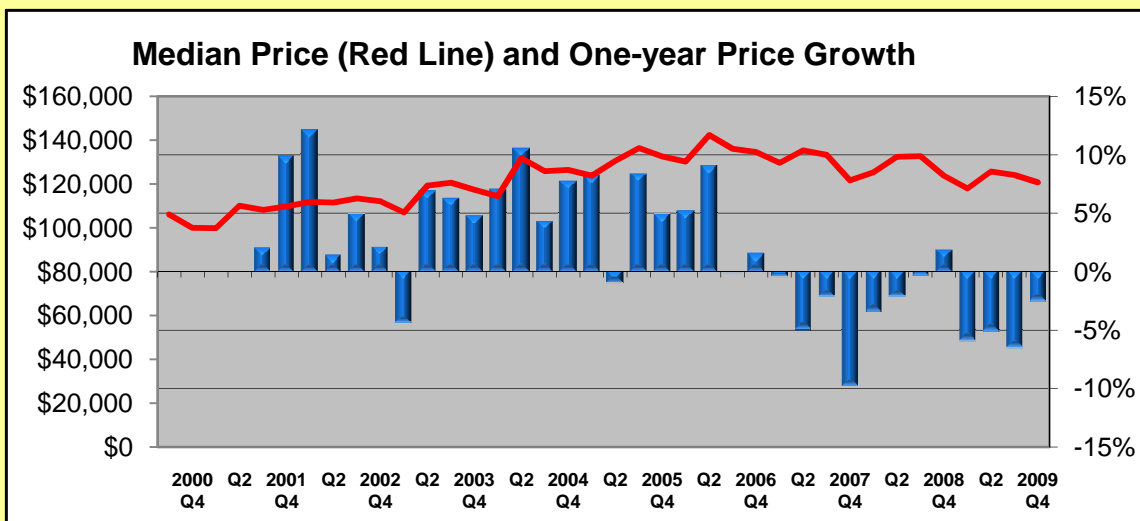


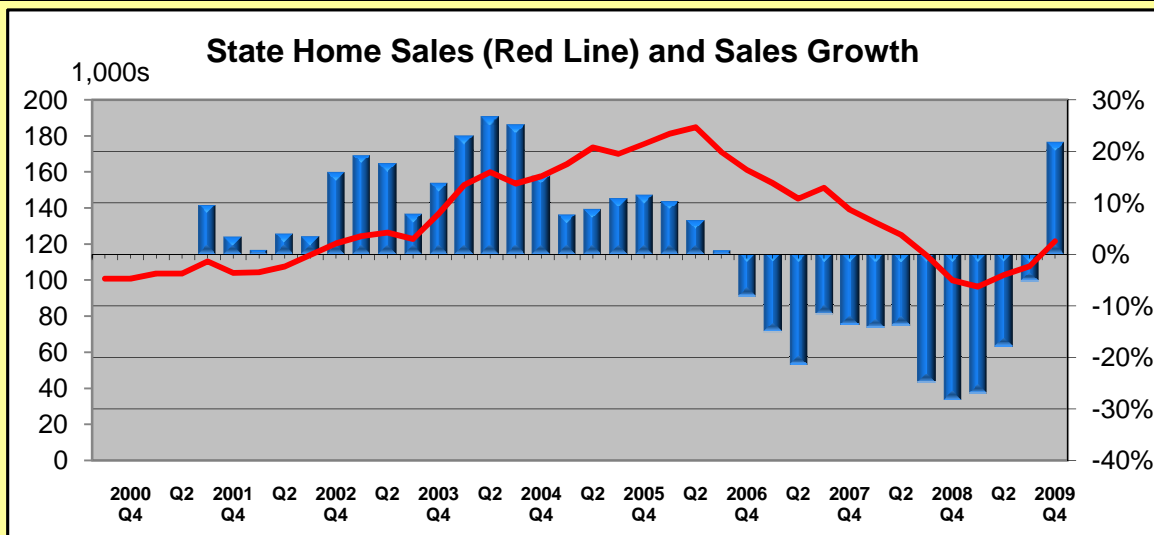
# Chattanooga Area Local Market Report, Fourth Quarter 2009

