[To LIVE as EVIL]

[A Complacent Policy of Indifference to Evil]

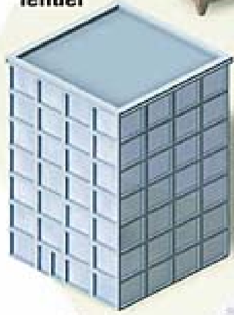
IRS' Dogma – Moral Hazards of False Evidence Appearing Real

[To LIVE as EVIL] advanced by an Institutionalized Faith in Taxism

Taxpayer Bailouts of the Financial Deviants of Securitization and their Enablers for the Business of Greed

Securitization

At the heart of the cheap credit binge was a process known as securitization, where Wall Street began to buy up subprime mortgages and package them as mortgage-backed securities to sell to investors.



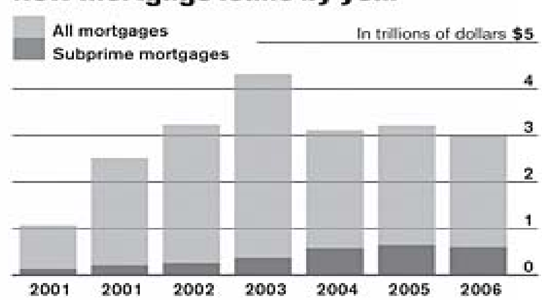
1

Borrowers, many first-time homebuyers or individuals wanting to refinance, turned to subprime loans.

2

More **mortgage brokers** jumped into the subprime business, many of them earning six-figure incomes on high fees paid for by homeowners' subprime loans.

New mortgage loans by year



3

Big companies offering subprime mortgages solicited loans nationwide using Wall Street money. After making a home loan, they quickly sold it to packagers, such as investment banks, for more profits.

4

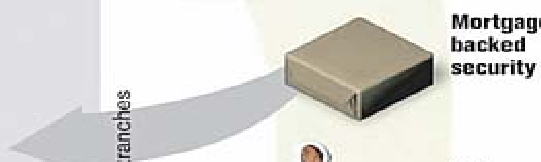
Wall Street investment banks began pooling risky, subprime loans that did not meet the standards of government-sponsored agencies such as Fannie Mae and sold them as "private label" securities.

5

Rating agencies such as Standard & Poor's helped investment banks structure the mortgage-backed securities to get the best possible bond ratings, earning healthy fees in the process, and making them attractive to investors, including mutual and pension funds.

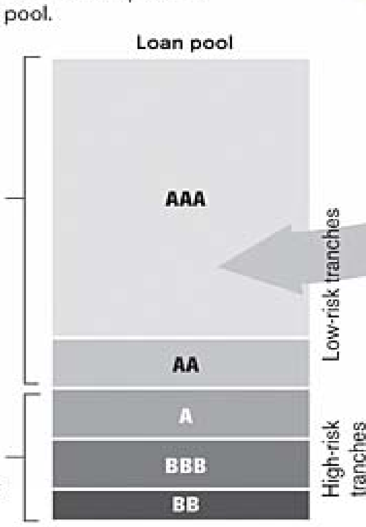
Structured finance

A financial innovation called structured finance provided Wall Street a way to divide subprime mortgage-backed securities into tranches (French for slices.) The tranches allowed the risk of a loan pool to be parceled out to various investors. Investors who purchased bonds in the securities received a portion of the mortgage payments in the pool.



Top-level tranches contain the highest-quality, but lowest-paying, bonds. Even though a mortgage-backed security may be funded from a pool containing subprime loans, the top tranches can have investment-grade status of triple-A rated bonds because they are paid first from the pool.

The lowest-level tranches contain the riskiest, highest-paying bonds. They get a low rating and are paid off after the double- and triple-A rated bonds are paid.

