



Welcome / Keynote Remarks

Jim Konrath

Chairman and Chief Executive Officer

September 26–27, 2006



ACCREDITED
HOME LENDERS



Schedule

<u>Time</u>	<u>Topic</u>	<u>Speaker</u>
9:00 – 9:30	Welcome / Keynote Remarks	<i>J. Konrath</i>
9:30 – 10:00	Managing the Business, Not the Stock Price	<i>J. Lydon</i>
10:00 – 10:30	Managing Dispositions to Optimize Execution	<i>S. Marvin</i>
10:30 – 10:45	Break	
10:45 – 11:15	Managing a Quality Portfolio	<i>J. Crawford</i>
11:15 – 11:45	Questions & Answers	<i>J. Konrath, J. Lydon, S. Marvin, J. Crawford</i>
11:45 – 12:00	Break	
12:00 – 12:45	Panel Discussion – The State of the Industry Panelists: <i>Michelle Gill, Goldman Sachs</i> <i>Jim Schneider, C-BASS</i> <i>Gene Weil, Milestone Advisors</i>	<i>Moderators:</i> <i>J. Konrath, S. Marvin</i>
12:45 – 1:00	Questions & Answers	<i>Panel</i>
1:00 – 2:00	Lunch	



Forward-Looking Statements

Certain matters discussed in this presentation constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include statements regarding the company's planned acquisition of Aames Investment Corp.; the synergies, economies of scale and employee gains resulting from the acquisition; the company's expected net earnings for the full year 2006; the projected dilution resulting from the Aames merger; the company's projected growth in loan originations; the gains the company receives in connection with its whole loan sales; the company's ability to reduce costs, including costs to originate; the credit quality of the company's loan portfolio; the company's outlook on the competitive and regulatory environments, generally, and the impact that those environments will have on weighted average coupons, margins and whole loan sale premiums. Actual results and the timing of certain events could differ materially from those projected in or contemplated by these forward-looking statements due to a number of factors, including but not limited to: the ability of the company to close its merger with Aames and the timing of the closing, if at all; the ability of the company to achieve synergies, economies of scale, and employee gains following the completion of the merger; interest rate volatility and the level of interest rates generally; the nature and amount of competition, the availability of alternative loan products not offered by the company, and the nature and characteristics of the loans originated by the company; the company's ability to attract and retain qualified personnel; general political and economic conditions; the sustainability of loan origination volumes; the availability of financing for the origination of mortgage loans; the ability of the company to sell or securitize mortgage loans; the company's ability to grow its portfolio; the ability of the company to manage costs; and other risk factors as outlined in Accredited Home Lenders Holding Co.'s annual report on Form 10-K for the period ended December 31, 2005, its reports on Form 10-Q for the first and second quarters of 2006, and other documents filed with the SEC.

REGULATION G DISCLOSURES

Information on the gain on sale components and net cost to originate appearing elsewhere in this presentation may fall under the Securities and Exchange Commission's definition of "non-GAAP financial measures." Management believes that these calculations, taken in context with the other information reported in this presentation, provide investors with a better understanding of the efficiency of the company's loan generating platform. A reconciliation of the calculations of the gain on sale components and the net cost to originate is set forth in our earnings news release issued August 9, 2006.



The Three “C’s” of the Non-Prime Industry: Contraction, Competition & Consolidation

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Competition and Pricing – Q3 2005*

	<u>Brand X</u>	<u>Brand Y</u>	<u>Brand Z</u>	<u>LEND</u>
Net Gain on Sale	2.40%	1.83%	2.09%	3.07%
Net Cost to Originate	(2.25%)	(2.22%)	(1.82%)	(1.57%)
Net Operating Margin	0.15%	(0.39%)	0.27%	1.50%

