

547 U.S. Alt-A RMBS And NIMS Ratings Placed On CreditWatch Negative

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NEW YORK (Standard & Poor's) Nov. 9, 2007--Standard & Poor's Ratings Services today placed its ratings on 484 classes of U.S. residential mortgage-backed securities (RMBS) backed by U.S. first-lien Alternative-A (Alt-A) mortgage loans issued from the beginning of 2005 through the end of 2006 on CreditWatch with negative implications. In addition, Standard & Poor's placed on CreditWatch with negative implications its ratings on 63 classes of U.S. net interest margin securities (NIMS) transactions backed by the affected U.S. first-lien Alt-A mortgage securities.

Alt-A loans are first-lien residential mortgages that generally conform to

traditional "prime" credit guidelines. However, the loan-to-value (LTV) ratio, loan documentation, occupancy status, property type, or other factors cause these loans not to qualify under standard underwriting programs for prime jumbo and prime quality conforming loans. This review includes transactions backed by payment option ARM (adjustable-rate mortgage) residential mortgage loans which have, as a subgroup of Alt-A, exhibited lower severe delinquency rates and have greater credit protection than the average for the entire Alt-A sector.

NIMS are derivatives of RMBS. The primary source of payments to NIMS comes from the difference between the interest payments collected from subprime mortgages and the interest owed to subprime securities, together with prepayment penalties. The current levels of delinquencies and losses occurring in the subprime mortgage market have significantly reduced the levels of excess interest available to some of the NIMS. Unlike the underlying securitization, a NIMS transaction does not benefit from or contain subordination or overcollateralization. NIMS are generally short-term instruments with average tenures of less than 36 months.

The complete ratings list for both the U.S. Alt-A and related NIMS classes is included in "U.S. Alt-A RMBS And Related NIMS Classes Affected By Nov. 9, 2007, CreditWatch Actions," available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. The list 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.

Today's Alt-A RMBS CreditWatch actions affect a total of 334 U.S. Alt-A RMBS transactions. The 484 Alt-A classes had an original total balance of approximately \$2.09 billion, which represents 0.3% of the approximately \$675.9 billion in U.S. RMBS backed by first-lien Alt-A mortgage loans rated by Standard & Poor's from the beginning of 2005 through the end of 2006. During the same period, the total balance of U.S. RMBS securities backed by all types of residential mortgage loans issued in the non-agency market was more than \$2.2 trillion. No 'AAA' or 'AA' ratings were affected by these actions.

Today's Alt-A NIMS CreditWatch actions affect a total of 38 U.S. Alt-A RMBS NIMS transactions. The 63 Alt-A NIMS classes with ratings placed on CreditWatch have a current balance of approximately \$398 million, which represents roughly 44% of their approximate \$905 million original balance. No 'AAA' or 'AA' Alt-A NIMS ratings were affected by these actions.

We are also conducting a review of our ratings on collateralized debt obligation (CDO), structured investment vehicle (SIV), and asset-backed commercial paper (ABCP) transactions in which the underlying portfolios contain any of the securities affected by these rating actions.

These actions reflect a persistent rise in the level of delinquencies among the Alt-A mortgage loans supporting these transactions. As of the October 2007

distribution, total delinquencies and severe delinquencies (90-plus days, foreclosures, and real estate owned {REO}) for the transactions with ratings placed on CreditWatch exceed those of Alt-A transactions with ratings not placed on CreditWatch by 36.38% and 55.69%, respectively. Total delinquencies for Alt-A transactions issued during 2005 and 2006 have increased 43.27% to 9.90% since July 2007. Over the same period, severe delinquencies have increased 52.06% to 5.17%. The following data shows the trending decline in credit quality for Alt-A transactions by four relevant groupings:

2005-2006 Alt-A transactions with ratings placed on CreditWatch negative:

Date	Total delinquencies (%)	90-plus-day delinquencies (%)	Cum. loss (%)
Oct-07	11.77	6.57	0.09
Sep-07	10.15	5.93	0.07
Aug-07	9.35	5.17	0.05
Jul-07	8.50	4.45	0.04

