



## **S&P Takes Action on 6,389 U.S. Subprime RMBS Ratings And 1,953 CDO Ratings**

**Thursday, January 31, 2008**

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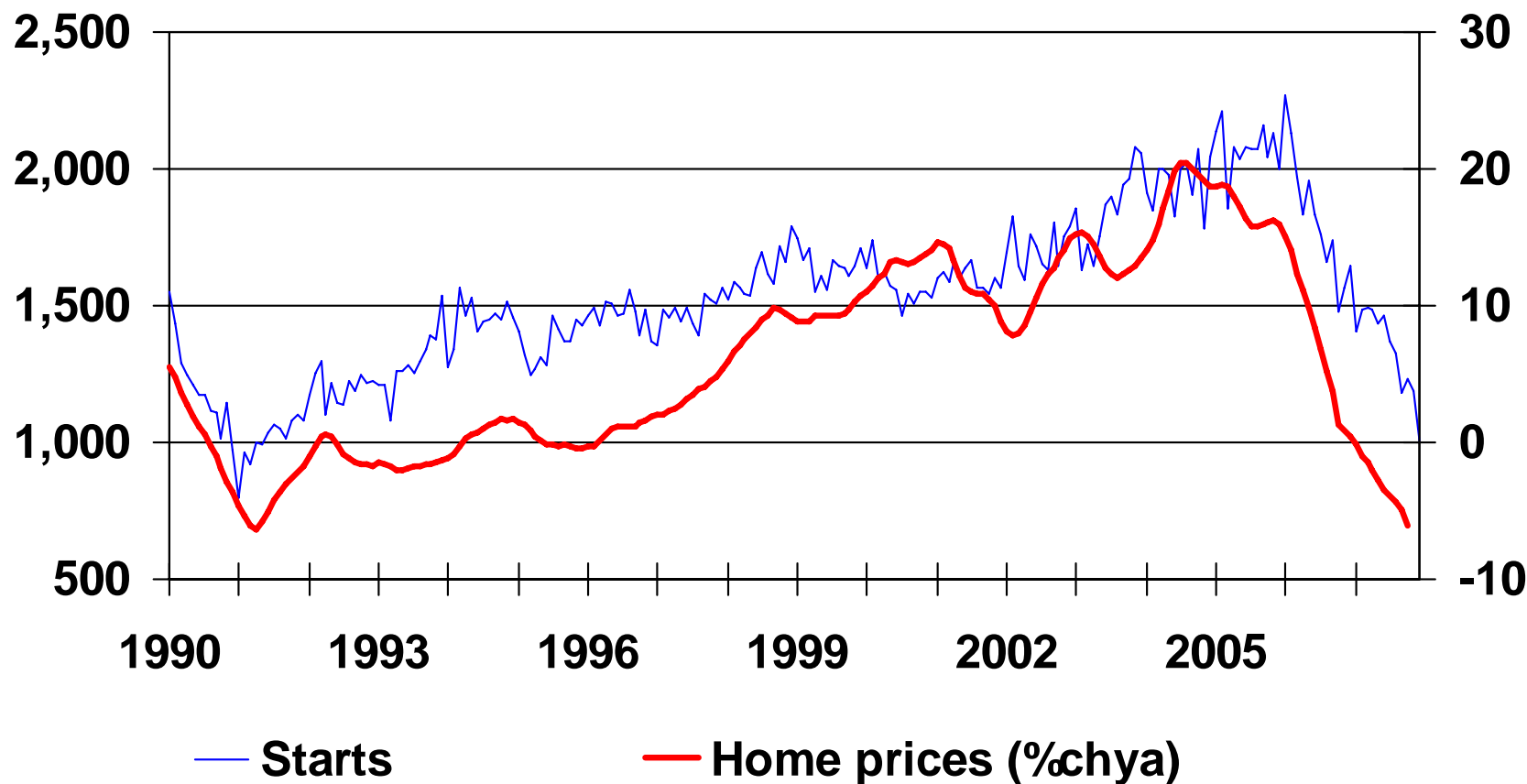
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# The Housing Market Cycle

(Housing starts (1000) and 12-month % change in home prices (S&P/Case-Shiller))



