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Moody's Investor Service

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New York, July 10, 2007 -- Moody's Investors Service today announced negative rating actions on 431 securities originated in 2006 and backed by subprime first lien mortgage loans. The negative rating actions affect securities with an original face value of over $5.2 billion, representing 1.2% of the dollar volume and 6.8% of the securities rated by Moody's in 2006 that were backed by subprime first lien loans.

Of the 431 rating actions taken today, Moody's downgraded 399 securities and placed an additional 32 securities on review for possible downgrade. One of the downgraded securities remains on review for possible further downgrade. The vast majority of rating actions taken today impacted securities originally rated Baa or lower. The 239 securities originally rated Baa on which action was taken represented 19% of the total number of Baa ratings issued in 2006; the 185 securities originally rated Ba on which action was taken represented 42% of the total number of Ba ratings issued in 2006; and, the 7 securities originally rated A on which action was taken represented 0.6% of the total number of A ratings issued in 2006. No action was taken on securities rated Aaa or Aa.

Rating Actions Reflect Rigorous Review of All 2006 Subprime RMBS Deals

Nicolas Weill, Chief Credit Officer of Moody's Structured Finance Group, said, "Moody's has been closely monitoring all subprime RMBS securities as part of our ongoing ratings process, and we began taking rating actions on securities issued in 2006 and backed by poorly performing pools of subprime mortgage loans in November 2006. Over the past three months, Moody's has surveyed servicers, originators, intermediaries and other market participants to get their perspective on the drivers of the 2006 vintage performance and their expectations about future losses. Based on our analysis of pool performance, we undertook a rigorous examination of all 2006 subprime RMBS deals -- including deals backed by both first lien and second lien loans. The rating actions announced today -- as well as those announced on June 15 -- are the result of that review."

Overview of Factors Driving Rating Actions

Recent data shows that the first lien subprime mortgage loans securitized in 2006 have delinquency rates that are higher than original expectations. Those loans were originated in an environment of aggressive underwriting. This aggressive underwriting combined with prolonged, slowing home price appreciation has caused significant loan performance deterioration and is the primary factor in these rating actions. In addition, Moody's analysis shows that the transactions backed by collateral originated by Fremont Investment & Loan, Long Beach Mortgage Company, New Century Mortgage Corporation and WMC Mortgage Corp. have been performing below the average of the 2006 vintage and represent about 60% of the rating actions taken today.

Additional Findings From Moody's Review of 2006 Subprime RMBS First Lien Deals

Moody's has noted a persistent negative trend in severe delinquencies for first lien subprime mortgage loans securitized in 2006. For example, the 90+ day delinquency rate for loans securitized in 2006 has increased from 7.9% in March 2007 to 10.8% in May 2007. However, losses have remained relatively low, with the May cumulative loss rate reaching only 0.30%.

As part of the recently completed review of all 2006 subprime RMBS, Moody's said it examined the portion of each pool that was severely delinquent -- that is, over 90 days past due, in foreclosure or held as "real estate owned" -- and assessed the amount of credit enhancement available to the rated tranches in the form of subordination and excess spread. "Early defaulting borrowers often exhibit distinct characteristics: they are more likely to be first-time home buyers, speculators, or are over-leveraged or have 80%-20% first-second lien loan combinations," said Weill. Consequently, the early defaulters may exhibit different behavior than other borrowers in the pool. Those borrowers may face other challenges in the next few months when rate and payment resets take effect, especially in the absence of effective loan modifications.

In analyzing loans that are severely delinquent, Moody's said it considered a number of scenarios based on various assumptions about the percentage of currently delinquent loans that would eventually default (the "roll rate") and the expected severity of loss given default. The roll rates used were: for over 90 days delinquent: 50%, 75% and 90%; for those loans in foreclosure and held as real estate owned: 95% and 100%. While these roll rates are higher than those that have been realized historically, Moody's believes that these loans, with their high vacancy rates and high "no contact" rates, are more likely to default than other subprime loans.

The severity rates Moody's assumed ranged from 25%-30% (in particular, for deals with strong coverage from mortgage insurance), to 40% (for most originators), to 50% for originators whose mortgage assets are revealing particularly high severe delinquency rates.

For the portion of each pool that is not severely delinquent, Moody's increased its original loss expectations for the pool by a stress factor of 20% which is consistent with the increased loss expectations that the rating agency published in its March 2007 report: "Challenging Times for the US Subprime Mortgage Market."

While we considered both the projected losses associated with the seriously delinquent loans (the "pipeline losses") as well as the projected losses associated with the remaining portion of the pool, we gave more weight to the pipeline losses.

Moody's invites you to participate in a teleconference on Thursday, 12 July 2007 at 10:00 EST / 15:00 BST (local London time) to discuss these actions. The call will be hosted by Richard Cantor, Team Managing Director, Credit Policy Research Group; Nicolas Weill, Team Managing Director and Chief Credit Officer, Asset Finance; and John Park, Senior Vice President, Derivatives Monitoring. Details of the call are as follows:

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For details on the conference call, as well as Moody's published research on the subprime market, go to www.moodys.com/subprime. Please contact Moody's Client Service Desk at +1.212.553.1658 with any other questions.

A press release detailing the specific securities whose ratings were affected has been released and is available on moodys.com.

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