



Press Release

Editor's note: As announced on October 22, 2007, [press release](#) we reinstated the ratings on 11 classes of securities originally downgraded in this press release and placed them on CreditWatch with negative implications. Accordingly, the number of downgrades covered by this release is 1402, and the related percentages, principal amounts, and other numerical information contained in this release have therefore changed. The complete and updated list of ratings actions can be found at [click here](#).

Ratings Lowered on 1,413 U.S. RMBS Classes Backed By Subprime Mortgage Loans from the 4Q 2005 – 4Q 2006

1.1% of Downgrades Impact 'AAA' Rated Securities

NEW YORK, October 19, 2007—Standard & Poor's Ratings Services announced today that it has downgraded 1,413 of U.S. residential mortgage-backed securities (RMBS) backed by first-lien subprime mortgage loans that were issued from the beginning of the fourth quarter of 2005 through the fourth quarter of 2006. These downgraded securities had an original par value of \$22.02 billion, which represents 4% of the \$554.4 billion of U.S. RMBS backed by first-lien subprime mortgage loans rated by S&P during this period. These actions, combined with downgrades previously announced by S&P, impact a total of 1,671 securities of U.S. RMBS backed by first-lien subprime mortgage loans issued during this period, representing \$24.8 billion, or 4.5% of the \$554.4 billion mentioned above. S&P also affirmed its ratings on securities representing \$531.6 billion original par value of U.S. RMBS backed by first-lien subprime mortgage loans from this same period.

Of the 1,413 securities downgraded today, approximately 47% were rated in the 'BBB' category and below. Fifteen 'AAA' rated securities were downgraded, accounting for roughly 0.01% of all downgraded securities and 1.1% of the total dollar amount downgraded. No 'AAA' rating was lowered below 'AA'.

We took these rating actions at this time because, based on the most recent data, we expect further delinquencies and losses on the underlying mortgage loans; the consequent reduction of credit support from current and projected losses; and continued declines in home values.

While cumulative losses to date remain low, they have increased since our July 2007 review and we expect them to increase further. Based on the most recent data from September 2007, cumulative losses for the period have increased from 29 bps to 69 bps - a 138% increase since our July 2007 review.

The September 2007 data shows increasing levels of overall delinquencies and serious delinquencies. Seriously delinquent loans include loans that are either: delinquent by more than 90 days, in foreclosure, or for which the real estate is possessed by the servicer. For all U.S. RMBS backed by first-lien subprime mortgage loans issued during this period, overall delinquencies

averaged 21.43%, and serious delinquencies averaged 14.17%. This is in contrast with the downgraded transactions, for which overall delinquencies averaged 23.33% and serious delinquencies averaged 15.73%.

We expect that the downgraded securities will be particularly vulnerable to increased losses because, on average, 60%-70% of the loans backing them are subject to some type of payment adjustment in the near future. Most of these are 2/1 adjustable-rate mortgages already in their adjustable-rate stage and already past their first, and typically largest payment reset. Despite some industry claims of increased accommodations to subprime borrowers, we expect losses to increase for borrowers who have experienced (1) rising loan payments due to resetting terms of their adjustable-rate loans, and (2) principal amortization that occurs after the interest-only period ends for adjustable- and fixed-rate loans.

Standard & Poor's expects that the U.S. housing market will continue to experience price decreases. We project that property values will decline 11% on average from peak to trough and will begin to recover in late 2008, with the peak having occurred in the spring of 2006. This continued decline in home prices will apply additional stress to these securities.

As part of this review, we assumed losses for defaulted loans that closed during the second half of 2005 at a level of 40%, and for those that closed during 2006 at a level of 45%. During our July 2007 review we assumed losses for defaulted loans that closed in 2006 of 40%. We have now increased this assumption based on the most recent data and projected declines in home values.

Standard & Poor's has completed its global review of all rated asset-backed commercial paper (ABCP) conduits with exposure to these transactions and confirms that the ratings on those ABCP conduits are not adversely affected by these rating actions.

Standard & Poor's has also completed a global review of the exposure of its rated structured investment vehicle (SIV) and SIV-lite structures with regard to exposure to these fourth-quarter 2005 through fourth-quarter 2006 vintage U.S. RMBS classes. This review shows that there is exposure to eight tranches of these affected U.S. RMBS classes in two SIV-lite structures. In addition, there is no exposure to these U.S. RMBS classes in any SIV. However, exposure to the affected U.S. RMBS classes will not, in and of itself, result in any adverse rating actions with regard to the SIV and SIV-lite structures.

Standard & Poor's is also conducting a review of its rated collateralized debt obligation (CDO) transactions with exposure to the downgraded RMBS classes, and will take action on the affected CDO class ratings where appropriate within the next several days.

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