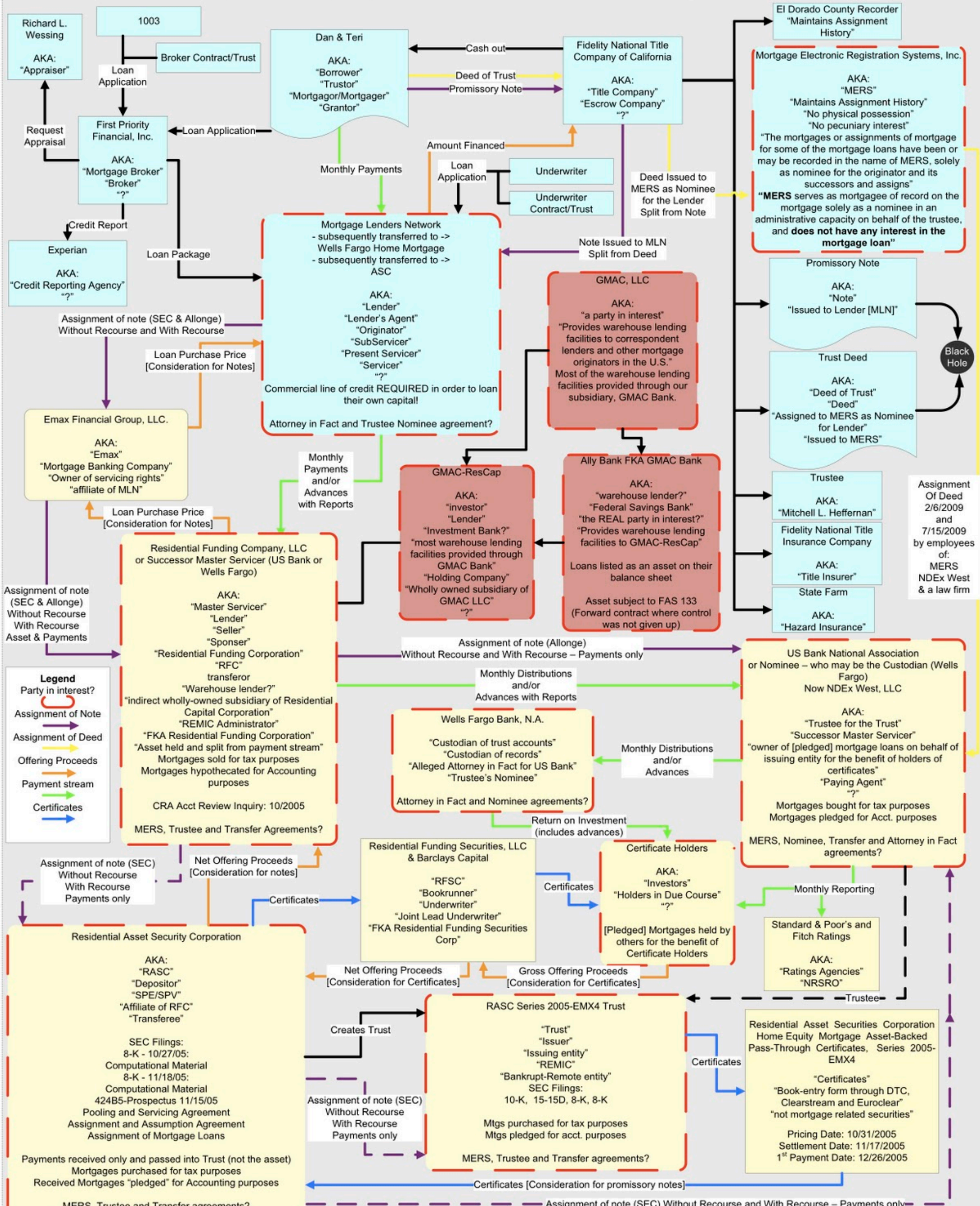


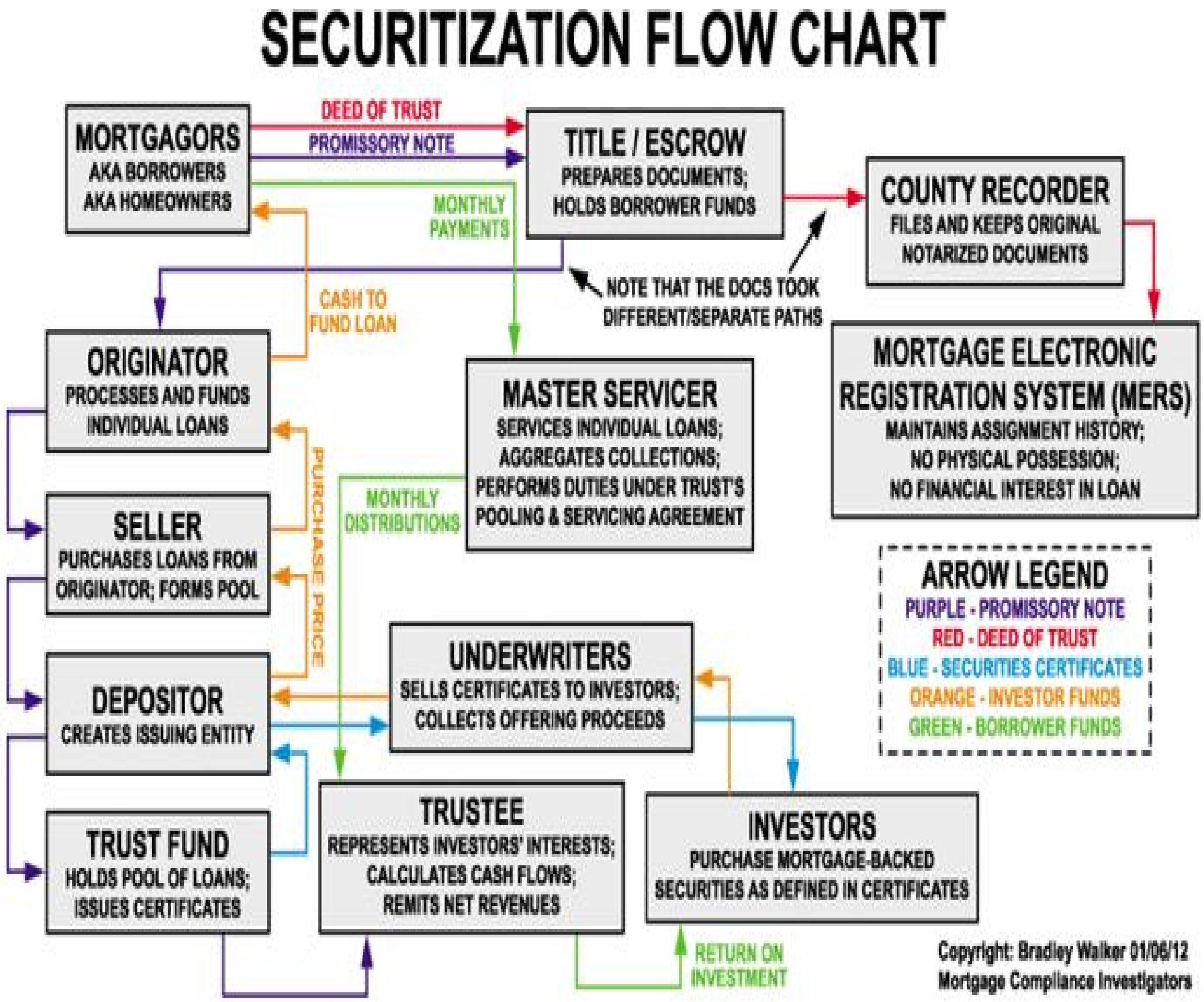
6

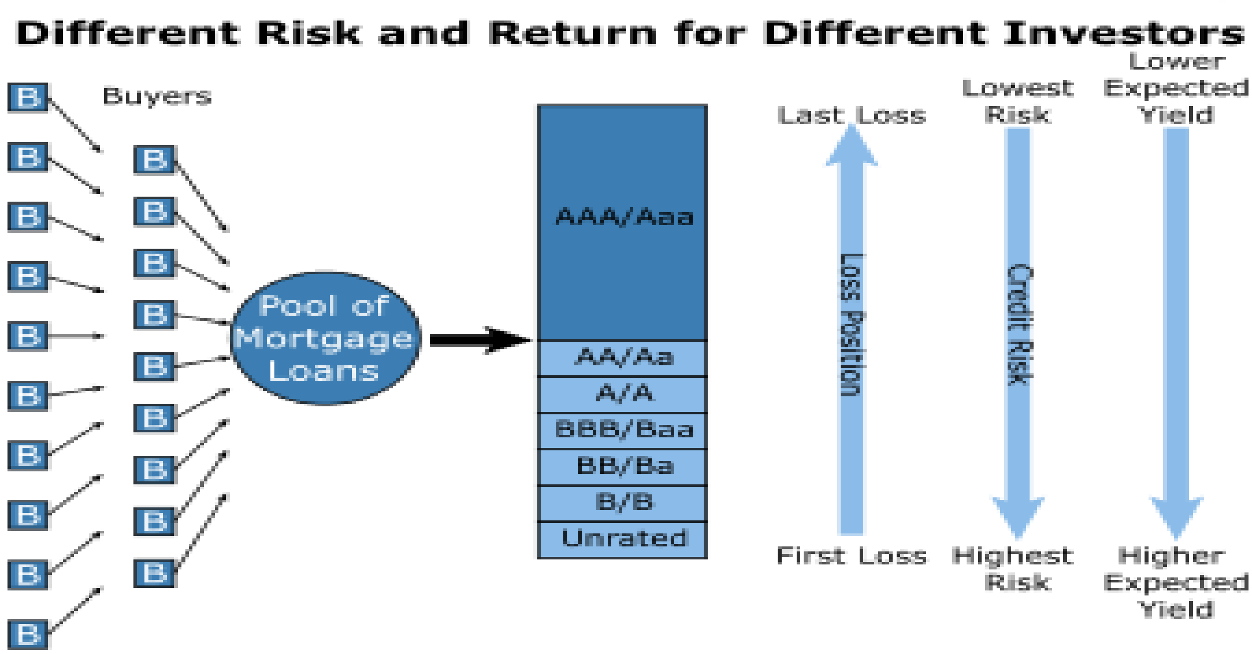
Investors worldwide gobbled up the securities.

Sources: Mortgage Bankers Association; HSH Associates; Federal Housing Finance Board; LoanPerformance, a First American Co.

Dan & Teri Securities Transaction Process Reverse Engineered version 4.1




SECURITIZATION FLOW CHART
MORTGAGORS
AKA BORROWERS
AKA HOMEOWNERS
DEED OF TRUST
PROMISSORY NOTE
TITLE / ESCROW
PREPARES DOCUMENTS;
HOLDS BORROWER FUNDS
MONTHLY PAYMENTS
COUNTY RECORDER
FILES AND KEEPS ORIGINAL NOTARIZED DOCUMENTS
CASH TO FUND LOAN
