

Announcement:

Moody's Expands Loan Characteristics in Subprime RMBS Ratings Analysis

New York, June 05, 2007 -- Moody's Investors Service announced today that its analysis of securities backed by pools of sub-prime residential mortgages closing after July 1, 2007 will be expanded to include a systematic assessment of certain variables described in the Special Report, "Moody's Revised US Mortgage Loan-by-Loan Data Fields," published April 3, 2007. In addition, Moody's will be modifying the way it incorporates some other factors into its analysis .

The refinement of its rating methodology is part of Moody's continuing effort to incorporate the expanding range of loan and borrower characteristics now being captured by many mortgage originators as well as the performance data that has been accumulated during the past few years in the rapidly growing and evolving sub-prime mortgage market. Moody's expects to continue to refine its methodology in the future as it continues to analyze the increasing amount of performance information that becomes available.

The current refinement expands the universe of factors that are now included in Moody's quantitative analysis. For example some originators now provide information on the depth and breadth of an obligor's credit history. In addition, with the refinement, some fields will now be analyzed systematically at the loan level instead of at a more aggregated pool level (or with a more subjective assessment). Examples include wage earners who choose not to document their income and obligors who have limited or no history of home ownership.

The factors that would be impacted by this refinement include:

1. Number of open trade lines in the borrower's credit file
2. Limit of the largest consumer credit trade line
3. Length of time that oldest trade line has been open
4. Total amount of consumer debt in collection
5. Months from disposition of bankruptcy
6. Months from last foreclosure
7. Escrow provisions related to taxes and insurance
8. Disposable income
9. Employment status (self-employed versus wage earner)
10. Obligors with limited or no history of home ownership

If data for any of the risk factors are unavailable, Moody's will make an assumption that incorporates the additional risk resulting from the increased uncertainty. In some cases those assumptions will be made at the individual loan level and in others will be applied across groups of loans. For example, for loan files that do not identify whether the obligors have limited or no history of home ownership, Moody's will assume that up to 50% of all purchase money loans were made to this type of borrower. These assumptions may be modified based on the practices of individual lenders or on evolving future market practices.

Moody's notes that the provision of the data by originators can have a significant effect on the assessment of a loan's risk. For example, Moody's typically views the expected loss of a loan where income is not documented to be approximately 40% higher for a salaried versus a self employed borrower (all else being equal). Similarly, borrowers with limited or no histories of home ownership are viewed as approximately 25% riskier, and self-employed borrowers as approximately 10% riskier. The other factors in the refined analysis tend to have smaller impacts; Moody's estimates that the combined impact of all of the other factors for a relatively high-credit-quality borrower will typically be a reduction in expected loss in the range of 10% to 15%

compared to a low-credit-quality borrower (or to a borrower for whom the data are unavailable).

For precise guidance, market participants will be able to see the specific risk assessments incorporated in Moody's mortgage risk model with the next publicly released version of Subprime Moody's Mortgage Metrics.

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