## Today's Market...



|   | Chattanooga | U.S.           | Local Trend   |
|---|-------------|----------------|---|
| <b>Price Activity</b>                         |             |                |   |
| Current Median Home Price (2009 Q4)           | \$120,700   | \$173,500      | Prices are still down from a year ago, but are improving  |
| 1-year Appreciation (2009 Q4)                 | -2.5%       | -4.0%          |   |
| 3-year Appreciation (2009 Q4)                 | -10.3%      | -5.2%          |   |
| 3-year (12-quarter) Housing Equity Gain       | -\$13,900   | -\$9,600       | Real estate remains a long-term investment: those who bought early in the boom still hold some equity |
| 7-year (28 quarters) Housing Equity Gain      | \$8,600     | -\$47,600      |   |
| 9-year (36 quarters) Housing Equity Gain      | \$20,700    | -\$4,767       |   |
| <b>Conforming Loan Limit*</b>                 | \$417,000   | \$729,250      | Most buyers in this market have access to government-backed financing                                 |
| <b>Local Median to Conforming Limit Ratio</b> | 29%         | not comparable |   |

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



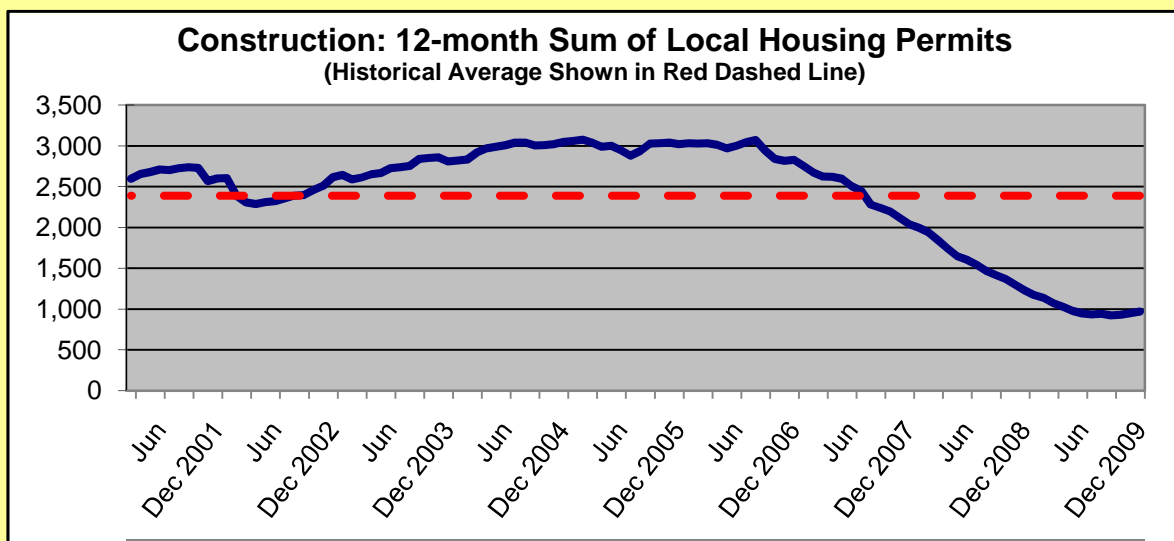
| Home Sales and Construction Growth             | Tennessee | U.S.  |   |
|--|-----------|-------|---|
| State Existing Home Sales (2009 Q4 vs 2008 Q4) | 21.6%     | 27.2% | The sales level is much higher than a year ago and growing. |

