

Market In Review: The Wells Fargo ViewSM

Wells Fargo is a strong, sound mortgage lender and servicer. Our business is uniquely positioned to succeed in today's challenging market. Here is our insight on current conditions, and how we will continue to responsibly make loans to customers across the credit spectrum.

June 2008

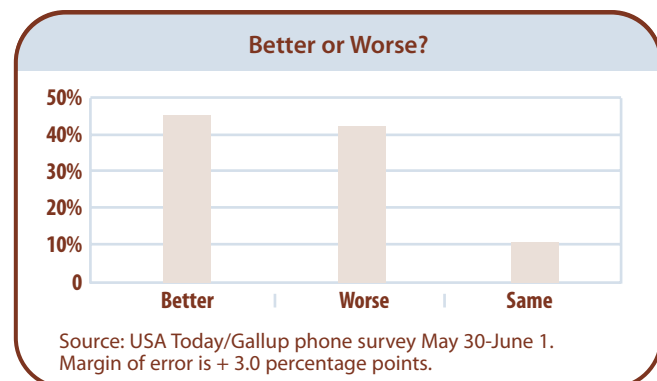
The Economy – Is It As Bad As It Feels?

According to multiple third-party sources, prices continue to rise in many sectors of the economy and consumer confidence levels are at their lowest since the 1980s. The May Reuters/University of Michigan index of consumer confidence was at 59.5, but a comparison of statistics from previous years suggests that the current cycle really might not be that bad.

During the 1978-1982 market downturn the average 30-year fixed mortgage rate was 13.5%, according to Freddie Mac. Interest rates have been hovering around 6% for the first half of 2008 and the unemployment rate in May was 5.5%. In 1982 the average unemployment rate was 9.7%, according to the U.S. Department of Labor.

In a speech delivered in May by Federal Reserve Chairman Ben S. Bernanke, he said that there is no quick fix for the economy and that it will simply take time for the correction to occur.

As the government works to jumpstart the market by sending economic stimulus payments to more than 130 million households, it's up for debate whether consumers will save the rebate, spend it or pay down debt. While consumer confidence remains low, spending continues to move ahead at a slow pace. A recent USA Today/Gallup phone survey showed that 45% of those polled said their standard of living is better now than it was five years ago (see chart).



The Wells Fargo View: We continue to see increased volume flowing into our company directly from consumers, brokers and correspondents. While the product mix has shifted from non-conventional products back to traditional mortgages and FHA/VA products, the home buying market shows pockets of strength - and, we continue to provide responsible lending and servicing to our customers.

Efforts Underway To Keep Appraisals In Check

True market values and accurate appraisals are critical to ensure home values are not inflated when consumers apply for mortgages. In March, the Office of the Federal Housing Enterprise Oversight (OFHEO), government-sponsored entities Fannie Mae and Freddie Mac, and New York State Attorney General Andrew Cuomo reached an agreement about certain requirements they wish to place on lenders and appraisers related to the appraisal process.

The Office of the Comptroller of the Currency recently cited "substantial legal issues" with how the deal was created. Subsequently, future changes to this proposed agreement may occur based on feedback from the industry and regulators.

According to the agreement, beginning Jan. 1, 2009 in New York, Fannie Mae and Freddie Mac will only buy mortgages where appraisals were made by companies that are independent from lenders. As written, the agreement would ban lenders from using in-house appraisers and block mortgage brokers from ordering appraisals.

The Wells Fargo View: Wells Fargo has long had a practice that helps prevent fraudulent appraisals. Internal policy requires the selection of an appraiser to be done independently by an approved appraisal management company. Any communication throughout the appraisal process is monitored for compliance with Wells Fargo's policy.

Government-Backed Loans Are A Larger Part Of Today's Market

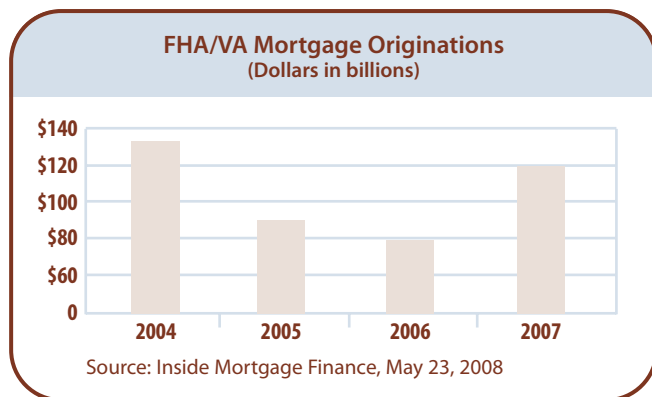
Government-backed products, such as Federal Housing Administration (FHA) and Veterans Administration (VA) loans are an alternative to nonprime and conventional home financing for qualified first-time and repeat homebuyers.

In addition to the consumers who qualify for FHA loans, nearly 70 million people are potentially eligible for VA loans - designed to help eligible veterans purchase or refinance a home. Similar to FHA products, the VA guarantees the loans, which provides additional opportunities for veterans to purchase a home and protects lenders against potential losses.

VA loans, which are fully assumable, include other benefits such as:

- Low downpayment options,
- No pre-payment penalty, and
- Seller-financed concessions up to 4% of the appraised value.

According to *Inside Mortgage Finance*, an estimated \$46 billion of FHA/VA loans were originated in early 2008, up 28% from the previous quarter and 92% more than during the same period in 2007 (see chart).

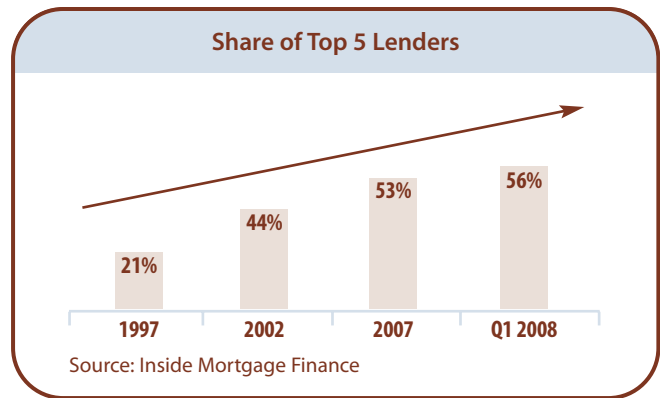


The Wells Fargo View: Wells Fargo has long been a leading FHA/VA lender, and offers these loans to all customers who may benefit from them. This includes customers who may be credit-challenged and need the additional assistance these loans provide. Visit <https://www.wellsfargo.com/mortgage/buy/loans/descriptions/government> for additional FHA/VA loan information.

Larger Market Share Migrates To Top Lenders As Small Businesses Exit

Mergers, acquisitions and mortgage lenders exiting the business will likely continue during the next several years. The remaining players are gaining a larger percentage of the market

share (see chart). As the choice of lenders continues to shrink, consumers will look to do business with quality companies who will be around for the long-term.



The Wells Fargo View: WFHM continues to be the leading Retail Residential Mortgage lender, ranking number one as of first quarter 2008¹, and also continues to be a leading Wholesale and Correspondent producer. Our commitment remains steadfast to mortgage banking and our customers, real estate professionals, builders, numerous other referral sources, brokers and correspondents.

¹ Source: Inside Mortgage Finance, May 30, 2008



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