Source: S&P and Census Bureau

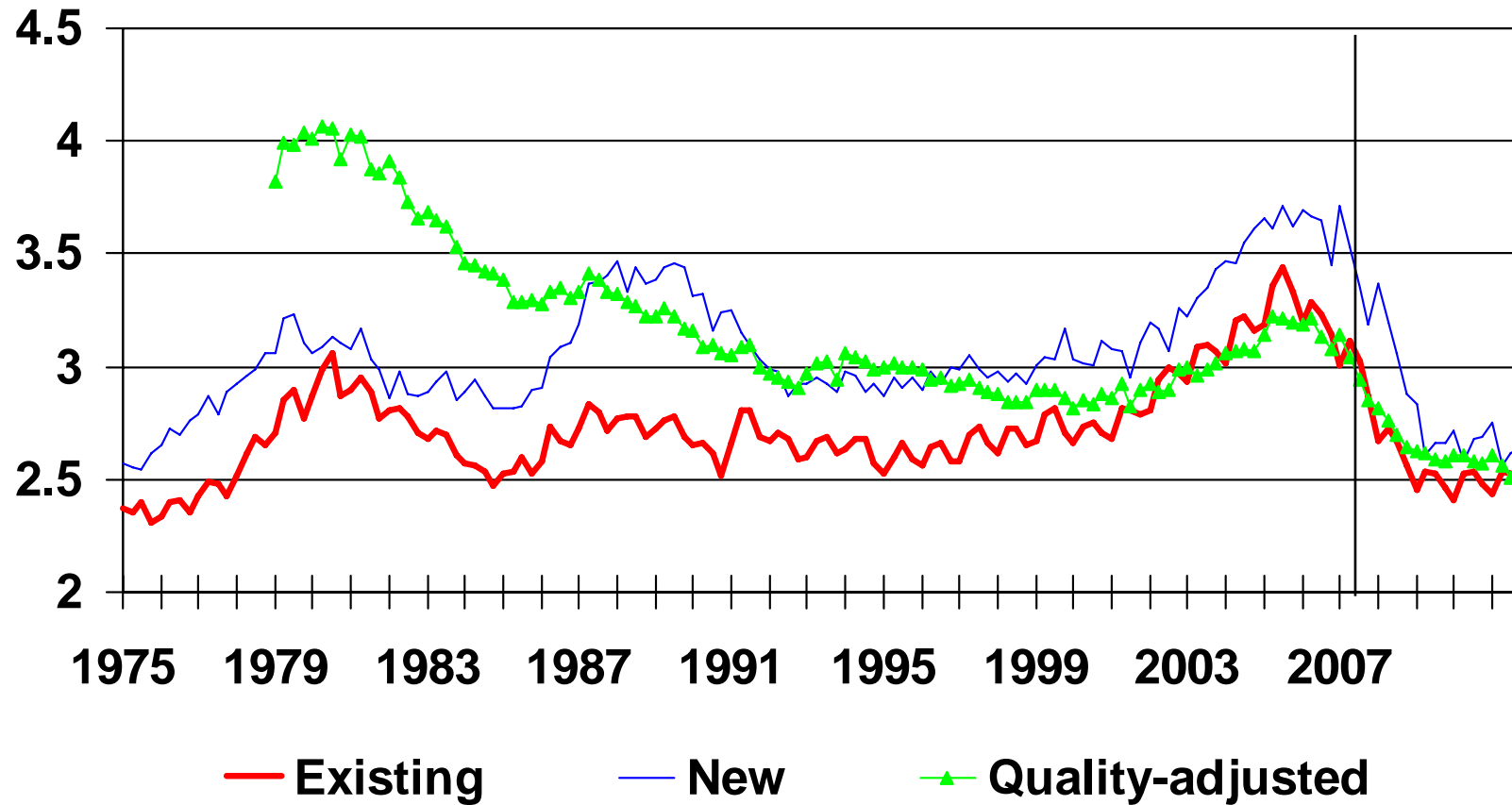
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# Home Prices Are High Relative to Household Income

(Ratio of average home price to average household disposable income)



Source: BEA

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# Most Weakness Is In The Bubbles

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(S&P/Case-Shiller Home Price Indexes)

	Nov-07	2002-2005 average
<b>Top 5</b>	(12-month percent change)	
Charlotte	2.9	4.1
Seattle	1.8	12.2
Portland, OR	1.3	13.1
Dallas	-1.2	2.7
Atlanta	-2.0	4.3
National average	-7.7	14.3
<b>Bottom 5</b>		
Miami	-15.1	19.9
San Diego	-13.4	17.2
Las Vegas	-13.2	17.5
Detroit	-13.0	3.1
Phoenix	-12.9	20.6
Tampa	-12.6	16.6

Source: Standard & Poor's

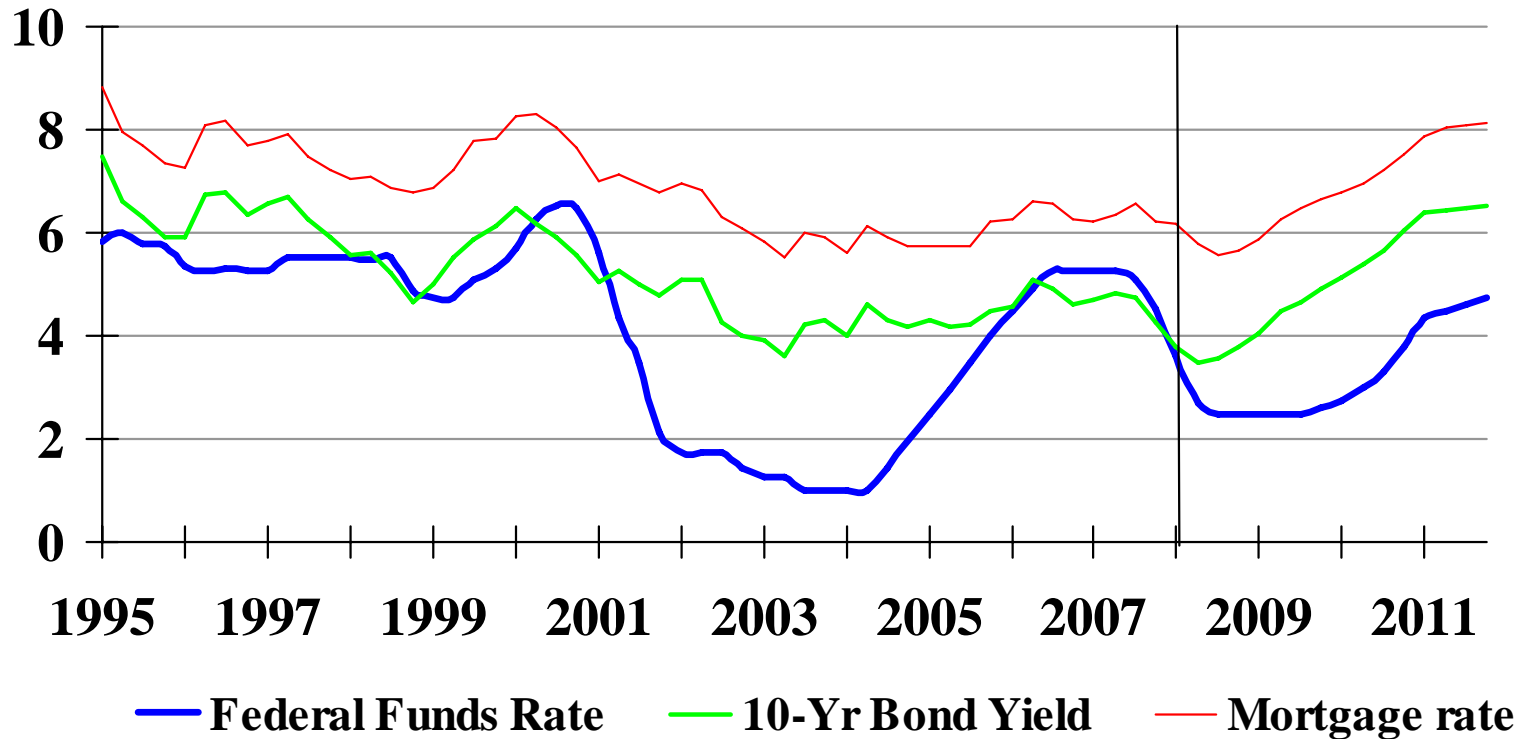
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# The Fed Cut Rates Sooner Than Expected