**Source: Company SEC filings*



Competition and Pricing – Q2 2006*

	<u>Brand X</u>		<u>Brand Y</u>		<u>Brand Z</u>		<u>LEND</u>	
	<u>Q3 05</u>	<u>Q2 06</u>	<u>Q3 05</u>	<u>Q2 06</u>	<u>Q3 05</u>	<u>Q2 06</u>	<u>Q3 05</u>	<u>Q2 06</u>
Net Gain on Sale	2.40%	1.69%	1.83%	0.33%	2.09%	2.10%	3.07%	2.30%
Net Cost to Originate	(2.25%)	(2.58%)	(2.22%)	(1.70%)	(1.82%)	(1.51%)	(1.57%)	(1.34%)
Net Operating Margin	0.15%	(0.89%)	(0.39%)	(1.37%)	0.27%	0.59%	1.50%	0.96%

*Source: Company SEC filings



- **First Quarter**

- Seasonally soft volume, as expected
- Industry lowers rates to borrowers
- Total volume +11% over Q1 2005

- **Second Quarter**

- Strong April and May
- June below 2005
- Increasing Account Executive turnover caused by
 - Product contraction
 - Competitors targeting Accredited Account Executives with substantial signing bonuses and commission levels
- Total volume -1.5% compared to Q2 2005

