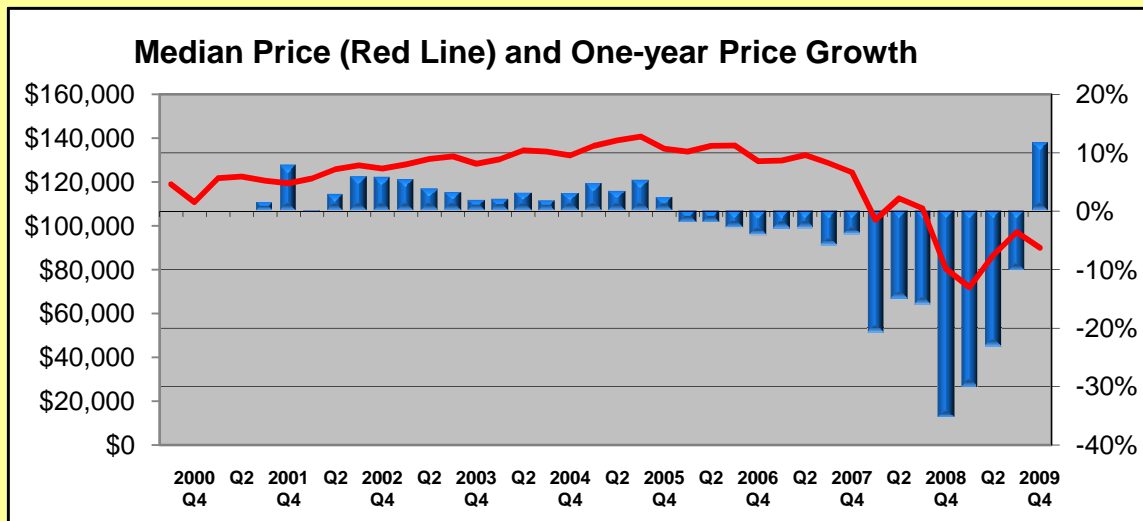


Grand Rapids Area Local Market Report, Fourth Quarter 2009

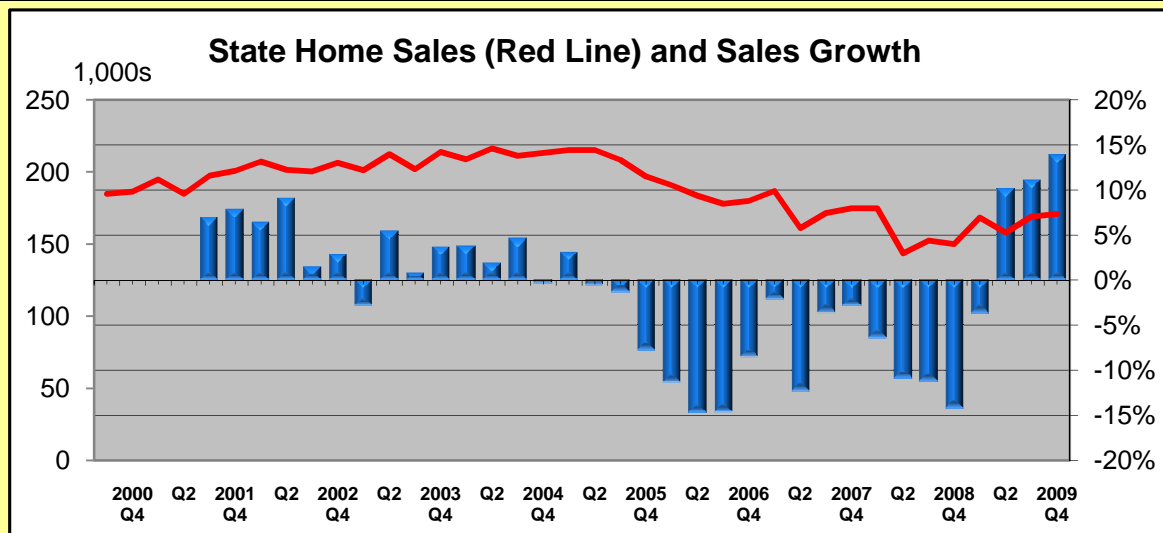


Today's Market...



