

U.S. Structured Finance Newsletter

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THE IMPACT OF UNEMPLOYMENT ON 60-PLUS DAY DELINQUENCIES

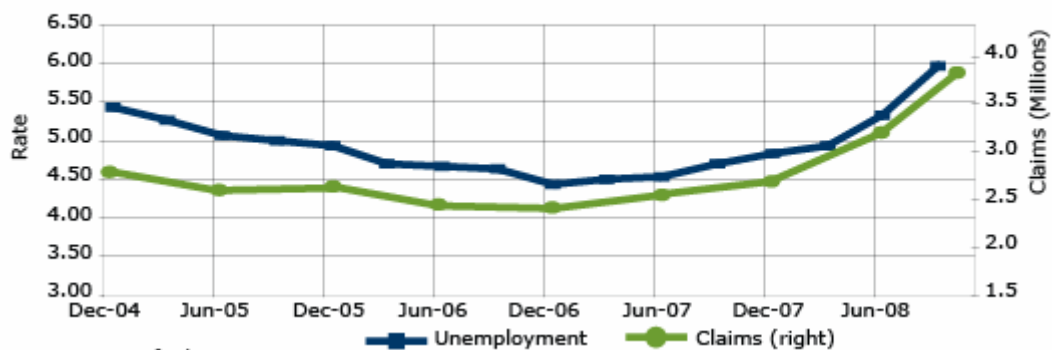
The four most common types of consumer debt are residential mortgages, credit cards, auto loans and student loans. The most recent Federal Reserve estimates of consumer credit outstanding¹ show \$10.6 trillion home mortgages, \$971 billion revolving credit and \$1.6 trillion non-revolving credit.² Every month, in light of their current economic circumstances, consumers decide how to manage these obligations. The decision to make the required payment or not reflects two fundamental components: the health of the economy, as represented by changes in both the level and stability of employment, and the nature of the debt obligation, which ties the asset closely or loosely to the state of the economy.

The rate of consumer repayment normally floats with the employment tide – improving when the economy gains jobs and deteriorating when the economy loses jobs. Although the rate of unemployment was historically low during 2007 and increased only modestly (4.4% in December 2006 to 4.8% in December 2007, a 9% increase), unemployment has increased 23.5% in the first three quarters of 2008 (to 5.97% in September 2008), surpassing the 5.07% average of the 2000s and resulting in increased 60-plus day delinquencies for credit cards, private student loans, autos and subprime mortgages. The charts found at the end of this newsletter illustrate the trends for each asset class in comparison with unemployment insurance claims over the same time period.

For questions or comments, please contact Susan Kulakowski at skulakowski@dbrs.com.

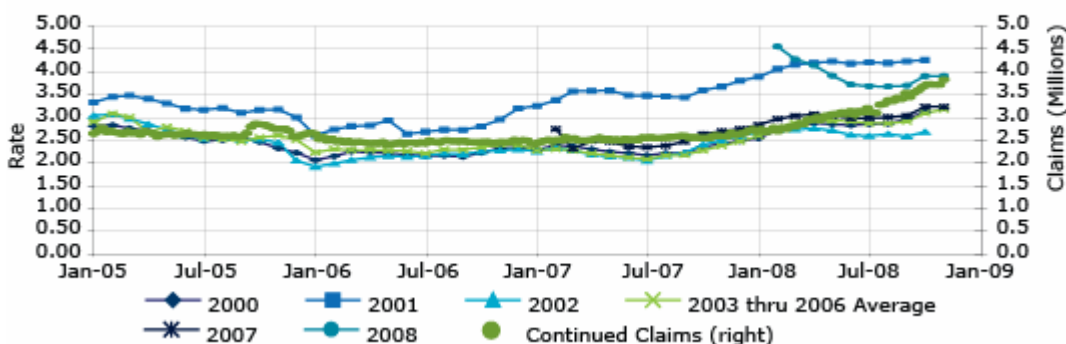
Delinquency and Unemployment Charts

CPS Household Survey National Unemployment Rate (Seasonally Adjusted) and Unemployment Insurance Weekly Claims (Seasonally Adjusted Millions)



