

## Exhibit 2

# Who Has the Interest Rate/Prepayment Risk?

- Variable Rate Mortgages
- Mark-to-Market Prepayment Fees



Households

- Bond-Based Systems
- Pass-Through MBS



Capital Market  
Participants

Also:

- Deposit Insurance
- GSE Balance Sheets



Government

The fundamental source of interest rate risk is the money printing behavior of the government's central bank.