# Drivers of Local Supply and Demand...

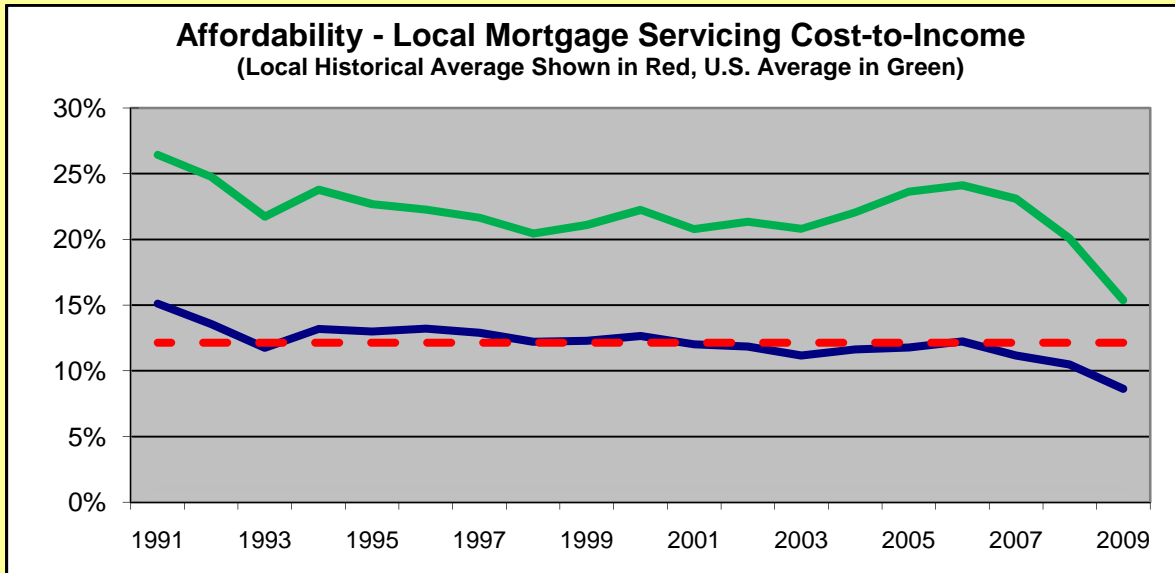
| Local Economic Outlook            | Chattanooga | U.S.           |  |
|-----------------------------------|-------------|----------------|--|
| 1-year Job Change (Dec)           | -7,500      | Not Comparable | Job losses are a problem and will weigh on demand, but layoffs are declining which could help buyer confidence                           |
| 1-year Job Change (Nov)           | -7,600      | Not Comparable |  |
| 3-year Job Change (Dec)           | -12,200     | Not Comparable | Unemployment has risen since the same period last year, but Chattanooga's labor market has been more resilient than the national average |
| Current Unemployment Rate (Dec)   | 9.1%        | 10.0%          |  |
| Year-ago Unemployment Rate        | 7.0%        | 7.4%           |  |
| 1-year (12 month) Job Growth Rate | -3.1%       | -4.3%          | Respectable compared to other markets  |

| State Economic Activity Index | Tennessee | U.S.  |   |
|-------------------------------|-----------|-------|---|
| 12-month change (2009 - Dec)  | -3.2%     | -2.2% | The economy of Tennessee is weaker than the rest of the nation, but improved modestly from last month |
| 36-month change (2009 - Dec)  | 2.7%      | -1.3% |   |

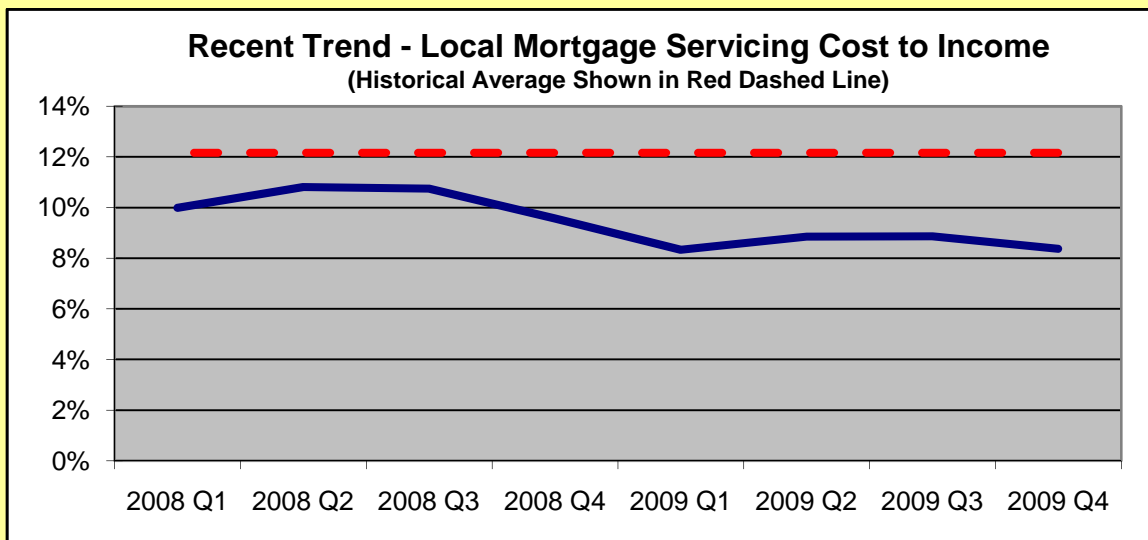
| Local Fundamentals   | Chattanooga | U.S.           |   |
|--|-------------|----------------|---|
| 12-month Sum of 1-unit Building Permits through Dec 2009             | 906         | not comparable | The current level of construction is 62.1% below the long-term average  |
| Long-term average for 12-month Sum of 1-Unit Building Permits        | 2,388       | not comparable | Reduced construction will limit new supply to the market, allowing demand to catch up with current supply and foreclosures more quickly |
| Single-Family Housing Permits (Dec 2009) 12-month sum vs. a year ago | -14.4%      | -23.7%         | Construction is down from last year, but appears to have bottomed.  |