(Percent)



Source: Federal Reserve

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# RMBS Surveillance

Ernestine Warner

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# Changes to RMBS Surveillance Assumptions

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- **Revised our expected losses for the 2006 vintage to 19% from 14%**
  - Significant increase in total and severe delinquencies (90-plus days, foreclosure, and REO).
  - Updated loss curve projections.
  - Home prices will decrease by 13% by early 2009.
  - Increased time to liquidation.
- **Extended our stresses of the expected loss amount over the lifetime of the transactions to evaluate the adequacy of credit enhancement.**
  - The duration of the housing downturn will be longer than previously anticipated.
  - Formerly focused on the first 36 months based on expected peak in losses.
- **Revised our assumptions on availability of excess spread.**
  - Increased number of loan modifications will likely reduce future excess spread available to cover credit losses.
  - An estimated \$342 billion mortgages are expected to reset during 2008.

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# Application of RMBS Surveillance Assumptions

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- **2006 Loss Coverage Multiple Analysis**

- Compare projected credit support against projected losses
  - Projected Credit Support – Current subordination, plus current overcollateralization, plus discounted excess spread
  - Projected Losses – Determined using the 2006 default curves and a loss severity of 45%
- Loss coverage multiples will be calculated for each class
  - The class specific multiples will be compared to the appropriate multiple at each rating category to determine if rating actions are warranted
- AAA and AA classes that fail the stress test will be placed on CreditWatch negative
  - Cash flow analysis will be performed to determine the relationship between the projected payoff and reduction in credit enhancement
- CC ratings indicate a high probability of default
  - Most of the class downgraded to CC were previously lowered to B or CCC

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# Application of RMBS Surveillance Assumptions

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- **2007 Loss Coverage Multiple Analysis**

- Compare *original* credit support against projected losses
  - Original Credit Support – Due to the limited seasoning of the 2007 transactions, we incorporated the original credit support percentages into the 2007 analysis
  - Projected Losses
    - Assumed an average expected loss of 17.30%
      - » Compared original loan characteristics from the 2006 and 2007 vintages.
        - Similar LTVs
        - A 2% favorable HPI differential
        - Greater percentage of fixed rate loans
        - Lower percentage of purchase loans
      - » Based on the loan characteristics and HPI differential, we have concluded that losses on 2007 subprime transactions will be approximately 1.7% less than 2006 vintage
  - Deal specific projected losses were calculated by comparing the actual BBB loss coverage to the average of the 2007 vintage
  - Projected losses were adjusted to account for collateral performance which is significantly exceeding the average of the 2007 vintage
- Loss coverage multiples will be calculated for each class
  - The class specific multiples will be compared to the requirements at each rating category to determine if rating actions are warranted
- AAA and AA classes that fail the stress test will be placed on CreditWatch negative
  - Cash flow analysis will be performed to determine the relationship between the projected payoff and reduction in credit enhancement

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# RMBS Rating Summary

Subprime 2006 Vintage				
Category	Class Count	Original Balance	Current Balance*	% of Issuance
Ratings being put on Credit Watch Negative	2035	\$182,017,436,490	\$136,091,821,203	32%
Ratings being downgraded	2607	\$34,875,462,260	\$34,702,524,974	8%
<b>Total Rating Actions</b>	4642	\$216,892,898,750	\$170,794,346,177	40%
New ratings being downgraded	1313	\$17,199,059,360	\$17,092,975,884	4%
Ratings being downgraded w/ previous rating action	1291	\$17,650,892,900	\$17,584,039,090	4%
Ratings being affirmed	1735	\$173,672,526,628	\$111,141,768,793	26%
Ratings downgraded as of Dec 2007 and being affirmed	44	\$371,286,000	\$371,286,000	0%
<b>Total Ratings downgraded for vintage outstanding</b>	2651	\$35,246,748,260	\$35,073,810,974	8%
<b>Total Issuance in Period:</b>		\$428,730,480,000		

Subprime 2007 Q1-Q2 Vintage				
Category	Class Count	Original Balance	Current Balance*	% of Issuance
Ratings being put on Credit Watch Negative	567	\$37,770,260,050	\$34,871,487,203	23%
Ratings being downgraded	1180	\$15,459,273,000	\$15,397,258,857	10%
<b>Total Rating Actions</b>	1747	\$53,229,533,050	\$50,268,746,060	33%
New ratings being downgraded	73	\$783,261,000	\$782,251,000	1%
Ratings being downgraded w/ previous rating action	1107	\$14,676,012,000	\$14,615,007,857	10%
Ratings being affirmed	691	\$79,066,198,398	\$71,087,634,751	47%
Ratings downgraded as of Dec 2007 and being affirmed	8	\$425,636,000	\$420,117,938	0%
<b>Total Ratings downgraded for vintage outstanding</b>	1188	\$15,884,909,000	\$15,817,376,795	11%
<b>Total Issuance in Period (1st half 2007):</b>		\$150,408,379,000		