	Grand Rapids	U.S.	Local Trend
Price Activity			
Current Median Home Price (2009 Q4)	\$89,900	\$173,500	Prices are above the level from 12 months ago and growing
1-year Appreciation (2009 Q4)	11.7%	-4.0%	
3-year Appreciation (2009 Q4)	-30.6%	-5.2%	
3-year (12-quarter) Housing Equity Gain	-\$39,600	-\$9,600	The price slump wiped out all of the equity gained during the housing boom
7-year (28 quarters) Housing Equity Gain	-\$36,200	-\$47,600	
9-year (36 quarters) Housing Equity Gain	-\$20,900	-\$4,767	
Conforming Loan Limit*	\$417,000	\$729,250	Most buyers in this market have access to government-backed financing
Local Median to Conforming Limit Ratio	22%	not comparable	

*Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.



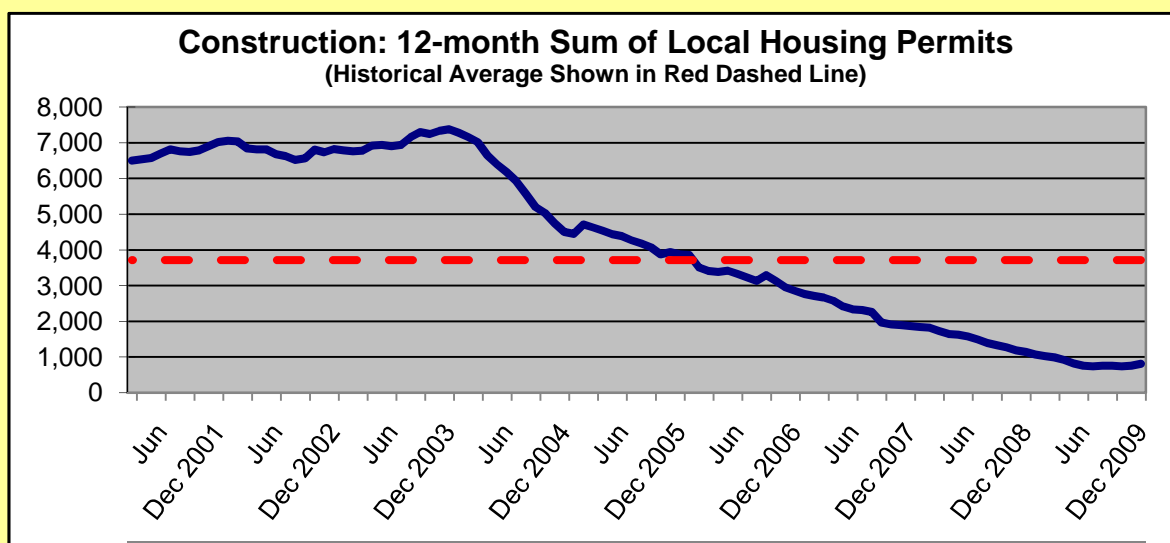
Home Sales and Construction Growth	Michigan	U.S.	
State Existing Home Sales (2009 Q4 vs 2008 Q4)	13.9%	27.2%	The sales level is much higher than a year ago and growing.

Drivers of Local Supply and Demand...

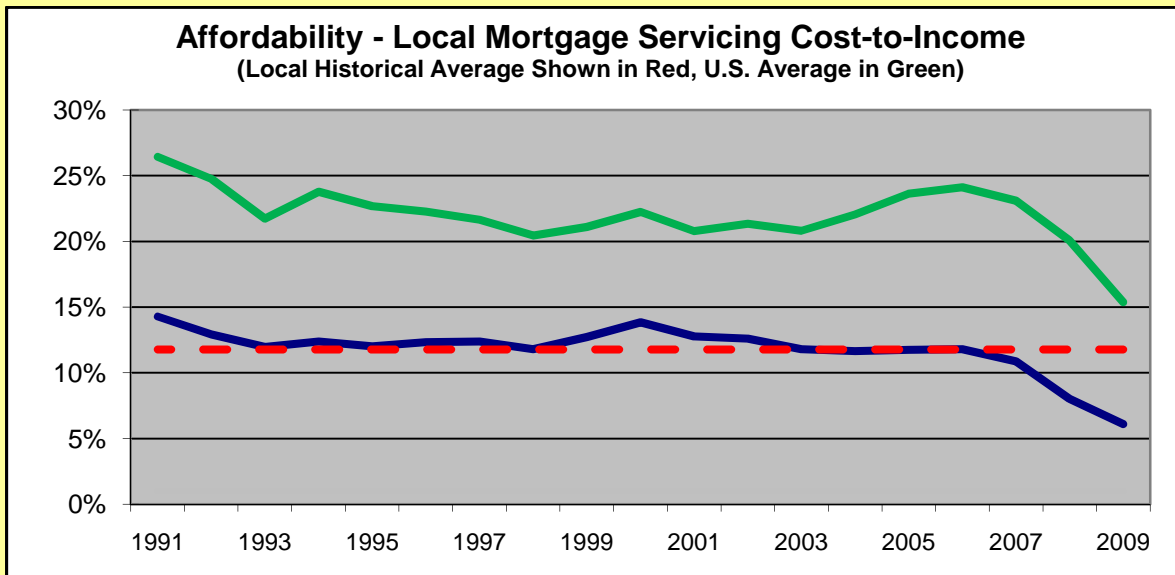
Local Economic Outlook	Grand Rapids	U.S.	
1-year Job Change (Dec)	-12,100	Not Comparable	Job losses are a problem and will weigh on demand, but layoffs are declining which could help buyer confidence
1-year Job Change (Nov)	-12,800	Not Comparable	
3-year Job Change (Dec)	-25,500	Not Comparable	Grand Rapids's unemployment situation is worse than the national average and weighs on confidence
Current Unemployment Rate (Dec)	12.2%	10.0%	
Year-ago Unemployment Rate	9.0%	7.4%	
1-year (12 month) Job Growth Rate	-3.2%	-4.3%	Weak, but better than most markets

