

American Home Mortgage Investment Corp (AHMIQ)

On August 6, 2007, **American Home Mortgage Investment Corp** filed for Chapter 11 of US Bankruptcy Code. The Company announced that, "in light of the liquidity issues resulting from extraordinary disruptions occurring in the secondary mortgage market, the Company has determined to significantly reduce its operating structure as it seeks the most appropriate course of resolution to preserve the value of its remaining assets."

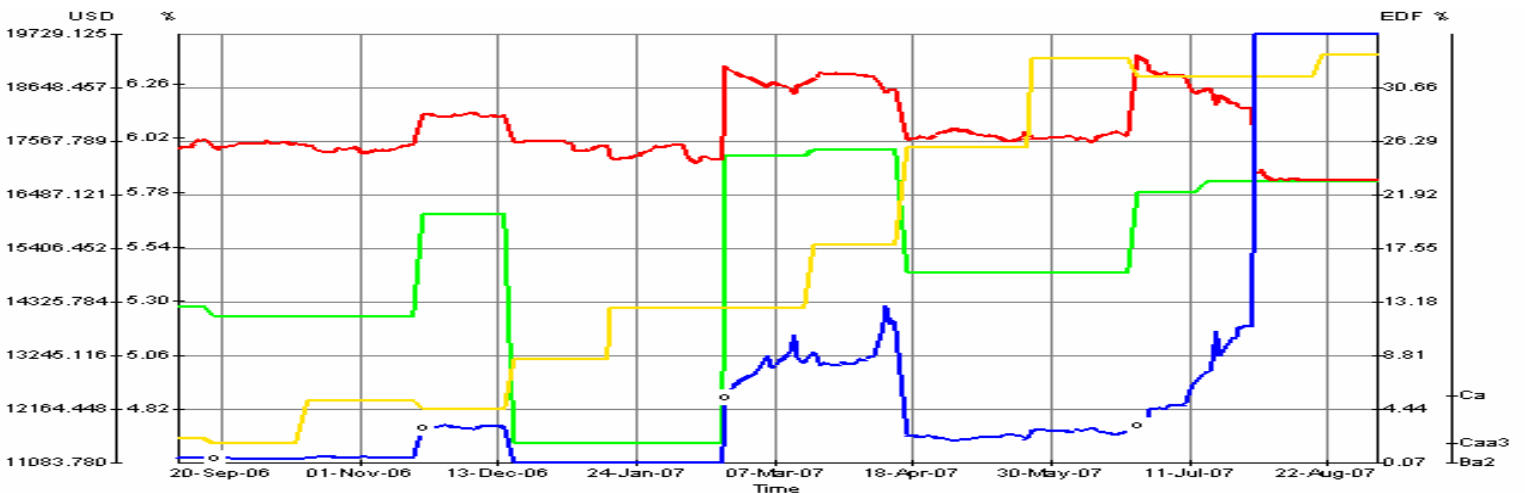
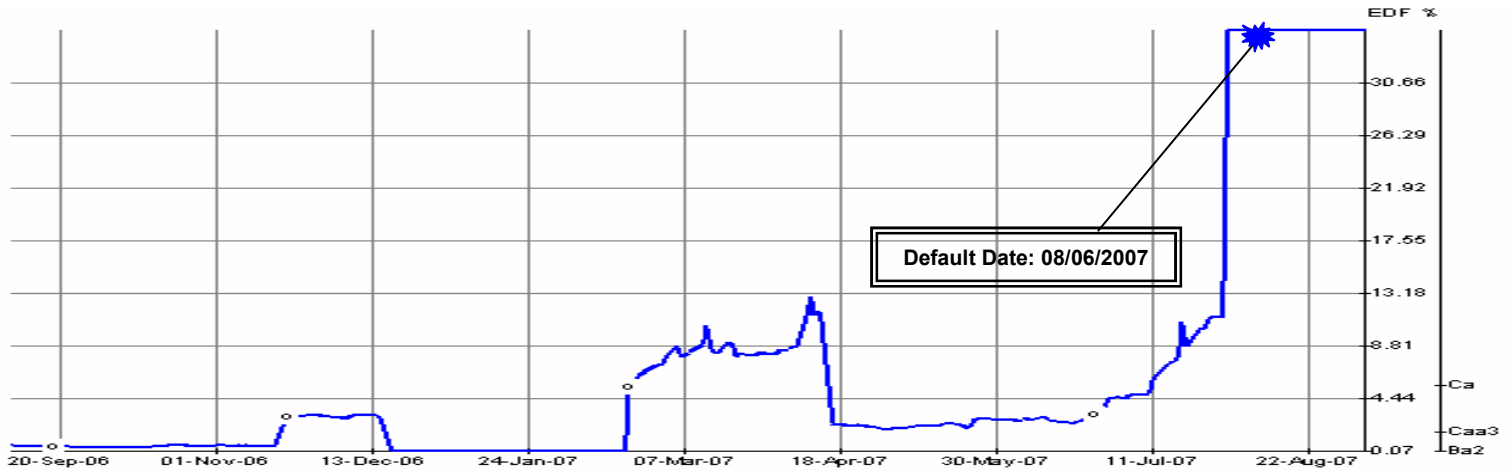
EDF™ as of September 6, 2007: 35%