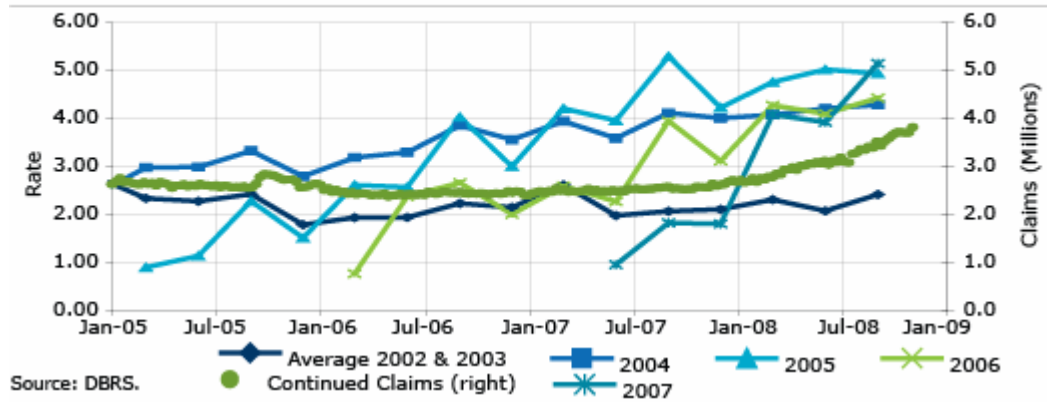
Source: Bureau of Labor Statistics.

60+ Day Credit Card Delinquencies and Unemployment Insurance Weekly Continued Claims (Seasonally Adjusted Millions)

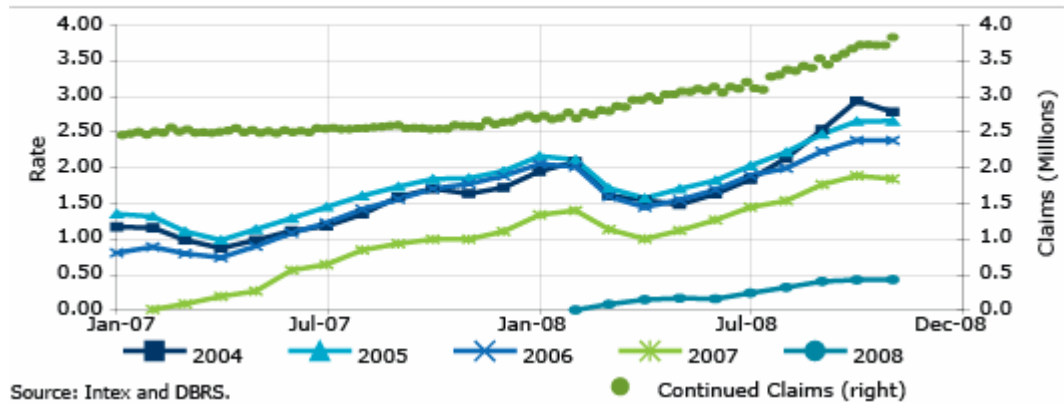


Source: Intex and DBRS.

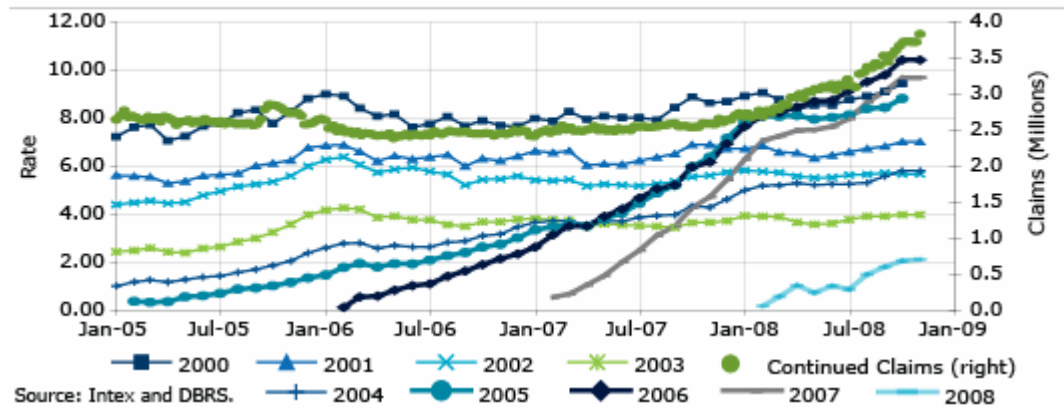
60+ Day Private Student Loan Delinquencies and Unemployment Insurance Weekly Continued Claims (Seasonally Adjusted Millions)



60+ Day Auto Loan Delinquencies and Unemployment Insurance Weekly Continued Claims (Seasonally Adjusted Millions)



60+ Day Subprime Mortgage Delinquencies and Unemployment Insurance Weekly Continued Claims (Seasonally Adjusted Millions)



1. Estimates of revolving and non-revolving credit outstanding are for August 2008 (November 2008 release of G.19). Home mortgage estimate is for the second quarter of 2008 (September 2008 release of Z.1).

2. Non-revolving credit includes not only automobile and student loans but also loans for mobile loans, boats, trailers and vacations.

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