State Economic Activity Index	Michigan	U.S.	
12-month change (2009 - Dec)	-10.4%	-2.2%	The economy of Michigan is weaker than the rest of the nation, but improved modestly from last month
36-month change (2009 - Dec)	-20.2%	-1.3%	

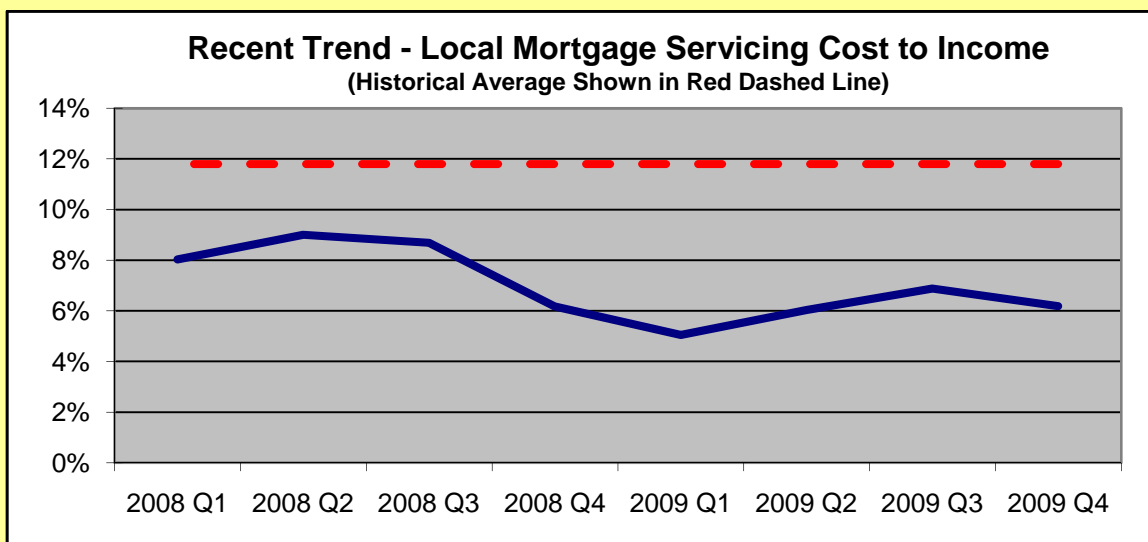
Local Fundamentals	Grand Rapids	U.S.	
12-month Sum of 1-unit Building Permits through Dec 2009	784	not comparable	The current level of construction is 78.9% below the long-term average
Long-term average for 12-month Sum of 1-Unit Building Permits	3,712	not comparable	Excess supply reduction could result in price escalation over the longer-term if, in the future, there is rapid and robust increase in demand
Single-Family Housing Permits (Dec 2009) 12-month sum vs. a year ago	-22.1%	-23.7%	Construction is down from last year, but appears to have bottomed.



