

July 19, 2007

418 Closed-End Second-Lien RMBS Classes Downgraded; Revised Rating Assumptions Announced

Primary Credit Analysts:

Ernestine Warner, New York (1) 212-438-2633; ernestine_warner@standardandpoors.com
Robert B Pollsen, New York (1) 212-438-2577; robert_pollsen@standardandpoors.com

Secondary Credit Analysts:

Michael Stock, New York (1) 212-438-2611; michael_stock@standardandpoors.com
Mona Solar, New York (1) 212-438-2668; mona_solar@standardandpoors.com

Global Practice Leader-ABS/RMBS Ratings:

Rosario Buendia, Global Practice Leader-ABS/RMBS Ratings, New York (1) 212-438-2410;
rosario_buendia@standardandpoors.com

U.S. RMBS Practice Leader:

Susan E Barnes, U.S. RMBS Practice Leader, New York (1) 212-438-2394; susan_barnes@standardandpoors.com

Chief Quality Officer-SF Ratings:

Thomas G Gillis, Chief Quality Officer-SF Ratings, New York (1) 212-438-2468; tom_gillis@standardandpoors.com

Media Contacts:

Adam M Tempkin, New York (1) 212-438-7530; adam_tempkin@standardandpoors.com
Chris Atkins, New York (1) 212-438-1106; chris_atkins@standardandpoors.com

NEW YORK (Standard & Poor's) July 19, 2007--Standard & Poor's Ratings Services today lowered its credit ratings on 418 classes of U.S. residential mortgage-backed securities (RMBS) backed by U.S. closed-end second-lien mortgage collateral issued from the beginning of January 2005 through the end of January 2007.

The complete ratings list, along with a related transition matrix, is included in "U.S. Closed-End Second-Lien RMBS Classes Affected By July 19, 2007, Rating Actions," available on RatingsDirect, the real-time Web-based source for

418 Closed-End Second-Lien RMBS Classes Downgraded; Revised Rating Assumptions Announced

Standard & Poor's credit ratings, research, and risk analysis. The tables can also be found on Standard & Poor's Web site at www.standardandpoors.com. Select Products and Services and then Ratings. Choose Standard & Poor's Views On The Subprime Mortgage Market and scroll down to Structured Finance.

These rating actions resolve 229 outstanding CreditWatch actions taken since Oct. 6, 2006, involving U.S. RMBS backed by closed-end second-lien collateral. It is important to note that 127 of the classes affected by today's rating actions have been previously downgraded. In fact, prior to today, Standard & Poor's had already lowered its ratings on 197 classes of U.S. RMBS backed by closed-end second-lien collateral issued between the beginning of January 2005 and the end of December 2006. Some of the classes affected by today's rating actions have been downgraded multiple times for a total of 275 previous downgrade actions.

The affected 418 downgraded classes had an original total balance of approximately \$3.8 billion, which represents 6.1% of the approximately \$62 billion in U.S. RMBS backed by closed-end second-lien collateral rated by Standard & Poor's from the beginning of January 2005 through the end of January 2007. During the same period, the total balance of U.S. RMBS securities backed by all types of residential mortgage collateral issued in the non-agency market was over \$2.5 trillion.

Standard & Poor's is taking these actions because it believes that losses on U.S. RMBS backed by closed-end second-lien collateral will significantly exceed historical precedent and our original assumptions. We believe that this poor performance results from a combination of factors including, but not limited to, an environment of looser underwriting standards; pressure on home prices; speculative borrowing behavior; risk layering (the combination of several risk elements for one single borrower); very high combined loan-to-values (CLTVs); financial pressure on borrowers resulting from payment increases on first-lien mortgages; and questionable data quality. Furthermore, in the past, when borrowers had difficulty managing their mortgage payments, they were able to refinance. However, as a result of tighter underwriting standards, an increase in interest rates, and home price erosion in various regions of the country, we believe it will be more difficult to refinance, and this will result in further delinquencies and defaults.

These U.S. RMBS transactions backed by closed-end second-lien collateral have been experiencing high early payment defaults that have not abated. Originally, we believed that these losses might abate and that the transactions would revert to delinquency and default patterns that are closer to historic norms. However, these transactions have now reached a sufficient level of seasoning for us to conclude that, based on the factors above, they will evidence delinquency and default loss trends indicative of poor future performance that will continue to exceed historic precedent and our original ratings assumptions.

ADJUSTMENTS TO SURVEILLANCE ASSUMPTIONS

Surveillance of U.S. RMBS transactions backed by closed-end second-lien collateral differs significantly from that of transactions backed by first-lien mortgages. Closed-end second-lien mortgages can go from being current on their monthly payments to a loss within six months or less. Therefore, a pool's credit quality can deteriorate over a very short time period.

Our revised surveillance assumptions focus on three areas: current losses to date, losses assumed on currently delinquent loans, and future losses for borrowers who are current with their loan payments. We continue to assume that a servicer will generally charge-off the outstanding loan balance after 180 days of delinquency, applying a 100% loss severity to the defaulted balances. Now, to account for the movement of the currently delinquent loans through the delinquency pipeline, we are assuming that for each transaction, the total aggregate balance of the loans that are 60-days delinquent and 90-plus days delinquent, along with 50% of the balance of the loans that are 30-days delinquent, will be charged-off evenly over the next six months. We are also now assuming that once the existing delinquencies have been absorbed by a transaction, we will apply an assumed loss curve for future losses. Each transaction is mapped to its specific point on the loss curve based on its seasoning. Generally speaking, we will assume that 30% of losses will be incurred in the first 18 months, and total losses will occur over a five-year period. The bulk of the remaining 70% of losses will be assumed to occur over the next one to two years, as we expect a good portion of the underlying first-lien loans to experience adjustments to their monthly mortgage payments, resulting in a continued stream of second-lien defaults.