NOTE THAT THE DOCS TOOK DIFFERENT/SEPARATE PATHS
ORIGINATOR
PROCESSES AND FUNDS INDIVIDUAL LOANS
MASTER SERVICER
SERVICES INDIVIDUAL LOANS;
AGGREGATES COLLECTIONS;
PERFORMS DUTIES UNDER TRUST'S POOLING & SERVICING AGREEMENT
MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)
MAINTAINS ASSIGNMENT HISTORY;
NO PHYSICAL POSSESSION;
NO FINANCIAL INTEREST IN LOAN
PURCHASE PRICE
MONTHLY DISTRIBUTIONS
SELLER
PURCHASES LOANS FROM ORIGINATOR; FORMS POOL
ARROW LEGEND
PURPLE - PROMISSORY NOTE
RED - DEED OF TRUST
BLUE - SECURITIES CERTIFICATES
ORANGE - INVESTOR FUNDS
GREEN - BORROWER FUNDS
DEPOSITOR
CREATES ISSUING ENTITY
UNDERWRITERS
SELLS CERTIFICATES TO INVESTORS;
COLLECTS OFFERING PROCEEDS
TRUST FUND
HOLDS POOL OF LOANS;
ISSUES CERTIFICATES
TRUSTEE
REPRESENTS INVESTORS' INTERESTS;
CALCULATES CASH FLOWS;
REMITS NET REVENUES
INVESTORS
PURCHASE MORTGAGE-BACKED SECURITIES AS DEFINED IN CERTIFICATES
RETURN ON INVESTMENT
Copyright: Bradley Walker 01/06/12
Mortgage Compliance Investigators


Different Risk and Return for Different Investors
Buyers
B
Pool of Mortgage Loans
AAA/Aaa
AA/Aa
A/A
BBB/Baa
BB/Ba
B/B
Unrated
Last Loss
Loss Position
First Loss
Lowest Risk
Credit Risk
Highest Risk
Lower Expected Yield
Higher Expected Yield