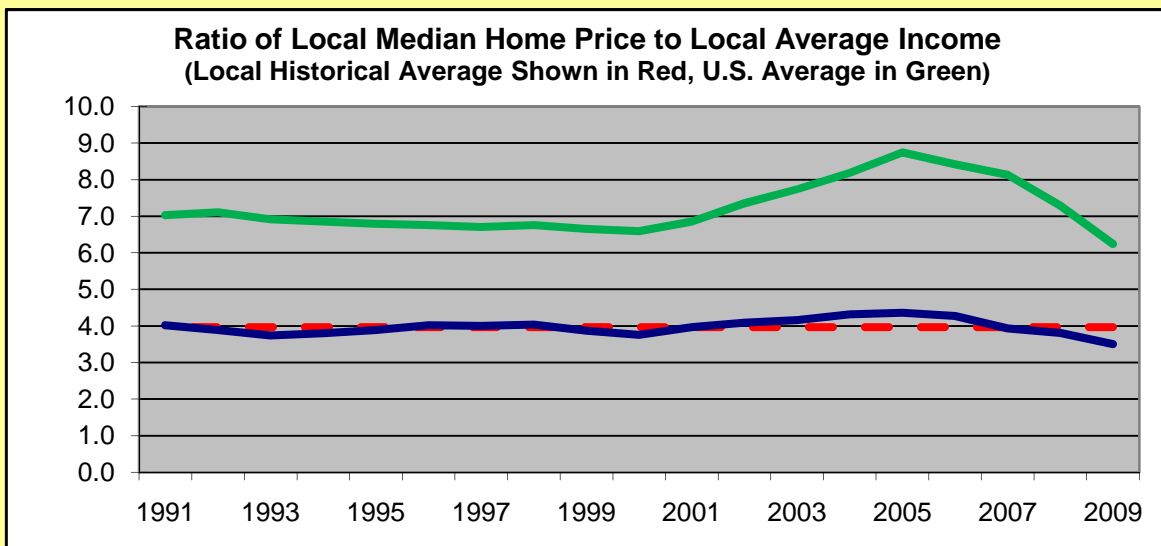
# Affordability



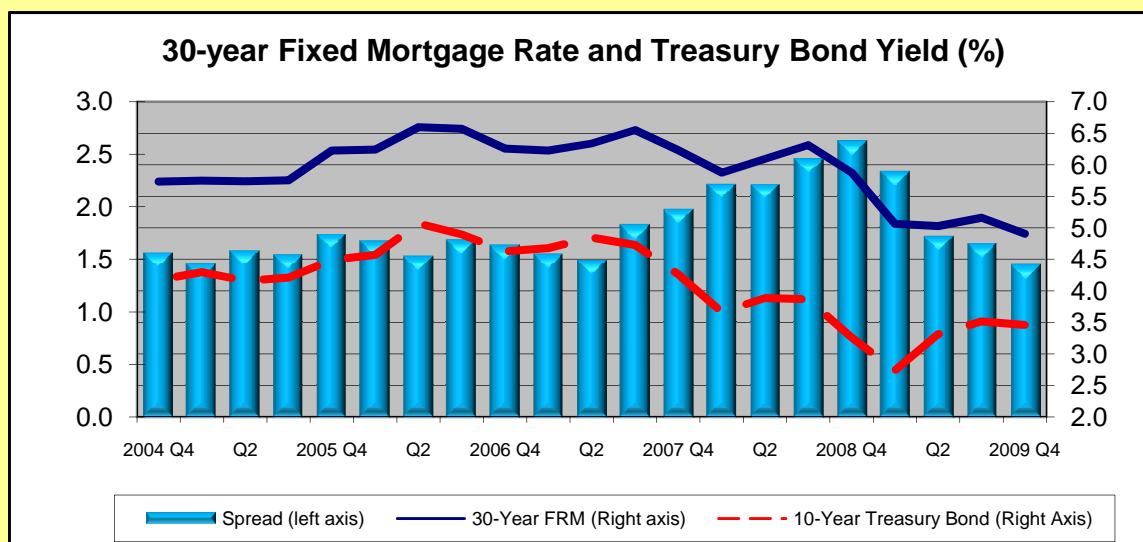
| Monthly Mortgage Payment to Income | Chattanooga | U.S.  |  |
|------------------------------------|-------------|-------|--|
| Ratio for 2008                     | 8.6%        | 15.4% | Historically strong and an improvement over the third quarter of this year |
| Ratio for 2009 Q4                  | 8.4%        | 14.8% |  |
| Historical Average                 | 12.2%       | 22.6% | More affordable than most markets  |