We have also adjusted our stress test in consideration of the speed at which these transactions' credit profiles can change. As a result, the time periods have been shortened relative to our subprime review. A cash flow analysis that matches prepayment speeds that approximate the recent historical constant prepayment rates (CPRs) for each transaction to that of its transaction-specific loss projections will be performed. For transactions that fail within the next 36 months, rating actions will typically be taken in accordance with the following guidelines:

- To 'CCC' on any class that does not pass our stress test scenario (a class is expected to experience a principal write-down or, with respect to the senior classes, a principal shortfall) within six months, regardless of its current rating;

- To 'B' on any class that does not pass our stress test scenario within seven to 12 months;

- To 'BB' on any class that does not pass our stress test scenario within 13 to 18 months;

- To 'BBB' on any class that does not pass our stress test scenario within 19 to 36 months.

In addition, we have modified our assumptions for reviewing the ratings on more senior classes in a transaction in which subordinate classes have been downgraded. In cases where the remaining loss protection on a more senior class was materially eroded by projected losses, it will be adjusted lower to

reflect the reduced relative protection of that class.

ADJUSTMENTS TO RATING ASSUMPTIONS FOR NEW TRANSACTIONS

We are also implementing a number of revisions to our assumptions for rating new transactions, as described below, so that we can better assess the expected risk profile of these loans.

Standard & Poor's adjusted certain of the assumptions it uses in rating U.S. RMBS backed by closed-end second-lien collateral in May 2007 when it revised upward its prepayment speed assumptions and front-loaded its default curves. These adjustments resulted in a significant increase in credit protection in deals rated by Standard & Poor's after May 2007 by diminishing the availability of excess spread to cover losses. Today, we are increasing our default and loss assumptions for purchase money loans, high CLTV loans (above 95% LTV), and loans made to borrowers whose FICO scores are at or below 660. These are the loan characteristics we currently believe are most predictive of the higher defaults and losses in the transactions being downgraded.

IMPACT ON CURRENT RATINGS

The downgrades on the 418 different classes were spread across the various ratings categories as follows: 34.62% were from the 'BBB' rating category, 25.42% were from 'BB', 17.19% from 'A', 16.22% from 'B', 3.15% from 'AA', 2.66% from 'CCC', and 0.73% from 'AAA'. Therefore, 78.93% of the lowered ratings were from classes rated 'BBB+' or lower. (It should be noted that although there are eight 'AAA' rated classes included in this analysis, they are actually from only three transactions.)

The ratings on 19 classes of U.S. RMBS backed by closed-end second-lien collateral have been affirmed and removed from CreditWatch (see complete rating list in "U.S. Closed-End Second-Lien RMBS Classes Affected By July 19, 2007, Rating Actions").

A few of the rated classes issued in 2005 and 2006 remain on CreditWatch. There are a total of 10 classes from five different transactions from three different issuers remaining on CreditWatch, out of all of the U.S. RMBS backed by closed-end second-lien collateral rated by Standard & Poor's during 2005 and 2006. These classes remain on CreditWatch because, although they passed our current stress test scenario, if current delinquency patterns continue, a downgrade is likely in the near future. Therefore, either performance will deteriorate and we will lower the ratings and remove them from CreditWatch, or performance will improve and we will affirm the ratings and remove them from CreditWatch.

'AAA' RATED BONDS AFFECTED

The application of the revised surveillance assumptions results in the downgrade of eight 'AAA' classes (constituting eight related classes from three separate transactions), but in no case was any 'AAA' rating lowered to

below investment-grade. Senior certificates from GSAMP Trust 2006-S3, GSAMP Trust 2006-S5, and New Century 2006-S1 were lowered (see list below). All of these 'AAA' rated classes pass our stress test scenario. However, the 'AAA' ratings on these classes were lowered, in keeping with our approach of adjusting the ratings of the more senior classes to reflect the reduced relative protection of these classes when the class right below them is downgraded by four notches or more. The list below shows the new and previous ratings for the transactions by class.

RATINGS LOWERED

Issuer Name	Class	Rating	
		To	From
GSAMP Trust 2006-S3	A-1	BBB	AAA
GSAMP Trust 2006-S3	A-2	BBB	AAA
GSAMP Trust 2006-S3	A-3	BBB	AAA
GSAMP Trust 2006-S5	A-1	AA	AAA
GSAMP Trust 2006-S5	A-2	AA	AAA
New Century Home Equity Loan Trust 2006-S1	A-1	AA	AAA
New Century Home Equity Loan Trust 2006-S1	A-2a	AA	AAA
New Century Home Equity Loan Trust 2006-S1	A-2b	AA	AAA

U.S. RMBS transactions backed by closed-end second-lien collateral issued beginning February 2007 have not had adequate seasoning to establish a payment history that would make the outcomes of the delinquency and loss tests described above meaningful. However, since the same asset risks that are apparent in the transactions issued in 2005 and 2006 may also be present in the February 2007 through June 2007 transactions, we will continue to monitor the 2007 vintage securitizations and apply our revised surveillance assumptions to these transactions as they season and as delinquency and loss data become available. We will also review these transactions using our revised assumptions for new ratings and may take rating actions, as deemed appropriate, throughout the remainder of 2007.

Standard & Poor's will host a teleconference early next week. Details will be released in advance. In the meantime, anyone who wishes to pose a question prior to the teleconference can e-mail subprime@standardandpoors.com and we will make every effort to respond as soon as possible.

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research and data. With approximately 6,300 employees located in 20 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com>.

Copyright © 2007, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212.438.9823 or by e-mail to: research_request@standardandpoors.com.