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## RMBS Rating Summary- creditwatched and downgrades as percentage of the original balance of classes impacted

2006 Vintage	% of Total \$ Actions	
Rating	Downgrades	Credit Watch
AAA	0.00%	69.08%
AA+	0.00%	5.27%
AA	0.00%	6.79%
AA-	0.00%	2.59%
A+	2.41%	0.05%
A	1.90%	0.03%
A-	1.36%	0.02%
BBB+	2.34%	0.03%
BBB	0.78%	0.03%
BBB-	0.66%	0.02%
BB+	0.51%	0.02%
BB	1.94%	0.01%
BB-	0.03%	0.00%
B+	0.10%	0.00%
B	2.25%	0.00%
B-	0.01%	0.00%
CCC	1.79%	0.00%
<b>Total</b>	<b>16.08%</b>	<b>83.92%</b>

2007 Vintage	% of Total \$ Actions	
Rating	Downgrades	Credit Watch
AAA	0.00%	45.94%
AA+	0.00%	12.94%
AA	0.00%	8.74%
AA-	0.00%	3.33%
A+	2.10%	0.00%
A	3.14%	0.00%
A-	2.77%	0.00%
BBB+	3.43%	0.00%
BBB	3.39%	0.00%
BBB-	3.53%	0.00%
BB+	3.76%	0.00%
BB	2.94%	0.00%
BB-	2.15%	0.00%
B+	1.09%	0.00%
B	0.27%	0.00%
B-	0.48%	0.00%
CCC	0.00%	0.00%
<b>Total</b>	<b>29.04%</b>	<b>70.96%</b>

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# RMBS Rating Transition Summaries – 2006 /2007

2006 Subprime Rating Transition Table - Percentage of Outstanding Classes																				
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	D	CW
AAA	53%																			47%
AA+		43%																		57%
AA			26%																	74%
AA-				20%																80%
A+					17%				6%			9%			11%		53%	2%		3%
A						14%			6%			7%			12%		56%	3%		2%
A-							10%		4%			6%			9%		64%	6%		2%
BBB+								6%				4%			6%		73%	10%		2%
BBB									8%			4%			7%		64%	14%		3%
BBB-										4%		4%			6%		71%	13%		3%
BB+											1%	1%			3%		60%	30%		5%
BB												1%			1%		63%	35%		1%
BB-																	71%	29%		
B+																	63%	38%		
B															1%		26%	72%		
B-																			100%	
CCC																	8%	92%		
CC																				
D																				

2007 Subprime Rating Transition Table - Percentage of Outstanding Classes																				
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	D	CW
AAA	79%																			21%
AA+		11%																		89%
AA			4%																	96%
AA-				2%																98%
A+					4%				3%			4%			26%		63%			
A												6%			24%		71%			
A-												3%			13%		83%	1%		
BBB+												1%			4%		94%	1%		
BBB															1%		99%	1%		
BBB-															1%		99%			
BB+																	99%	1%		
BB																	99%	1%		
BB-																	98%	2%		
B+																	98%	2%		
B																	100%			
B-																	100%			
CCC																				
CC																				
D																				

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## **What we can expect next:**

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- **Except for CreditWatch resolution, currently we do not anticipate further major rating changes to 2006 and first half of 2007 transactions**
- **Subprime on Credit Watch is under review**
- **Remaining subprime from earlier vintages will be reviewed during coming weeks**
- **Alt A is under review**
- **Prime is under review**

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# CDO Surveillance

Stephen Anderberg

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## January 30<sup>th</sup> CDO CreditWatch Placements

1,953 publicly ratings from 572 global cash flow, hybrid and synthetic CDO of ABS and CDO<sup>2</sup> transactions were placed on CreditWatch negative:

Global CDO Ratings CreditWatched on January 30th (#)				
Rating	New York	London	Melbourne	Total
A-1+	13			13
A-1	1			1
AAA	671	60	7	738
AA+	53	5		58
AA	183	22		205
AA-	47	2	1	50
A+	53	12	1	66
A	109	11		120
A-	68	3	1	72
BBB+	46	7		53
BBB	178	8	1	187
BBB-	95	7	2	104
BB+	67	3		70
BB	43	5	1	49
BB-	24	2		26
B+	27	4		31
B	21			21
B-	26			26
CCC+	19	1		20
CCC	18			18
CCC-	23	2		25
Total	1785	154	14	1953

Global CDO Issuance CreditWatched on January 30th (\$B)				
Rating	New York	London	Melbourne	Total
A-1+	\$15.552			\$15.552
A-1	\$1.320			\$1.320
AAA	\$194.131	\$11.556	\$1.840	\$207.526
AA+	\$4.245	\$0.209		\$4.454
AA	\$9.671	\$0.660		\$10.331
AA-	\$2.233	\$0.111	\$0.048	\$2.392
A+	\$2.334	\$0.264	\$0.040	\$2.639
A	\$2.947	\$0.242		\$3.189
A-	\$2.043	\$0.049	\$0.030	\$2.122
BBB+	\$1.436	\$0.130		\$1.567
BBB	\$3.892	\$0.116	\$0.010	\$4.018
BBB-	\$2.617	\$0.098	\$0.014	\$2.728
BB+	\$1.286	\$0.027		\$1.313
BB	\$0.930	\$0.052	\$0.004	\$0.986
BB-	\$0.587	\$0.024		\$0.611
B+	\$0.613	\$0.029		\$0.642
B	\$0.523			\$0.523
B-	\$0.543			\$0.543
CCC+	\$0.532	\$0.014		\$0.545
CCC	\$0.319			\$0.319
CCC-	\$0.620	\$0.037		\$0.657
Total	\$248.376	\$13.616	\$1.985	\$263.977

- By issuance amount, this represents approximately 35.2% of S&P's rated CDO of ABS and CDO<sup>2</sup> transactions worldwide
- By number of transactions, this represents approximately 27.4% of S&P's rated CDO of ABS and CDO<sup>2</sup> transactions worldwide

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## Reasons for CDO of ABS & CDO<sup>2</sup> CreditWatch Placements

### 1) Rating Actions on 2006/2007 Vintage Subprime RMBS:

Subprime RMBS classes represent a large proportion of the collateral held by mezzanine and high-grade SF CDOs. Generally speaking, the credit performance of the underlying assets is the most important determinant of CDO rating performance, and these RMBS rating actions will significantly affect the ratings assigned to a large number of 2006 and 2007 vintage mezzanine and high-grade CDO tranches.