| Median Home Price to Income | Chattanooga | U.S. |  |
|-----------------------------|-------------|------|--|
| Ratio for 2009              | 3.5         | 6.2  | Local affordability has improved and is below the historical average |
| Ratio for 2009 Q4           | 3.4         | 6.1  |  |
| Historical Average          | 4.0         | 7.2  | Affordable compared to most markets                                  |

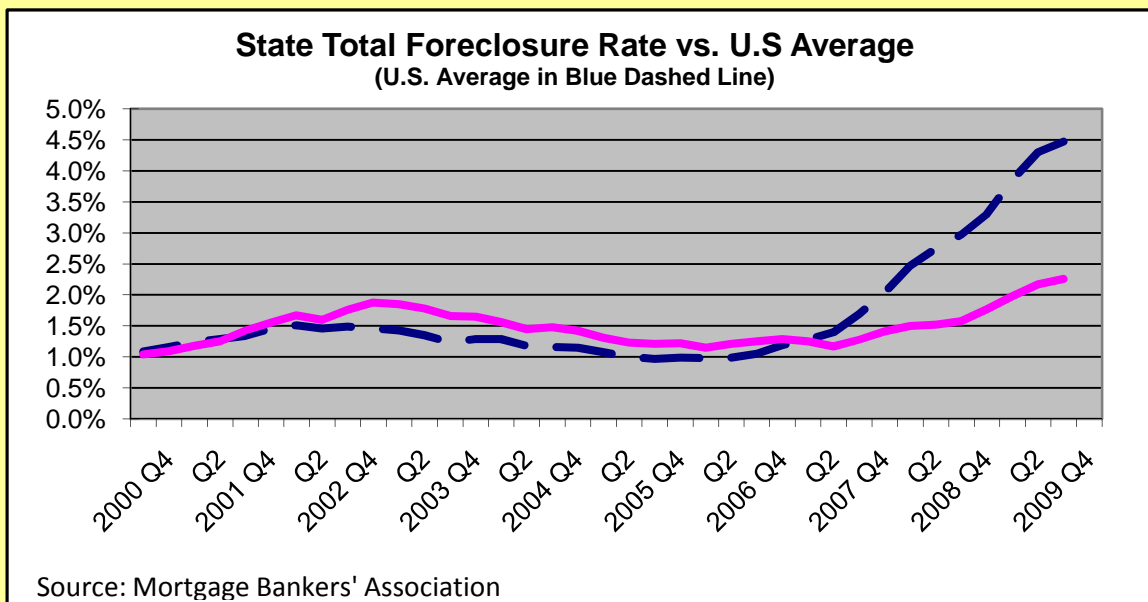


## The Mortgage Market



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   | Chattanooga                      | U.S.                               |  |
|---|----------------------------------|------------------------------------|--|
| <b>Market Share:</b><br><u>Prime (blue) vs. Subprime + Alt-A</u>  | 11.5 %<br>                       | 11.7 %<br>                         | The Chattanooga market has a lower share of subprime loans than the average market, but rising prime foreclosures are becoming a problem |
| <b>PRIME:</b><br>Foreclosure + REO Rate   | <br>Oct-09: 1.1%    Nov-09: 1.4% | <br>Oct-09: 2.1%    Nov-09: 2.6%   | There was a substantial increase versus October of this year<br>Compared to the national average, today's local rate is low              |
| <b>SUBPRIME:</b><br>Foreclosure + REO Rate  | <br>Oct-09: 7.3%    Nov-09: 7.6% | <br>Oct-09: 18.4%    Nov-09: 18.0% | There has been little change locally compared to October<br>Locally, today's foreclosure rate is low relative to the national average    |
| <b>ALT-A:</b><br>Foreclosure + REO Rate   | <br>Oct-09: 5.2%    Nov-09: 4.9% | <br>Oct-09: 14.0%    Nov-09: 14.8% | Relatively little local change versus October of this year<br>The November rate for Chattanooga 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  |                                  |                                    |  |