



Press Release

Ratings Lowered on 402 U.S. RMBS Classes Backed By Subprime Mortgage Loans From the 1Q – 3Q 2005

No 'AAA' Ratings Affected; 86% of Downgrades Affect Securities in 'BBB' Category and Below

Assumptions for Release of Credit Support Revised

NEW YORK, October 15, 2007— Standard & Poor's Ratings Services announced today that it had downgraded 402 classes of U.S. residential mortgage-backed securities (RMBS) backed by first-lien subprime mortgage loans that were issued from the beginning of the first quarter of 2005 through the third quarter of 2005. These downgraded securities had an original par value of \$4.6 billion, which represents 1.45% of the \$320 billion of U.S. RMBS backed by first-lien subprime mortgage loans rated by S&P during this period. S&P also affirmed its ratings on securities representing \$252.4 billion original par value of U.S. RMBS backed by first-lien subprime mortgage loans from this same period.

Approximately 86% of the downgrades affected securities rated in the 'BBB' category and below. No 'AAA' rated first-lien RMBS securities rated during this period were downgraded.

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

In addition, these transactions include provisions that allow the release of credit support on certain "step-down" dates. Credit support is the protection (i.e., additional assets or funds) needed to cover losses in deteriorating credit conditions. Under normal circumstances, additional collateral should generate enough cash to pay the holders of securities, even if the pool experiences losses. However, because the terms of these transactions will permit credit support to be released on certain specified dates ("step-down" dates), we believe these securities will be more vulnerable to losses going forward as there may not be enough credit support to withstand future losses.

Aggregate losses on all first-lien subprime U.S. RMBS transactions that were issued from the beginning of the first quarter of 2005 through the third quarter of 2005 are approximately 92 basis points (0.92%) based on data received in September 2007. This is in contrast with the downgraded transactions which have experienced approximately 104 basis points (1.04%) in aggregate losses - this is 13% higher than the average for this period. This compares with 98 basis points (0.98%) of aggregate losses experienced by transactions issued in 2000, previously the worst-performing vintage of the decade.

We expect that the downgraded securities will be particularly vulnerable to increased losses because, on average, 70%-80% 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.

As part of this review, we assumed losses for defaulted loans that closed during the first half of 2005 at a level of 33% and for those that closed during the second half of 2005 at a level of 40%.

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 previously announced, Standard & Poor's will review its ratings on transactions issued in 2007 based on its revised assumptions announced in July 2007. Furthermore, Standard & Poor's will continue its review of rated transactions issued in the remainder of 2005 and 2006 in light of new performance data and our most recent economic forecast.

For future RMBS ratings, Standard & Poor's has revised its assumptions for the minimum acceptable amount of credit support to be maintained before the release of certain credit protection. The new assumptions will result in a greater amount of cash available to pay investors after a step-down date has occurred and will enhance ratings stability for future U.S. RMBS transactions. Standard & Poor's continues to review the impact of these minimum requirements on credit support throughout the life of RMBS transactions and anticipates publishing a full analysis upon completion of this review.

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