Cash Flow & Hybrid High Grade SF CDOs of ABS: Average Collateral by Asset Type					
CDO Vintage	Subprime %	Alternative A %	CES %	NIMS %	CDOs
2001	20.6%	4.3%	0.0%	0.0%	5.7%
2002	18.4%	4.2%	1.2%	0.0%	11.3%
2003	26.6%	7.0%	1.5%	0.0%	22.5%
2004	36.3%	10.4%	1.6%	0.7%	26.2%
2005	45.7%	15.3%	1.4%	0.2%	17.9%
2006	39.7%	19.1%	4.8%	0.0%	20.4%
2007	36.8%	28.3%	5.8%	0.1%	23.7%

Cash Flow & Hybrid Mezzanine SF CDOs of ABS: Average Collateral by Asset Type					
CDO Vintage	Subprime %	Alternative A %	CES %	NIMS %	CDOs
2001	8.6%	4.2%	1.3%	0.0%	8.8%
2002	20.1%	6.1%	2.0%	0.4%	12.5%
2003	34.4%	7.8%	3.4%	0.1%	8.3%
2004	44.1%	10.1%	3.5%	0.7%	6.7%
2005	51.3%	10.1%	4.4%	1.3%	6.9%
2006	66.8%	7.9%	4.6%	1.6%	7.1%
2007	67.9%	7.4%	1.8%	0.0%	9.1%

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## Reasons for CDO of ABS & CDO<sup>2</sup> CreditWatch Placements

U.S. Cash & Hybrid CDOs: <u>Average</u> Collateral Rating Change from Jan. 30th Subprime RMBS Downgrades (# notches)									
CDO Type	Collateral	2001	2002	2003	2004	2005	2006	2007	Total
CDOs of ABS	Mezzanine SF	-0.11	-0.55	-0.78	-0.77	-0.51	-2.00	-3.27	-1.93
	High Grade SF	0.00	-0.05	-0.20	-0.22	-0.23	-1.27	-2.39	-1.24
	CUSIP CMBS		-0.19	-0.14	-0.03	-0.13			-0.13
CDO <sup>2</sup>	CDOs of ABS					-0.09	-0.60	-0.09	-0.16
Total		-0.07	-0.38	-0.57	-0.55	-0.38	-1.71	-2.91	-1.63

U.S. Cash & Hybrid CDOs: <u>Maximum</u> Collateral Rating Change from Jan. 30th Subprime RMBS Downgrades (# notches)									
CDO Type	Collateral	2001	2002	2003	2004	2005	2006	2007	Total
CDOs of ABS	Mezzanine SF	-0.18	-0.81	-1.68	-2.25	-5.05	-7.03	-6.93	-7.03
	High Grade SF	0.00	-0.08	-0.47	-0.55	-0.86	-3.90	-4.53	-4.53
	CUSIP CMBS		-0.19	-0.23	-0.03	-0.14			-0.23
CDO <sup>2</sup>	CDOs of ABS					-0.17	-0.60	-0.15	-0.60
Total		-0.18	-0.81	-1.68	-2.25	-5.05	-7.03	-6.93	-7.03

U.S. Cash & Hybrid CDOs: <u>Average Cumulative</u> Rating Changes from Jan. 30th Subprime RMBS Downgrades (# notches)									
CDO Type	Collateral	2001	2002	2003	2004	2005	2006	2007	Total
CDOs of ABS	Mezzanine SF	-18.50	-74.00	-110.63	-125.62	-84.85	-305.77	-421.95	-273.36
	High Grade SF	0.00	-6.00	-64.50	-72.00	-69.87	-352.78	-602.45	-329.32
	CUSIP CMBS		-20.00	-23.33	-5.00	-33.50			-23.14
CDO <sup>2</sup>	CDOs of ABS					-19.00	-50.00	-11.33	-20.14
Total		-12.33	-50.55	-89.08	-102.86	-75.22	-322.06	-471.55	-284.91

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## High Grade & Mezz SF CDOs of ABS: What's in the CDO bucket?

		Cash Flow & Hybrid High Grade SF CDOs of ABS: Average Collateral Exposure to CDOs							
CDO Vintage	TOTAL CDO Par %	High Grade SF CDO %	Mezzanine SF CDO %	CDO^2 %	CRE CDO %	Corp Loan CLO %	Corp Bond CBO %	T-Pref CDO %	Other CDO Types %
2002	11.3%	0.0%	1.0%	0.3%	5.1%	0.9%	3.0%	0.0%	1.1%
2003	22.5%	1.1%	13.5%	0.3%	2.6%	1.0%	0.4%	2.4%	1.2%
2004	26.2%	4.6%	9.6%	0.4%	1.6%	3.4%	1.0%	1.5%	4.1%
2005	17.9%	3.6%	6.8%	0.4%	1.7%	1.0%	0.6%	1.7%	2.1%
2006	20.4%	3.8%	10.5%	0.7%	0.7%	1.0%	0.4%	1.0%	2.3%
2007	23.7%	4.1%	12.3%	0.2%	0.6%	1.0%	0.0%	1.0%	4.3%