Credit Category (not an agency rating): C

Expected Default Frequency (EDF) is the probability that a firm will default within a given time horizon. Default is defined as failure to make scheduled principal or interest payments. The main drivers of EDF credit measures are the market value of the firm (asset value), the level of its debt obligations (default point), and the volatility of firm value (asset volatility). The EDF credit measures displayed below are 1-year risk measures, although a 10-year term structure of risk is available within CreditEdge.

Company Profile

American Home Mortgage Holdings (AHMH) is all over the map. Literally and figuratively. The company originates and sells mortgage loans from more than 200 loan offices across the US and via the Internet. And, its two primary subsidiaries, American Home Mortgage Corp. and Columbia National, Inc., conduct business under some 30 different aliases. AHMH is now looking to combine its multitude of consumer brands under one name, which could lead to a company name change. AHMH focuses on homebuyers rather than homeowners seeking to refinance, however, more than 60% of its loans are made for refinancing. AHMH plans to acquire Apex Mortgage Capital and reorganize as a real estate investment trust (REIT) in 2003.



- AMERICAN HOME MTG INVNT CORP [AHMIQ] Default Point
- AMERICAN HOME MTG INVNT CORP [AHMIQ] EDF
- AMERICAN HOME MTG INVNT CORP [AHMIQ] Market Value of Assets
- AMERICAN HOME MTG INVNT CORP [AHMIQ] Asset Volatility

This chart displays that American Home Mortgage Investment Corp's EDF has risen sharply prior to filing bankruptcy on 8/6/2007. The asset volatility has climbed up to 6.39% from 4.69% since September 2006 along with the turbulent conditions in the mortgage market. The market value of assets declined from \$17.4 billion to \$16.8 billion in August 2007 while its default point rose to \$16.7 billion. The mix of the shrinkage in business value and mountable financial risk of the company, drove it to default.

Continue to EDF Details



EDF Information as of: September 6, 2007
 Financial Statement Date: March 30, 2007
 No Reference Issue

mm/dd/yy

Define Current: 9/6/07

Define Previous: One Day

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	35.00%		
Credit Category A	C	C		
Asset Volatility B	6.39%	6.39%		
Instantaneous Equity Volatility	2,672.47%	2,567.30%	+105.17%	+4.10%
Market Leverage C	99.76%	99.75%	+0.01%	+0.01%
Market Value of Assets D	16,785.371	16,787.035	-1.664	-0.01%
Market Capitalization	13.030	13.570	-0.540	-3.98%
Share Price	0.240	0.250	-0.010	-4.00%
Shares Outstanding	54.292	54.280	+0.012	+0.02%
Default Point E	16,745.041	16,745.041		
Short-Term Liabilities	14,159.891	14,159.891		
Long-Term Liabilities	5,170.301	5,170.301		
Total Adjusted Liabilities	19,330.191	19,330.191		
Other				
Common Dividends	213.162	213.162		
Preferred Dividends	13.220	13.220		
Dilution	1.000	1.000		

