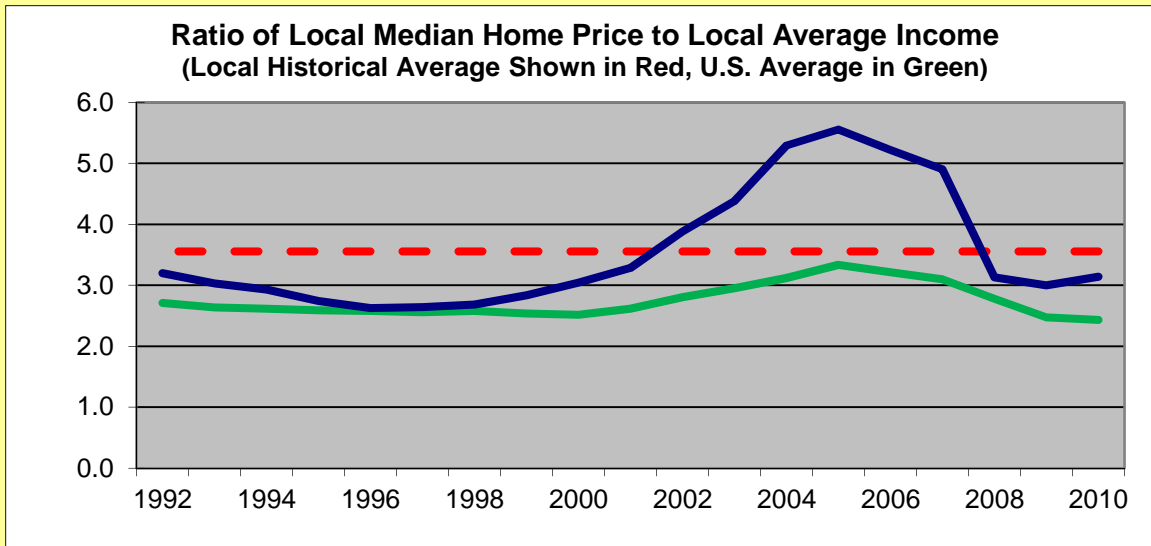


Monthly Mortgage Payment to Income	San Diego	U.S.	
Ratio for 2009	19.5%	15.1%	Historically strong and an improvement over the first quarter of 2011
Ratio for 2011 Q2	18.8%	14.7%	
Historical Average	27.5%	22.0%	Weaker affordability than most markets

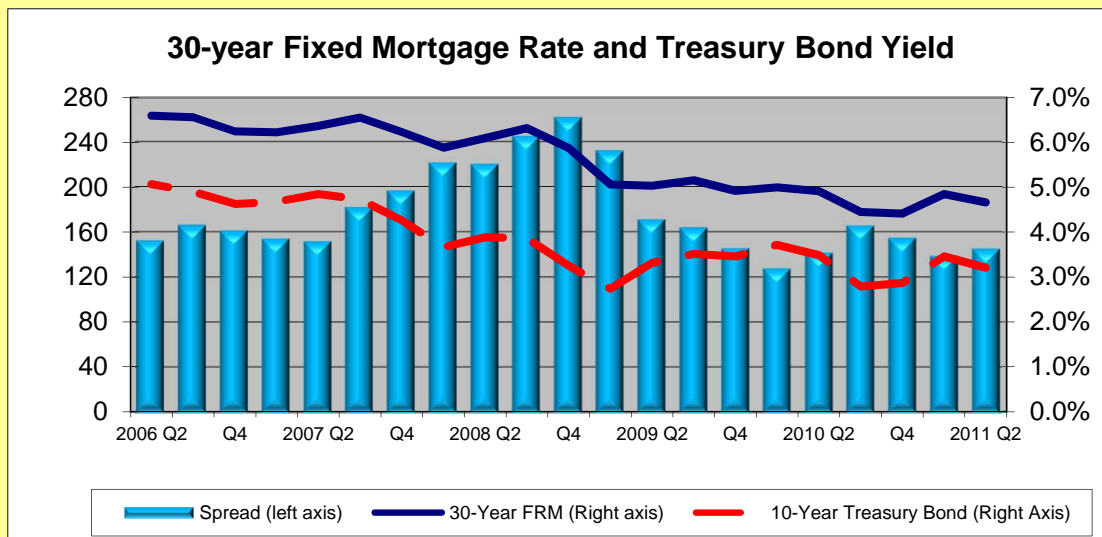
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	San Diego	U.S.	
Ratio for 2010	3.1	2.4	The price-to-income ratio has fallen and is below the historical average
Ratio for 2011 Q2	3.0	2.4	
Historical Average	3.6	2.7	Less affordable than most markets



