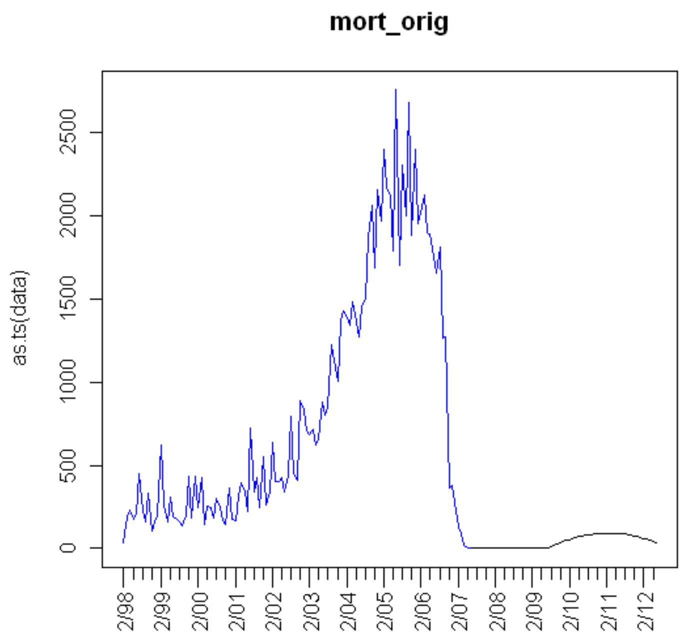
Curve Fitting Methodology

Master of Engineering Project

April 30, 2009

1.) Mortgage originations

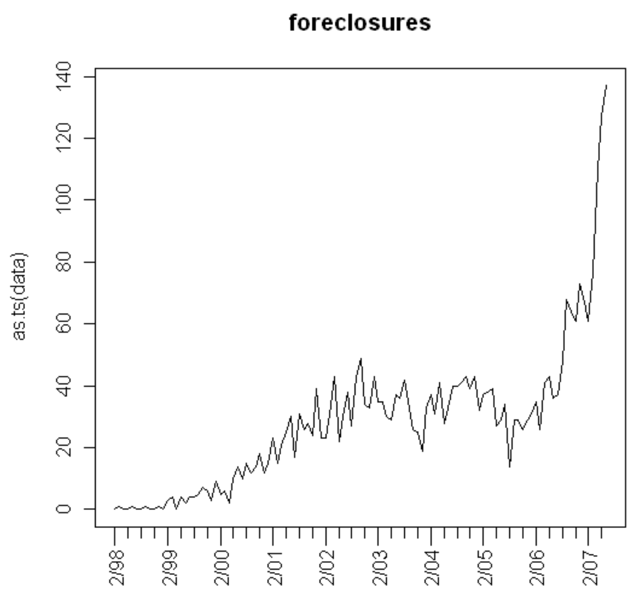
- First 24 months: Held mortgage originations at zero
- Next 36 months: Fit curve according to previous historical ramp-up rate



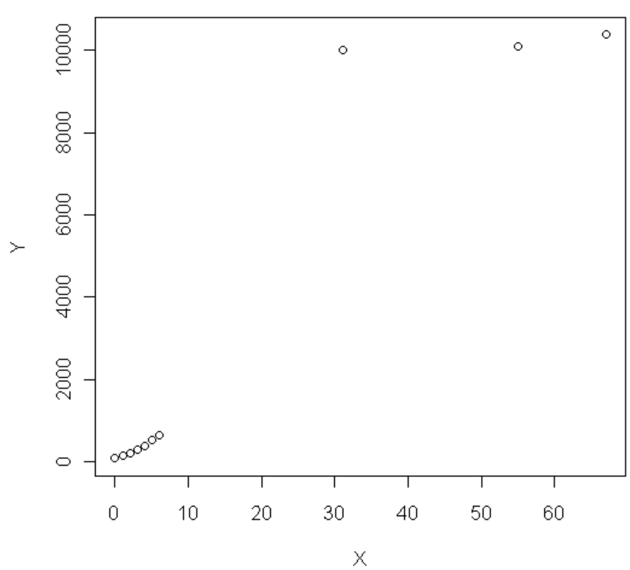
2.) Foreclosures

- Assumption: Recovery in 24 months, as in mortgage originations
- Obtained cumulative foreclosure estimates for 2008-2009 from the "Center of Responsible Lending"