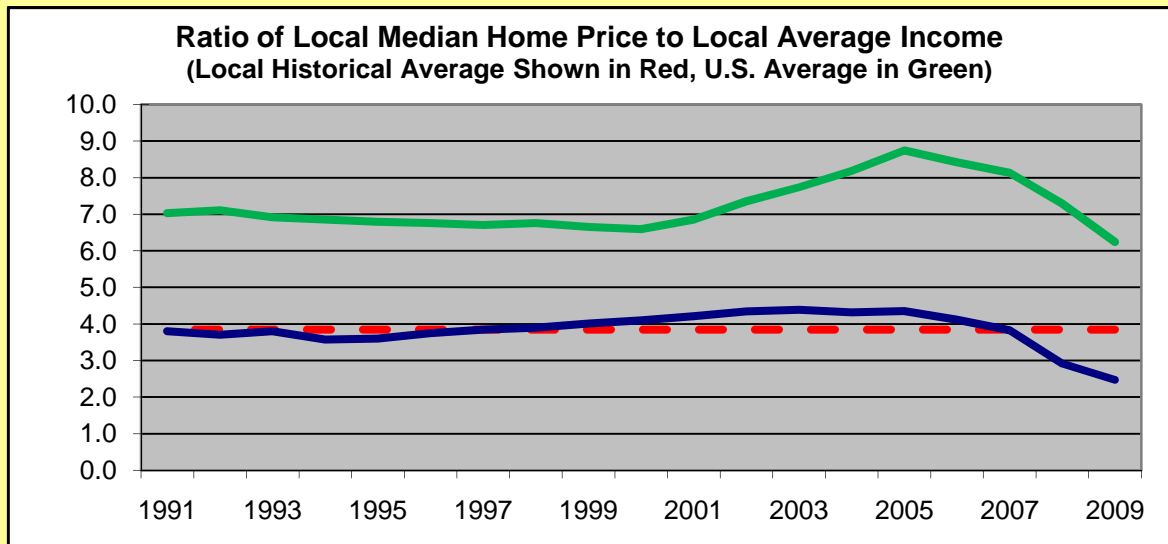
Affordability



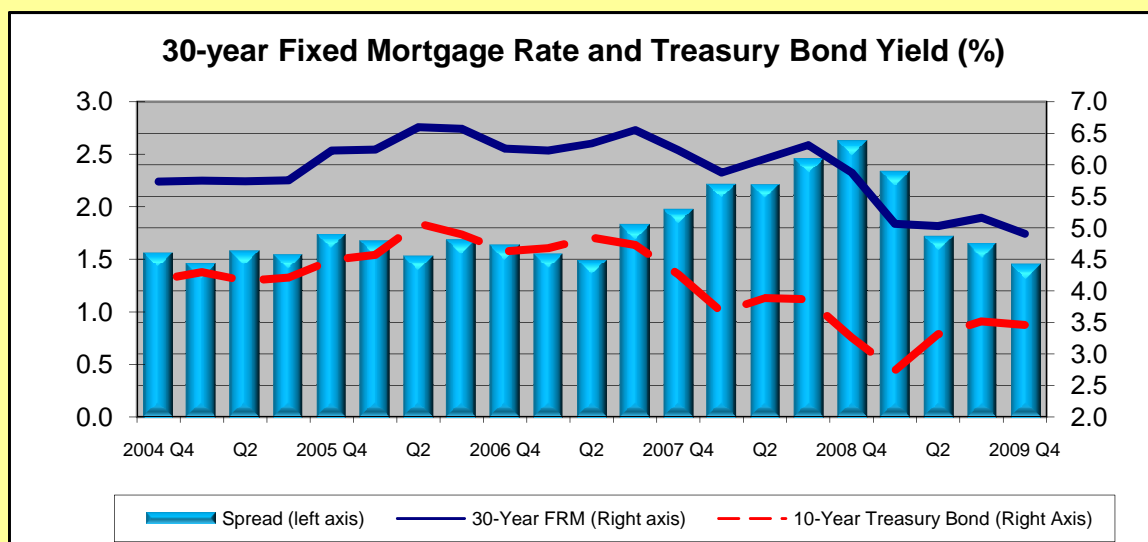
Monthly Mortgage Payment to Income	Grand Rapids	U.S.	
Ratio for 2008	6.1%	15.4%	Historically strong and an improvement over the third quarter of this year
Ratio for 2009 Q4	6.2%	14.8%	
Historical Average	11.8%	22.6%	More affordable than most markets



Median Home Price to Income	Grand Rapids	U.S.	
Ratio for 2009	2.5	6.2	Local affordability has improved and is below the historical average
Ratio for 2009 Q4	2.5	6.1	
Historical Average	3.8	7.2	Affordable compared to most markets