		Cash Flow & Hybrid Mezzanine SF CDOs of ABS: Average Collateral Exposure to CDOs							
CDO Vintage	TOTAL CDO Par %	High Grade SF CDO %	Mezzanine SF CDO %	CDO^2 %	CRE CDO %	Corp Loan CLO %	Corp Bond CBO %	T-Pref CDO %	Other CDO Types %
2001	8.8%	0.0%	3.1%	0.0%	1.0%	0.8%	2.0%	0.1%	1.8%
2002	12.5%	0.1%	4.3%	0.0%	2.4%	1.7%	1.4%	0.2%	2.5%
2003	8.3%	0.0%	2.9%	0.0%	2.1%	2.0%	0.3%	0.3%	0.7%
2004	6.7%	0.3%	2.6%	0.1%	1.3%	1.4%	0.2%	0.0%	0.7%
2005	6.9%	0.8%	3.8%	0.2%	0.7%	1.0%	0.1%	0.1%	0.2%
2006	7.1%	0.5%	4.7%	0.1%	0.3%	0.6%	0.1%	0.0%	0.8%
2007	9.1%	0.5%	6.7%	0.2%	0.1%	0.8%	0.1%	0.0%	0.6%

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## Reasons for CDO of ABS & CDO<sup>2</sup> CreditWatch Placements

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### 2) Changes to Recovery and Correlation Assumptions:

- Standard & Poor's is revising the assumptions it uses to assess U.S. RMBS and CDO notes held as collateral within cash, hybrid and synthetic CDO of ABS and CDO<sup>2</sup> transactions
- The revised assumptions will be used for the rating of new CDO transactions, and also in the monitoring of existing CDO transactions
- Standard & Poor's announced on Jan. 15, 2008 that these assumptions were in the process of being revised (see "U.S. RMBS Surveillance & CDO of ABS Assumptions Revised Amid Defaults, Negative Housing Outlook," published on Ratings Direct)
- We have placed on CreditWatch negative the ratings of CDO tranches which we expect may see a negative rating impact from the changes in recovery rate and correlation assumptions
- We expect to publish specific guidance on the revised correlation and recovery rate numbers within the next several days

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## Time Frame for Resolving CDO CreditWatch Placements

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- **Non-excess-spread synthetic CDO transactions:** Will be resolved after the updated correlation and recovery assumptions have been released and incorporated into CDS Accelerator; this is expected within the next two to three weeks
  
- **Cash Flow and Hybrid CDO transactions:**
  - Most mezzanine SF CDO of ABS CreditWatch placements are expected to be resolved within the next six weeks
  
  - Resolution of the CreditWatch placements on high-grade SF CDOs should occur later:
    - Following resolution of CreditWatches on 'AAA' and 'AA' 2006 & 2007 Subprime RMBS
    - Following resolution of CreditWatches on mezzanine SF CDO tranches
  
  - CDO<sup>2</sup> CreditWatch placements should be resolved after the resolution of the CreditWatch placements on the underlying collateral CDO tranche ratings

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# Appendix

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## Residential Mortgage Related U.S. CDO Rating Actions to Date (through 01/30/08)

Ratings on 1,383 tranches from 420 U.S. CDOs have been lowered, and 2,708 ratings from 649 U.S. CDOs are on CreditWatch negative, as a result of RMBS credit deterioration and stress in the residential mortgage market; \$342.3 billion in issuance has been impacted.

### High Grade SF CDOs of ABS:

- Collateralized primarily by senior (“AAA” and “AA” rated) tranches of RMBS, but have some exposure to mezzanine U.S. RMBS tranches by holding senior tranches of Mezzanine SF CDOs
- 164 ratings from 42 transactions have been lowered, and 818 tranche ratings from 162 transactions are currently on CreditWatch negative

### Mezzanine SF CDOs of ABS:

- Collateralized primarily by mezzanine (‘A’ rated and below) tranches of U.S. RMBS and other SF
- 1,126 tranche ratings from 360 cash flow, hybrid and synthetic CDO transactions have been lowered to date; another 1,685 tranche ratings from 424 transactions are currently on CreditWatch negative

### CDO<sup>2</sup> Transactions:

- 47 ratings from 9 CDO<sup>2</sup> collateralized by CDO of ABS tranches have been lowered to date; another 177 ratings from 41 transactions are on CreditWatch negative

### Trust Preferred REIT CDOs:

- Collateralized primarily by subordinated mortgage REIT debt; due to mortgage market conditions, many mortgage originators and purchasers (including REITs) have faced challenges in funding their operations
- 46 tranche ratings from 9 Trust Preferred REIT CDO transactions have been lowered; another 10 tranche ratings from 4 transactions are on CreditWatch negative

### Other Types of CDO Transactions:

- Six ratings from CDS’s referencing CreditWatched cash flow CDO tranches are on CreditWatch negative
- One rating from one T-Pref Bank deal with mortgage REIT exposure is on CreditWatch negative
- 11 ratings from 11 CDOs of CUSIP CMBS with U.S. RMBS exposure are on CreditWatch negative

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# 2005 - 2007 Vintage U.S. CDO of ABS Transitions (through 01/28/08)