The Mortgage Market

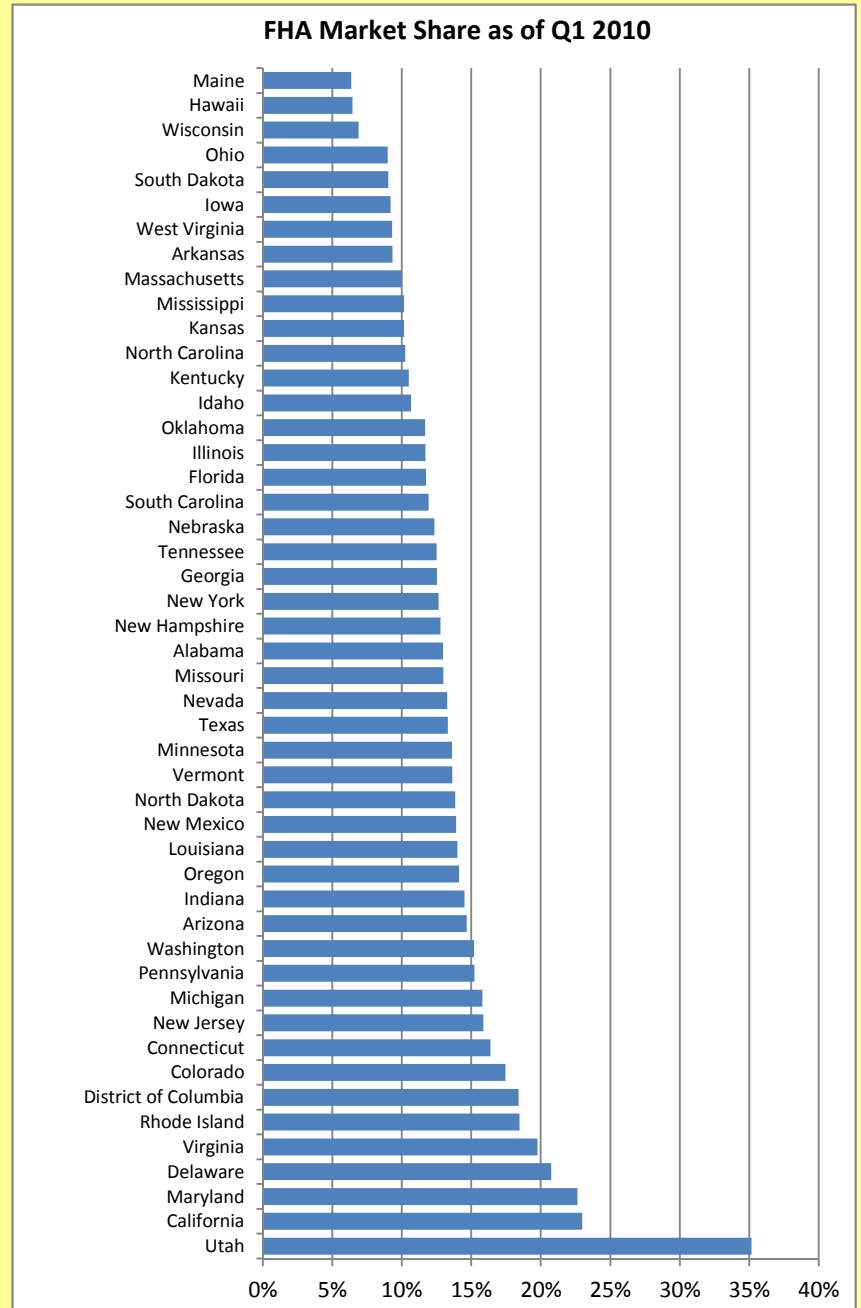


A steady flow of progressively weaker economic news reported in May and June combined to weigh on Treasury bonds in the 2nd quarter, driving the yield on the 10-year Treasury near record lows. The rate on the 30-year fixed rate mortgage followed suit, but the gap between the two opened up as investors sought out better returns than MBS as well as to avoid the risk of refinances. Concerns about the U.S. government's debt along with the sluggish economy are unlikely to be resolved in the near term. Furthermore, the Federal Reserve has made it clear that it will actively support an environment that would foster economic growth through low rates. As result, mortgage rates are expected to remain low through the fall and into 2012. The low rates will help consumers and businesses alike to navigate this economic soft patch, but they will also remove a layer of urgency from the home buying process, which could drag on home sales.

A Closer Look...FHA Role Locally

FHA Market Share	San Diego	U.S.
2010 FHA Originations	126,846	989,842
2010 Market Share	27.1%	20.2%
2011 Q1 Market Share	23.0%	0.1

FHA's market share fell sharply during the housing boom. Home sellers preferred to work with non-FHA lenders in order to avoid the FHA's more stringent and time consuming underwriting. Since the power in the housing market resided with the sellers at that time, usage of FHA loans fell off. As the real estate market shifted, so did the FHA's market share. FHA's market share this year is higher than the historical average, but down from the height of last year's tax-credit induced sales surge. The tax credit brought in many low-income and first time buyers, FHA's target market. Locally, the FHA's share of originations in San Diego fell from 27.1% in 2010 to 23.0% in the first quarter of this year. The FHA's market share is likely to remain historically elevated until the housing market returns to normal in the coming years.



Geographic Coverage for this Report

The San Diego area referred to in this report covers the geographic area of the San Diego-Carlsbad-San Marcos metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

San Diego County

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforg_statpolicy/