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Ratings Cut On 1,413 1st-Lien Subprime RMBS Classes From Fourth-Quarter 2005 And 2006 Vintages

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NEW YORK (Standard & Poor's) Oct. 19, 2007--Standard & Poor's Ratings Services today lowered its ratings on 1,413 classes of U.S. residential mortgage-backed securities (RMBS) backed by first-lien subprime mortgage loans from 325 transactions issued from the beginning of the fourth quarter of 2005 through the fourth quarter of 2006. The affected classes represent an original par amount of approximately \$22.02 billion, which is 4% of the \$554.4 billion par amount of U.S. RMBS backed by first-lien subprime mortgage loans rated by Standard & Poor's from the beginning of fourth-quarter 2005 through the fourth quarter of 2006. These rating actions bring the total number of classes issued

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during this period and downgraded to date to 1,671. In total, the downgraded classes represent an original par amount of approximately \$24.8 billion, which is 4.5% of the aforementioned \$554.4 billion original par amount. Approximately \$3.4 billion of the total amount downgraded represents repeat rating actions.

The ratings on the \$531.6 billion original par amount issued during this period that remain outstanding and that are not downgraded today or currently on CreditWatch are affirmed.

The complete ratings list, along with a related rating transition matrix, is included in "U.S. First-Lien Subprime RMBS Classes From Fourth-Quarter 2005 And 2006 Vintages Affected By Oct. 19, 2007, Rating Actions," published today on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.RatingsDirect.com. The list and matrix 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 And Related Mortgage Markets" and scroll down to "Structured Finance."

IMPACT ON ABCP, SIVs, AND CDOs

Standard & Poor's has completed its global review of all Standard & Poor's 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.

FACTORS DRIVING RATING ACTIONS

Mortgage Pool Performance

The lowered ratings reflect current pool performance as of the September 2007 distribution date and the delinquency pipelines in these mortgage loan pools. These pools have evidenced increasing levels of severe delinquencies (90-plus days, foreclosures, and real estate owned {REO}) and increasing delinquency pipelines. While cumulative losses to date remain low, Standard & Poor's

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expects that current levels of credit support, including subordination, excess interest, and overcollateralization (O/C), will not be sufficient to maintain the current ratings given current and projected losses. Based on the data from the September 2007 distribution date, cumulative losses for the fourth-quarter 2005 through fourth-quarter 2006 vintage have increased by 138% to 69 basis points (bps), from 29 bps at the time of our July 2007 review. In addition, for the fourth-quarter 2005 through fourth-quarter 2006 vintage, total delinquencies averaged 21.43%, and severe delinquencies averaged 14.17%. The total and severe delinquencies for the transactions with lowered ratings averaged 23.33% and 15.73%, respectively. These levels exceed the total (18.03%) and severe (11.38%) delinquencies of transactions that did not experience downgrades by approximately 29.40% and 38.23%, respectively.

Economic Factors

Standard & Poor's expects that conditions in the U.S. housing market, especially in the subprime sector, will continue to decline before they improve, with home prices remaining under stress. For details regarding Standard & Poor's views on the weakness in the property markets, rising monthly mortgage payments, and the corresponding effects on delinquencies, defaults, and losses, please see "Ratings Lowered On 402 First-Lien Subprime U.S. RMBS Classes From 1Q-3Q Of 2005," published on Oct. 15, 2007, and available on RatingsDirect and www.standardandpoors.com.

Mortgage Payment Adjustments

Adjustable-rate and interest-only loans subject to contractual increases in their monthly payments will continue to put pressure on borrowers' ability to meet monthly payments in the future. The affected transactions contain, on average, 60%-70% of loans that recently received some type of payment adjustment or will be subject to one in the near future. Despite some industry claims of increased accommodations to subprime borrowers, we expect losses to increase due to (1) rising loan payments resulting from 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.