Original-to-Current Rating Transitions																												
SECTOR = U.S. Cash Flow & Hybrid CDO of ABS																												
For Vintages: Q1 2005 - Q3 2007																												
Date Updated = Jan. 28, 2008																												
Original/Current	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D	# of Ratings	# of Down	Down %	Avg. Notches		
AAA	333	48	21	9	14	5	8	3	2	3	0	1	1	1	0	0	0	1	10	1	0	1	462	129	27.9%	4.52		
AA+	0	13	3	1	0	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	20	7	35.0%	3.14		
AA	0	1	291	27	33	9	17	14	11	8	4	3	0	1	2	0	4	1	10	7	0	1	444	152	34.2%	5.55		
AA-	0	0	6	40	6	3	4	7	3	2	3	2	1	0	0	0	1	0	0	2	0	1	81	35	43.2%	5.37		
A+	0	0	0	0	12	0	1	2	0	0	1	0	0	0	0	0	0	0	0	2	0	0	18	6	33.3%	7.33		
A	0	0	0	0	0	241	21	20	22	22	16	15	5	4	8	4	2	1	4	23	0	1	409	168	41.1%	5.88		
A-	0	0	0	0	0	0	52	2	3	7	2	3	2	1	2	1	1	0	0	5	0	0	81	29	35.8%	5.90		
BBB+	0	0	0	0	0	0	1	20	1	3	1	1	1	3	2	2	0	2	0	7	0	0	44	23	52.3%	7.43		
BBB	0	0	0	0	0	0	0	266	26	16	23	17	12	13	14	10	7	18	42	0	1	465	199	42.8%	6.18			
BBB-	0	0	0	0	0	0	0	0	0	47	2	2	2	3	5	13	5	14	7	29	0	0	129	82	63.6%	7.65		
BB+	0	0	0	0	0	0	0	0	0	0	55	3	1	2	3	4	8	8	8	27	0	1	120	65	54.2%	7.15		
BB	0	0	0	0	0	0	0	0	0	0	0	66	1	2	2	5	0	3	5	17	0	0	101	35	34.7%	6.29		
BB-	0	0	0	0	0	0	0	0	0	0	0	0	7	0	0	0	0	0	0	3	0	0	10	3	30.0%	7.00		
B+	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0.0%			
B	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1	0	0	3	2	66.7%	4.50		
B-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0.0%			
																							Investment Grade	5	2153	830	38.6%	5.86
																							Speculative Grade	1	236	105	44.5%	6.81
																							ALL	6	2389	935	39.1%	5.97

1. AAA ratings from the same transaction are treated as a single rating in the calculation of this table.
2. Multiple rating actions are aggregated to calculate a security's cumulative rating performance
3. Last rating before withdrawal due to redemption is used in the transition rate calculation.

Original-to-Current Rating Transitions																												
SECTOR = U.S. CDO Synt. CDO of ABS																												
For Vintages: Q1 2005 - Q3 2007																												
Date Updated = Jan. 28, 2008																												
Original/Current	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D	# of Ratings	# of Down	Down %	Avg. Notches		
AAA	135	20	16	2	10	0	2	2	1	0	0	0	0	0	0	0	0	1	0	0	0	0	189	54	28.6%	2.76		
AA+	0	19	3	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	23	4	17.4%	2.75		
AA	0	0	42	3	8	1	4	3	1	0	2	0	0	0	0	0	0	0	0	0	0	0	64	22	34.4%	3.41		
AA-	0	0	0	29	4	3	5	6	2	5	2	0	0	0	0	0	0	0	0	0	0	0	56	27	48.2%	3.81		
A+	0	0	0	0	17	0	2	6	3	1	4	1	0	0	0	0	0	0	0	0	0	0	34	17	50.0%	4.12		
A	0	0	0	0	0	31	5	7	1	4	3	0	1	1	0	0	0	0	0	0	0	0	53	22	41.5%	3.09		
A-	0	0	0	0	0	0	20	4	7	11	2	2	1	1	0	0	0	0	0	0	0	0	48	28	58.3%	2.93		
BBB+	0	0	0	0	0	0	0	16	0	1	5	0	1	0	0	0	0	0	0	0	0	0	23	7	30.4%	3.14		
BBB	0	0	0	0	0	0	0	0	38	5	6	5	4	6	2	2	0	0	0	0	0	0	68	30	44.1%	3.47		
BBB-	0	0	0	0	0	0	0	0	0	28	1	0	1	1	1	0	0	0	0	0	0	0	32	4	12.5%	3.25		
BB+	0	0	0	0	0	0	0	0	0	0	14	0	0	0	0	0	0	0	0	0	0	0	14	0	0.0%			
BB	0	0	0	0	0	0	0	0	0	0	0	18	0	1	0	0	0	0	0	0	0	0	19	1	5.3%	2.00		
BB-	0	0	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	0	0	0	12	0	0.0%			
B+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	0	12	0	0.0%			
B	0	0	0	0	0	0	0	0	0	0	0	0	0	1	12	0	0	0	0	0	0	0	13	0	0.0%			
B-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	1	0	0	0	0	0	8	1	12.5%	1.00		
																							Investment Grade	0	590	215	36.4%	3.24
																							Speculative Grade	0	78	2	2.6%	1.50
																							ALL	0	668	217	32.5%	3.23