- **Third Quarter: July Volume Below 2005**

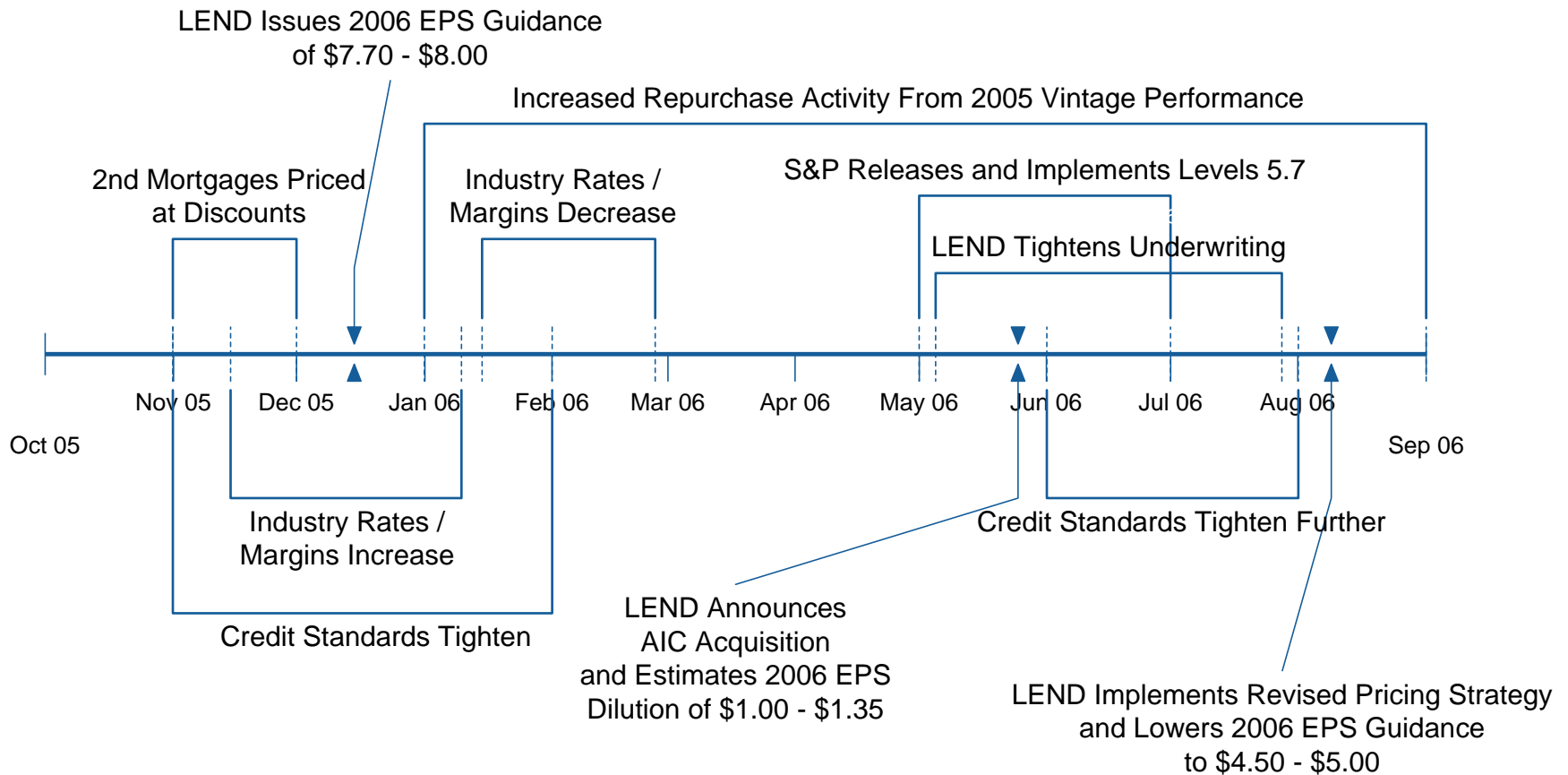


Competitive Pricing Strategy

- **Shifting Gears, Not Changing the Model**
- **Lower Target Revenue/Margin Thresholds**
- **Expectations**
 - Increase origination volume at a profit
 - Raise the percentage of high-quality customers
 - Create a more competitive and satisfied sales force
 - Maintain low cost to originate position
 - Protect the franchise
- **Preliminary Results: August 2006 Volume in U.S. +49% over July 2006 and +4% over August 2005**



Product Contraction & Competitive Pricing





2006 EPS Guidance – Issued 8/9/06

- **Revised Earnings Guidance to \$4.50 – \$5.00 per Share**
- **Dilutive Impact of Aames Merger = \$1.00 – \$1.35**
- **Primary Contributing Factors:**
 - Lower than anticipated origination volume
 - Lower net gain on whole loan sales
- **Revised Forecast Assumes**
 - Completion of the Aames acquisition
 - Second half loan sales vs. volume disconnect
 - More competitive wholesale pricing
 - Year-over-year volume growth
 - Lower net gains on whole loan sales
 - Steady net cost to originate



Consolidation – Recent Headlines

Ameriquest/Argent Lays off 1,500

Saxon Lays off 200

Encore Lays off 440; Closes 4 Processing Centers

New Beginnings Ended ... Closed their doors

Wilmington Finance Lays off 200

Finance America Merges with First

Aegis Shuts

ACCREDITED ANNOUNCES MERGER WITH AMES INVESTMENT CORP.

Independent Division

AmNet Shuts Down Non-Prime Division

Ameriquest Shuts Down 229 Retail Branches

Mortgage IT Shuts Down Non-Prime Business

Metro Cities Shuttters Acoustics

Saxon Agrees to be Acquired by Morgan Stanley

Merrill Lynch Announces Agreement to Acquire First Franklin from National City Corp.



Ames Acquisition – Highlights

- **Why Ames**

- 52-year old non-prime originator
- Strong retail platform
- Cultural fit

- **Synergies**

- Costs: Improved scale and elimination of redundant overhead
- Capital Markets: Improved whole loan sale execution, warehouse funding cost, and ABS spreads
- Management

- **Expected Financial Impact**

- Dilutive first quarter post-closing
- Accretive to 2007 Earnings



Post-Merger Management Team

JIM KONRATH

**Chairman of the Board
& Chief Executive
Officer**

28 years experience

JOE LYDON

**President & Chief
Operating Officer**

29 years experience

STU MARVIN

**Executive Vice
President**

23 years experience

JEFF CRAWFORD

Director of Operations

25 years experience

Years of Experience in Industry

Chief Financial Officer – 25 years

Chief Information Officer – 31 years

Director of Capital Markets – 21 years

Director of Corp. Communications – 29 years

Director of HR & Administration – 25 years

**Mike Matthews, Director of Integration
25 years**

Director of Internal Audit & QC – 25 years

Director of Marketing – 25 years

Director of Strategic Initiatives – 20 years

Director of Wholesale Operations – 31 years

General Counsel – 18 years

**Jim Fullen, Director of Retail Operations
33 years**

More than 50 managers and executives with 20+ years in the industry; cumulatively managed through mortgage cycles for three decades.