2/1 ARM reset information by quarter:

	Orig. subprime balance (\$) (all loans)	% of 2/1 ARM	Reset quarter
Sold during			
2005 - Q4	138,888,212,337	64	2007 - Q3
2006 - Q1	108,014,850,161	70	2007 - Q4
2006 - Q2	121,149,551,887	70	2008 - Q1
2006 - Q3	98,332,355,370	62	2008 - Q2
2006 - Q4	98,965,073,697	60	2008 - Q3

ADDITIONAL SUBPRIME SURVEILLANCE ASSUMPTIONS

In reviewing these transactions, we employed the first-lien subprime

surveillance assumptions announced on July 11, 2007, and described in "612 U.S. Subprime RMBS Classes Put On Watch Neg; Methodology Revisions Announced" (available on RatingsDirect and www.standardandpoors.com), adjusted for our more negative views on home prices, delays in liquidating REO assets, and the impact of loan resets and loan modifications. Therefore, we assumed a 40% level of loss severity for transactions that closed during the second half of 2005; we assumed a 45% level of loss severity for transactions that closed during 2006, compared with a 40% level of loss severity assumed for 2006 transactions at the time of the July 11, 2007, rating actions. The increased loss severity for the 2006 vintage reflects Standard & Poor's most recent projections of house price declines.

Standard & Poor's believes that the delayed liquidation of REO assets is delaying the recognition of losses. All other factors being equal, the longer a loss is postponed, the more stressful the loss will be to the transaction. This is because carrying costs will increase and excess interest, a source of loss protection, will decline in future months. To capture our view on the recognition of loss in our analysis, we employed an additional loss curve that stressed losses later in the life of the transaction. We projected forward a delinquency pipeline using a modified 2/1 ARM historical default curve. The process for deriving this default curve is outlined in an article being published concurrently with this release, "Standard & Poor's Revised Default And Loss Curves For U.S. Subprime RMBS," which is available on RatingsDirect and www.standardandpoors.com. Transactions that closed in fourth-quarter 2006 were subjected to the assumptions described in the July 11, 2007, commentary.

In the aforementioned article, we note that the expected losses for the entire 2006 vintage that result from applying the 2006 curve range from 12% to 17%. Losses for the fourth-quarter 2006 transactions will more likely be toward the higher end of that range, based on higher delinquencies and lower home price appreciation.

For the fourth-quarter 2005 through third-quarter 2006 vintage transactions, we then compared the projected losses for the next distribution date that result from applying the two aforementioned approaches to actual losses incurred on the September 2007 distribution date, as well as to the average losses incurred during the past three months. When the projected losses exceeded the actual losses, we used the results from the modified default curve assumptions, which emphasized delinquency trends; when actual losses exceeded projected losses, we utilized the loss curve detailed in the July 11, 2007, commentary. For the fourth-quarter 2006 transactions, we primarily used the July assumptions due to the insufficient seasoning of the transactions from that quarter.

For both sets of default and loss assumptions, we lowered our rating to 'CCC' on any class that did not pass our stress test scenario within 12 months, regardless of its current rating. Similarly, we lowered our rating to 'B' on any class that did not pass our stress test scenario within 13 to 24 months. Finally, we lowered our rating to 'BB' on any class that did not pass our stress test scenario within 25 to 36 months. In cases where the remaining loss

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protection on a more senior class was materially eroded by stressed losses, we adjusted the rating lower to reflect the reduced relative protection of the class.

Rating changes predominantly affected the 'BBB' rating categories. These downgrades, as a percentage of the total dollar amount downgraded, are distributed across the rating categories as follows:

Rating category	Percentage of ratings lowered
AAA	1.1
AA+	0.8
AA	4.2
AA-	3.5
A+	6.1
A	8.4
A-	10.5
BBB+	11.0
BBB	14.4
BBB-	13.2
BB+	8.9
BB	7.9
BB-	0.9
B+	0.3
B	8.7

Standard & Poor's believes that current credit support is sufficient for the affirmed 'AAA' rated tranches to maintain those ratings given our current expectations of losses. In fact, our analysis of the 'AAA' rated securities from the four transactions with the highest percentage of severe delinquencies (MASTR Asset Backed Securities Trust 2006-FRE1, Bravo Mortgage Asset Trust 2006-1, Fremont Home Loan Trust 2006-1, and SG Mortgage Securities Trust 2006-FRE1) shows that projected outstanding credit support from subordination after projected losses incurred continues to provide strong protection, equaling or exceeding the percentage of subordination at origination.

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