Credit Category **A**

Traditional ratings such as the ones used by the major rating agencies are currently more commonplace than default probabilities. Therefore, to help facilitate users' understanding, we translated the EDF credit measure into an equivalent credit category.

Note that this may bear no relationship to the actual agency rating. This is because Moody's KMV employs a different approach to measuring credit risk than the rating agencies. For a more detailed discussion of Moody's KMV's approach to measuring credit risk, please visit the Quick Tour on our Web site.



Comparison of Company to US & Canada Large Financials

Asset Volatility & Market Leverage **B & C**

The two main drivers of EDF credit measures are: asset volatility, a measure of business risk, and market leverage, a measure of financial risk.

Technically, asset volatility is the standard deviation of the annual change in the market value of the assets. This volatility is expressed in percentage terms.

The higher the asset volatility, the less certain investors are about the market value of the firm, and the more likely the firm's value will fall below its default point.

Market leverage is a ratio indicating how much of the market value of the firm's assets is financed by debt. The measure is calculated as follows: default point divided by the market value of assets.

If all else is equal, the higher the asset volatility or market leverage, the higher the EDF credit measure. The asset volatility and market leverage charts in the top right of the "EDF Detail" screen help the user to understand the firm's EDF credit measure and aid in determining the relative risk, both from a business risk and financial risk perspective.

The chart depicts a meter that shows the level of risk on each of the two measures. The levels are relative values computed on a selected group of firms.

Market Value of Assets **D**

The market's view of the enterprise value of the firm as determined by the firm's equity value, equity volatility, and liability structure.

Because the market value of assets is not directly observable, Moody's KMV employs a proprietary option-theoretic model to compute this value, which treats the firm's equity value as a call option on the firm's underlying assets.

The option theoretic approach enables Moody's KMV to determine the market value of a firm's assets from knowing only the market characteristics of its equity value and the book value of its liabilities.

Default Point **E**

The liabilities that matter in case of default. If the market value of assets falls below this value, it is assumed that the firm will be unable to sell assets or raise additional capital to pay its debts. In general, a firm's default point is a value close to its short-term liabilities plus half of long-term liabilities.