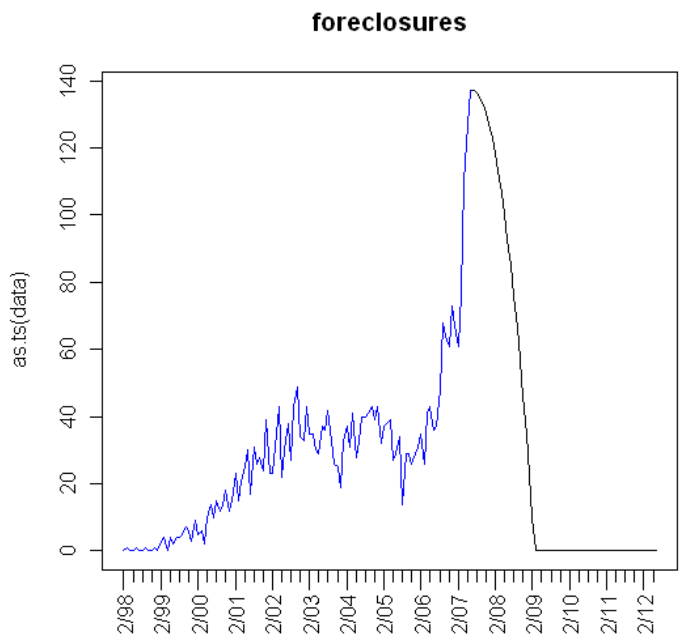
Idaho Original data



Cumulative foreclosure estimates plot



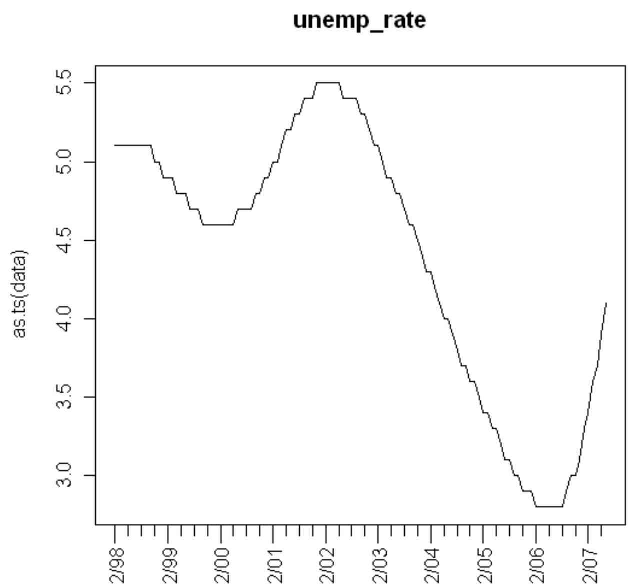
Idaho Foreclosures Forecast



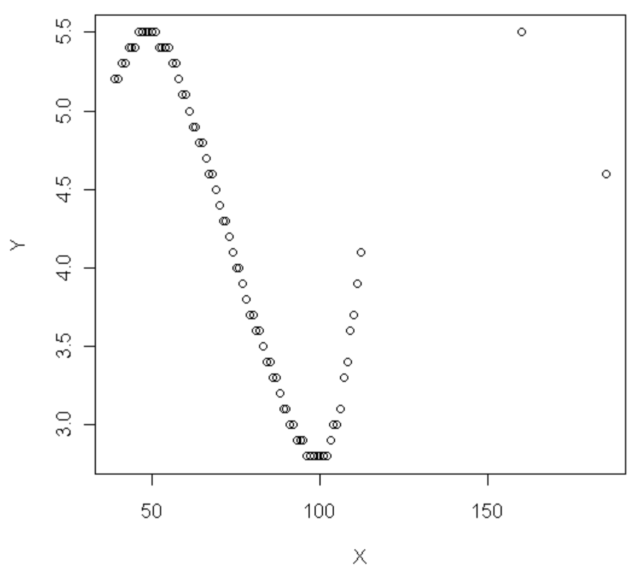
3.) Unemployment Rate

- Assumption: Periodic
- Fit 4th order polynomial using the most recent peak and trough.

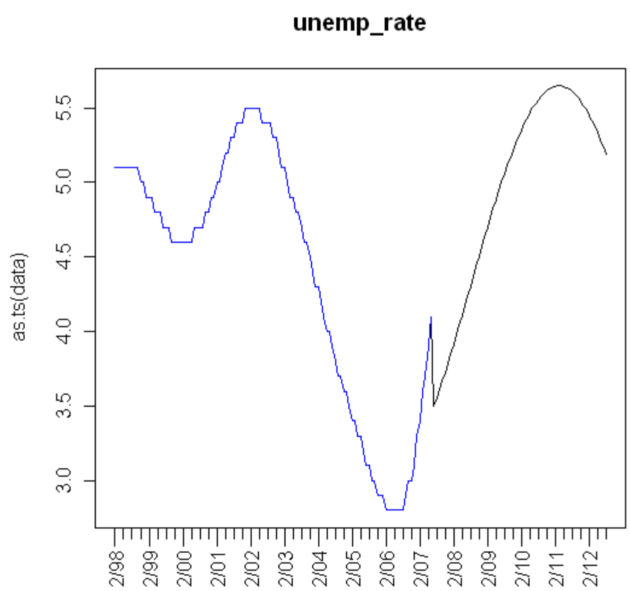
Idaho Original data



Initialization



Idaho Unemployment Rate Forecast

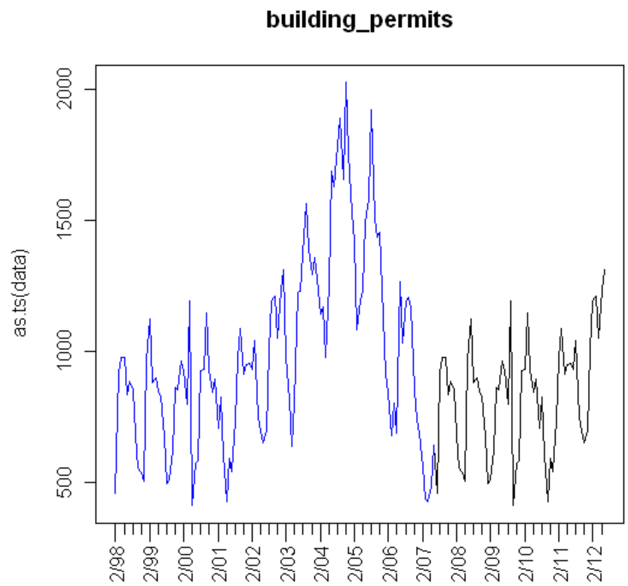


5.) Median income

- Assumption: Stationary about the last 2-year moving mean

6.) Building permits

- Assumption: Stationary about the pre-bubble mean



7.) Population size

- Assumption: linear growth based on previous trend