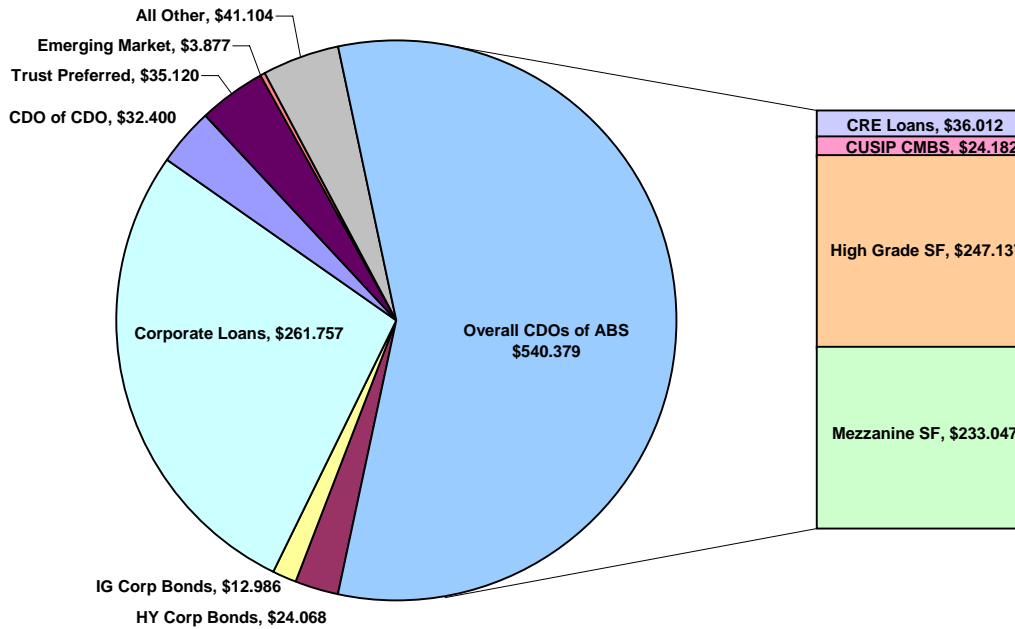
1. AAA ratings from the same transaction are treated as a single rating in the calculation of this table.
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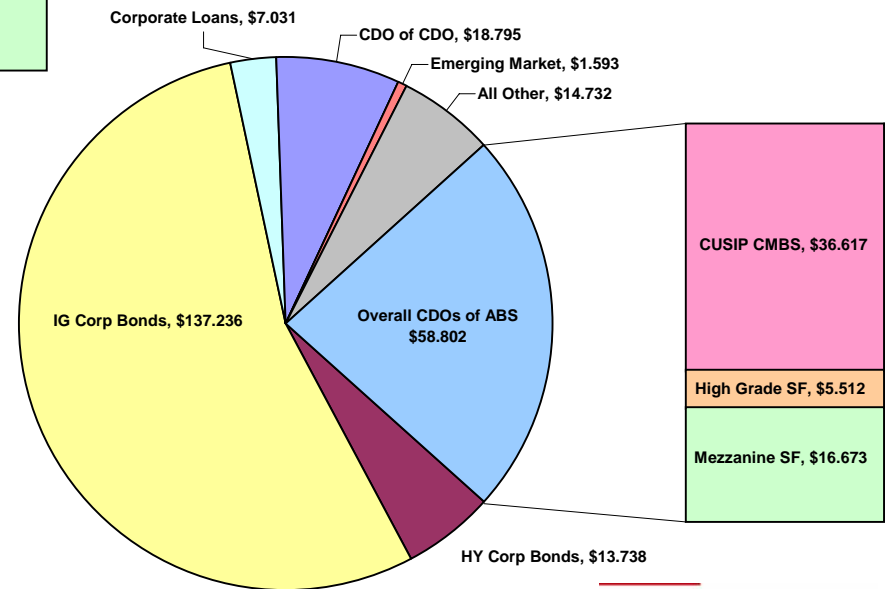


# S&P Rated U.S. CDO Issuance Outstanding (2007 year end)

## Cash Flow & Hybrid CDOs (\$951.69 billion total):



## Synthetic CDOs (\$251.93 billion total):



### CDO of ABS Sub-Types:

**High-Grade SF CDOs:** CDOs of ABS collateralized primarily by "AAA" through "A" rated tranches of RMBS and other SF transactions

**Mezzanine SF CDOs:** CDOs of ABS collateralized primarily by "A" through "BB" rated tranches of RMBS and other SF transactions

**CDOs of CMBS:** CDOs of ABS collateralized primarily by securitized commercial real estate assets (i.e., "CUSIP CMBS")

**CRE Loan CDOs:** CDOs of ABS collateralized primarily by unsecuritized commercial real estate assets (whole loans, etc.)

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## S&P Rated U.S. CDO Transactions (# of transactions, end of 2007)

Active U.S. Cash Flow and Hybrid CDOs by Vintage (end of 2007)													
CDO Type	Collateral	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
CBO	HY Corp Bonds	3	5	15	14	14	5	1		1	6	4	68
	IG Corp Bonds		1	2	4	11	1			0	2	3	24
CLO	Corporate Loans	1	2	4	4	9	18	38	63	103	182	177	601
CDO of ABS	CRE Loans						2	2	6	15	29	13	67
	CUSIP CMBS			1	1	3	12	7	7	8	4	3	46
	High Grade SF						1	5	21	38	64	46	175
	Mezzanine SF				8	20	23	23	42	61	119	99	395
CDO^2	CDO of Corp CDO				1	2	4	4	5	4	5	3	28
	CDO of SF CDO						2	0	3	4	10	20	39
T-Pref CDO	T-Pref Bank						5	14	16	11	15	11	72
	T-Pref Insurance						1	4	3				8
	T-Pref REIT									4	6	4	14
EMCDO	Emerging Market	3	3	1					1	2	1	2	13
CDO Other	All Other		2		1	1	10	24	26	15	9	25	113
<b>Total</b>		<b>7</b>	<b>13</b>	<b>23</b>	<b>33</b>	<b>60</b>	<b>84</b>	<b>122</b>	<b>193</b>	<b>266</b>	<b>452</b>	<b>410</b>	<b>1663</b>

Active U.S. Non-Excess Spread Synthetic CDOs by Vintage (end of 2007)													
CDO Type	Collateral	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
CBO	HY Corp Bonds							1	21	28	10	6	66
	IG Corp Bonds				1		11	40	125	135	375	424	1111
CLO	Corporate Loans								2	5	6	2	15
CDO of ABS	CRE Loans												
	CUSIP CMBS									16	39	60	115
	High Grade SF							2	3	8	19	17	49
	Mezzanine SF								2	26	141	83	252
CDO^2	CDO of Corp CDO				1	1	1	2	59	57	5	7	133
	CDO of SF CDO										2	13	15
T-Pref CDO	T-Pref Bank												
	T-Pref Insurance												
	T-Pref REIT												
EMCDO	Emerging Market									11	1		12
CDO Other	All Other							3	2	3	14	64	86
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>12</b>	<b>48</b>	<b>214</b>	<b>289</b>	<b>612</b>	<b>676</b>	<b>1854</b>

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