2005-2006 Alt-A transactions with no CreditWatch actions:

Date	Total delinquencies (%)	90-plus-day delinquencies (%)	Cum. loss (%)
Oct-07	8.63	4.22	0.06
Sep-07	7.10	3.66	0.05
Aug-07	6.39	3.10	0.04
Jul-07	5.81	2.67	0.03

Alt-A transactions issued in 2005 and 2006:

Date	Total delinquencies (%)	90-plus-day delinquencies (%)	Cum. loss (%)
Oct-07	9.90	5.17	0.07
Sep-07	8.33	4.57	0.06
Aug-07	7.58	3.93	0.05
Jul-07	6.91	3.40	0.04

All outstanding Alt-A transactions:

Date	Total delinquencies (%)	90-plus-day delinquencies (%)	Cum. loss (%)
Oct-07	7.56	4.02	0.07
Sep-07	6.96	3.59	0.07
Aug-07	6.20	3.02	0.06
Jul-07	5.58	2.56	0.05

Realized cumulative losses within U.S. RMBS transactions backed by Alt-A mortgage loans issued during this period have remained relatively low to date, at approximately 7 basis points (bps). The 2005 and 2006 transactions affected by these actions have experienced losses of 10 bps and 6 bps to date,

respectively.

IMPACT ON CURRENT RATINGS

The CreditWatch actions on the 484 different classes of first-lien U.S. RMBS backed by Alt-A mortgage loans are spread across the various rating categories: 4.48% are from the 'A' rating category; 16.97% are from the 'BBB' rating category; 20.66% are from the 'BB' rating category; and 57.89% are from the 'B' rating category. Overall, 95.52% of the affected classes are rated 'BBB+' or lower. No 'AAA' or 'AA' ratings are affected.

Rating category	No. of Watch actions	Orig. cert bal. (\$)	% of total actions by bal.
A+	3	8,072,000	0.20
A	11	48,279,000	1.17
A-	10	35,919,000	0.87
BBB+	16	81,910,315	1.99
BBB	15	54,090,618	1.31
BBB-	43	213,367,706	5.18
BB+	32	148,636,000	3.61
BB	61	270,859,593	6.58
BB-	3	6,044,875	0.15
B+	0	0	0.00
B	284	1,174,072,037	28.51
B-	6	18,052,720	0.44
Total	484	2,059,303,864	

The CreditWatch actions on the 63 different classes of U.S. Alt-A NIMS are spread across the various rating categories: 39.14% are from the 'A' rating category; 33.51% are from the 'BBB' rating category; 15.00% are from the 'BB' rating category; and 12.35% are from the 'B' rating category. Overall, 60.86% are rated 'BBB' or lower. No 'AAA' or 'AA' Alt-A NIMS ratings were affected.

Rating category	No. of Watch actions	Orig. cert bal. (\$)	% of total actions by bal.
A	2	29,630,000	3.27
A-	13	324,993,000	35.87
BBB	6	81,600,900	9.01
BBB-	14	221,966,000	24.50
BB	12	33,533,900	3.70
BB-	9	102,366,000	11.30
B	6	103,475,000	11.42
B-	1	8,371,000	0.92
Total	63	905,935,800	100.00

The first-lien Alt-A RMBS classes with ratings placed on CreditWatch evidence high current delinquencies and increasing loss exposure relative to available credit enhancement. The level of severe delinquencies among the affected transactions exceeded credit support by a multiple of more than four times. We expect to resolve these CreditWatch placements within the next several weeks.

We will perform a cash flow analysis for each transaction that stresses prepayment speeds together with its transaction-specific loss projections, which we expect to yield collateral-specific default curves (including various prepayment and delinquency stresses involving loan resets). It is possible that the ratings on classes not included in this CreditWatch action could be adversely affected at the conclusion of our analysis. We will take rating actions on the transactions in which our loss assumptions, as stated above, exceed the available subordination and reserve funds.

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