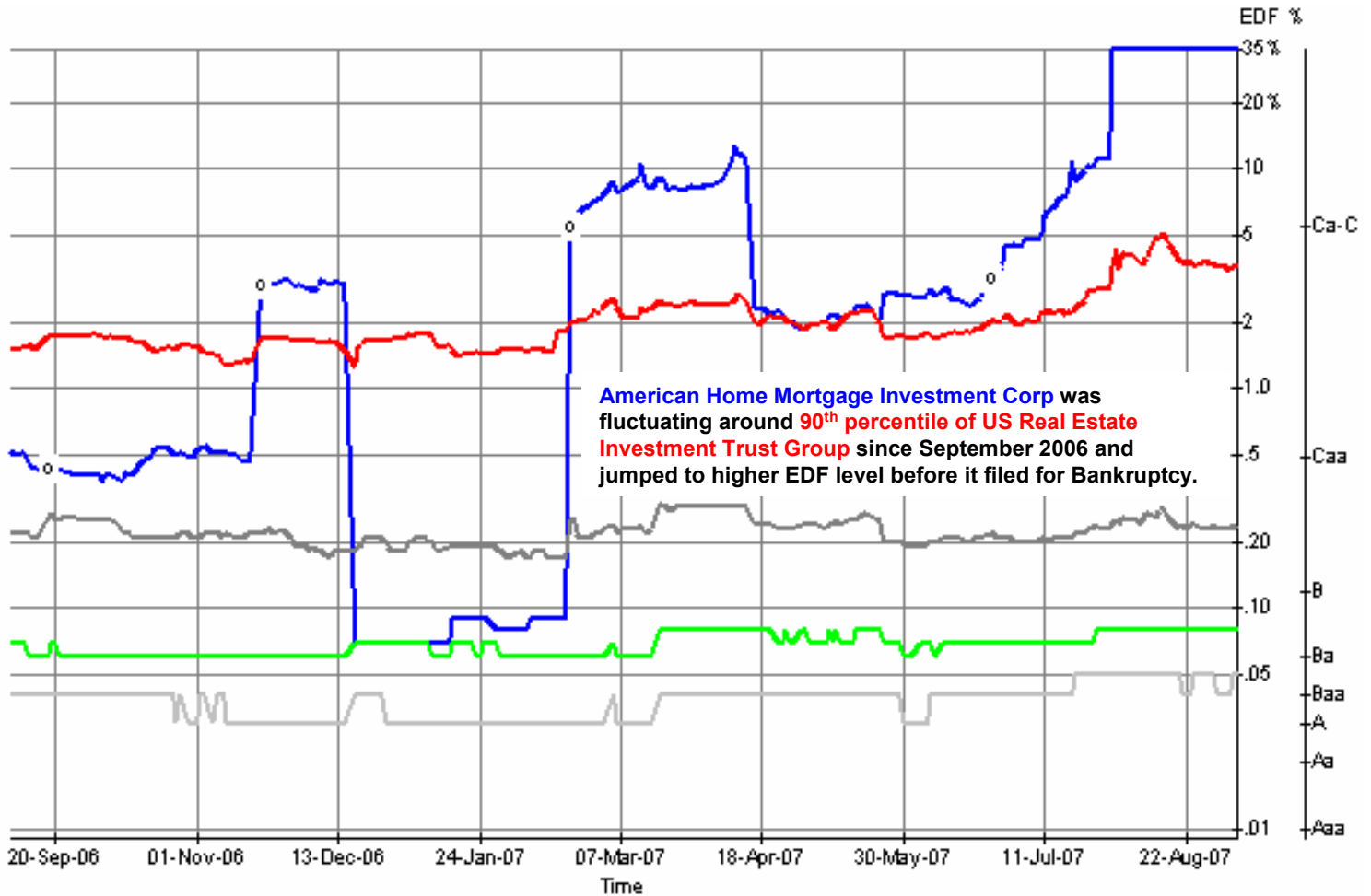


Relative Analysis

The relative analysis feature allows users to chart EDF, fundamental data, and bond values for a selected company or group relative to other companies and/or groups. Users may manually select their own list of peer companies or groups for comparison, or view a Moody's KMV predefined peer list which is based on an automated algorithm. To determine peers for each company:

- MKMV finds all the companies that share the company's Bloomberg Subgroup.

Users can also customize and save their own peer company and peer group choices for future use.



- AMERICAN HOME MTG INVT CORP [AHMIQ] EDF
- US REAL ESTATE INVESTMENT TRUSTS GROUP [USA6798] EDF - 25th Percentile
- US REAL ESTATE INVESTMENT TRUSTS GROUP [USA6798] EDF - Median
- US REAL ESTATE INVESTMENT TRUSTS GROUP [USA6798] EDF - 75th Percentile
- US REAL ESTATE INVESTMENT TRUSTS GROUP [USA6798] EDF - 90th Percentile

Thank you for your interest in CreditEdge, the revolutionary credit risk management solution provided by MKMV. We look forward to the opportunity of providing you with more information. Please visit www.CreditEdge.com to sign up for an online demonstration. A CreditEdge Team Member will respond to you shortly.