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Ratings Lowered On 402 First-Lien Subprime U.S. RMBS Classes From 1Q-3Q Of 2005

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NEW YORK (Standard & Poor's) Oct. 15, 2007--Standard & Poor's Ratings Services today lowered its ratings on 402 classes of U.S. RMBS backed by first-lien subprime mortgage loans issued during the first three quarters of 2005. These classes are from 138 transactions. The affected classes represent approximately \$4.6 billion of original par amount, which is 1.45% of the \$320 billion original par amount of U.S. residential mortgage-backed securities (RMBS) backed by first-lien subprime mortgage loans rated by Standard & Poor's between the first and third quarters of 2005. Standard & Poor's also affirmed its ratings on securities issued from the same period, representing \$252.4 billion original par value of first-lien subprime U.S. RMBS.

The complete ratings list, along with a related transition matrix, is included in "U.S. Subprime Classes Issued During First Three Quarters Of 2005 Affected By Oct. 15, 2007, Rating Actions," available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis. The tables 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.

These rating actions incorporate our most recent economic assumptions, and reflect our expectation of further defaults and losses on the underlying mortgage loans and the consequent reduction of credit support from current and projected losses. Furthermore, the affected transactions include provisions that allow the release of credit support on certain step-down dates. The release of credit support after the step-down dates will leave these transactions even more vulnerable to losses going forward. At the end of this article, we discuss our new assumptions regarding the calculation of minimum overcollateralization (O/C) after step-down dates, which address this aspect of the rated structures. These assumptions are in addition to the increased credit enhancement levels we implemented in July 2007.

IMPACT ON ABCP, SIVs, AND CDOs

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

Standard & Poor's has also completed its review of all S&P-rated SIV and SIV-lite structures with regard to exposure to these U.S. RMBS classes. This review shows that there is no exposure to the affected U.S. RMBS classes in any SIV or SIV-lite and therefore not adversely affected by these rating actions.

Standard & Poor's is also conducting a review of its rated collateralized debt obligation (CDO) transactions with exposure to these U.S. RMBS classes. Where appropriate, we will take action on the affected CDO classes 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. Although most of these pools have incurred low cumulative losses to date, the projected credit support for these classes is no longer sufficient to support the previous ratings. Some of these transactions have higher-than-expected foreclosure and real estate owned (REO) amounts, with sums that exceed current O/C amounts. In addition, stressed losses may outpace excess interest and

erode credit support, causing O/C levels to fall below their targets.

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 with an average of 24 months are approximately 92 basis points (0.92%). This is in contrast with the downgraded transactions that 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.

Economic Factors

Standard & Poor's expects that the U.S. housing market will continue to experience price declines. Weakness in the property markets is evidenced by rising loss severities reported by servicers, with little prospect for improvement in the near term.

Additional property value declines are expected. Standard & Poor's currently projects 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. The continued decline in prices will apply additional stress to these transactions: foreclosures will cause increased losses and many borrowers will face the inability to refinance or sell their homes to meet debt obligations. As lenders have tightened underwriting guidelines, fewer refinance options may be available to these borrowers, especially if their loan-to-value (LTV) and combined loan-to-value (CLTV) ratios have risen in the wake of declining home values.

Mortgage Payment Adjustments

Adjustable- and interest-only loans subject to contractual increases in their monthly payments will continue to pressure borrowers' ability to meet monthly payments in the future. The affected 2005 transactions contain, on average, 70%-80% of the types of loans that recently received, or are subject to, some type of payment adjustment in the near future. Most of these are 2/1 adjustable-rate mortgages that are already in their adjustable-rate stage and are 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.

ADDITIONAL SUBPRIME SURVEILLANCE ASSUMPTIONS

Given the current factors noted above, we are refining our surveillance approach for the 2005 vintage of U.S. RMBS backed by first-lien subprime mortgages.

We employed and complemented the subprime surveillance assumptions that were used for our July 2007 subprime rating actions, which were described in "612

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U.S. Subprime RMBS Classes Put On Watch Neg; Methodology Revisions Announced," which was published July 11, 2007, and is available on RatingsDirect and www.standardandpoors.com. We assumed a loss severity of 33% on defaulted loans for transactions that closed during the first half of 2005 and a loss severity of 40% for transactions that closed during the second half of 2005. This is because loans originated in the first half of 2005 have experienced some home price appreciation. The 40% loss severity assumption reflects the increased stress applied for the 2006 transactions we reviewed in July 2007.

Incorporating actual losses, we stressed the delinquency pipeline using the 2/1 historical default curve. Since many of the mortgage loans included in these securitizations have already experienced interest rate resets, and since the transactions are approaching their step-down dates, we ran additional scenarios to measure the impact of stressed defaults and the timing of losses. Specifically, for U.S. first-lien subprime mortgage loans, we assume that the REO loans are liquidated evenly over eight months and loans in foreclosure are liquidated evenly over 15 months. These time lines are consistent with market data and residential mortgage loan servicer experiences and expectations. We employed the 33% and 40% loss severity assumptions described above.

We lowered our rating to 'CCC' on any class that did not pass our stress test 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. Also, we lowered our rating to 'BB' on any class that did not pass our stress test scenario within 25 to 30 months. Finally, we lowered our rating to 'BBB' on any class that did not pass our stress test scenario within 31 to 36 months. In cases where the remaining loss protection on a more senior class was materially eroded by stressed losses, we adjusted the rating lower to reflect the reduced relative protection of that class.

Rating changes were predominately in the 'BBB' rating categories. There were no rating changes for 'AAA' securities. The distribution of rating changes is as follows:

Rating Category	% Of Ratings Lowered
AAA	0.0
AA+	0.2
AA	0.7
AA-	0.2
A+	2.5
A	3.5
A-	7.2
BBB+	11.4
BBB	15.2
BBB-	23.4
BB+	15.7
BB	12.4
BB-	1.5
B+	1.0

B 5.0

We reviewed all of the classes rated during the first quarter 2005 through the third quarter 2005. The classes that were issued during this period and remain outstanding that are not part of this press release demonstrated sufficient levels of protection for the current ratings. Therefore, we are affirming our ratings on these classes.

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.

REVISIONS TO RATING ASSUMPTIONS FOR NEW TRANSACTIONS

Since a number of the rating changes on the 2005 vintage result from the projected release of credit support following step-down dates, we reviewed the impact that O/C floors have on the release of credit support. Based on recent observations of performance for the 2005 subprime vintage, a dynamic O/C floor, derived on a transaction-specific basis, may better protect the stability of the ratings on classes in future transactions.

For new transactions that rely on excess spread, the minimum O/C floor will now be assessed based on the amount of support required to avoid losses to the rated securities given Standard & Poor's stressed default and loss curves, taking into consideration projected excess spread following the step-down date. The O/C floor will be a percentage of the original pool balance and will not be less than 50 basis points of the original collateral balance (including any prefunded amounts).

To illustrate, we back-tested one of the downgraded 2005 subprime transactions with the revised O/C floor in accordance with the new assumptions. We determined that one of the certificates from this deal, which is being downgraded two notches, would have avoided any rating action, while a second class, which is being downgraded four notches, would have experienced only a single-notch downgrade.

This approach is effective immediately. We expect that the revised O/C floor guidelines, in conjunction with the increased credit stresses implemented in July 2007, will result in enhanced ratings stability, as well as greater overall credit support for future rated transactions.

Standard & Poor's continues to review the impact of minimum O/C guidelines on credit support throughout the life of a transaction and anticipates publishing a full analysis upon completion of this review. We will monitor transaction performance in connection with these revisions and adjust our approach as appropriate.

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