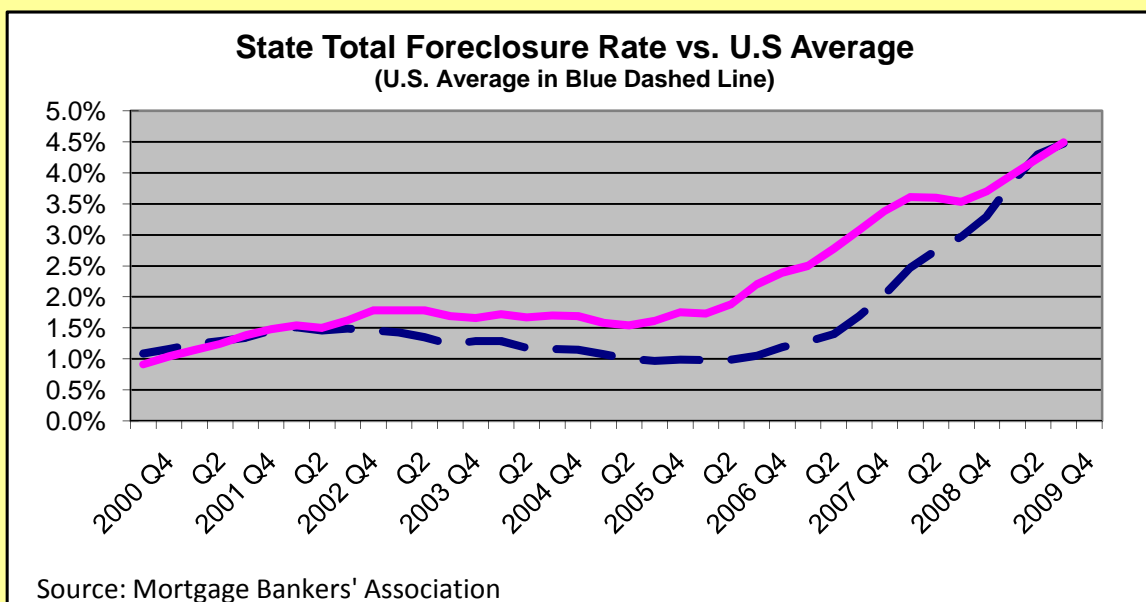


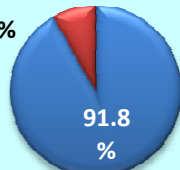
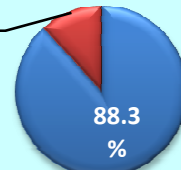
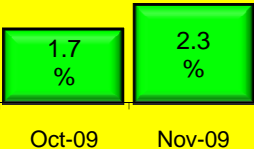
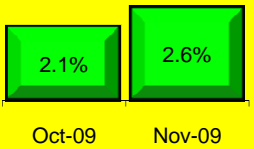
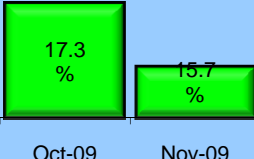
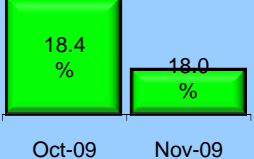
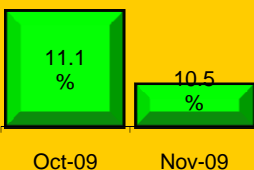
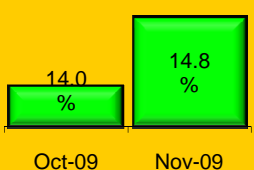
The Mortgage Market



The spread between the 30-year fixed rate mortgage and the 10-year Treasury is now at comfortable, pre-crisis levels. However, the Federal Reserve and Treasury will stop buying mortgage backed securities (MBS) on March 31st. The agencies had been buying MBS to keep mortgage rates low. Consequently, the end of the program has some market observers concerned about a possible increase in rates. However, the Fed has slashed its purchases of MBS in recent weeks and the private sector has scooped up any remaining MBS. With yields on other investments low, the returns on the MBS, even at 5%, are desirable. The Fed has promised that it stands ready to intervene in the market, presumably by resuming purchases, in case there is a sudden increase in mortgage rates. Low mortgage rates have been critical to the improved home sales that are at the core of the housing market and economic recovery.

Looking Deeper....



Monthly Market Data - November 2009	Grand Rapids	U.S.	
Market Share: <u>Prime (blue) vs.</u> <u>Subprime + Alt-A</u>	8.2% 	11.7% 	The Grand Rapids market has a lower share of subprime loans than the average market, but rising prime foreclosures are becoming a problem
PRIME: Foreclosure + REO Rate			There was a substantial increase versus October of this year Compared to the national average, today's local rate is low
SUBPRIME: Foreclosure + REO Rate			The local foreclosure rate has fallen relative to last month Locally, today's foreclosure rate is low relative to the national average
ALT-A: Foreclosure + REO Rate			Relatively little local change versus October of this year The November rate for Grand Rapids is low compared to the national average
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			