Moody's Proposes Enhancements to Non-Prime RMBS Securitization

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NEW YORK--(BUSINESS WIRE)--

Moody's Investors Service is proposing a series of enhancements aimed at bringing greater transparency to the securitization process for non-prime residential mortgage-backed securities (RMBS). The proposed changes include third-party oversight of the accuracy of loan information and making loan-level performance information available to transaction participants. In addition, Moody's proposes that issuers provide stronger and more uniform representations and warranties to investors regarding loan information, and that a third party be responsible for monitoring and enforcing the representations and warranties. These proposals reflect conversations Moody's has had with market participants, industry trade organizations and oversight authorities.

The rating agency's consideration of third-party oversight to verify the accuracy of loan data would include data provided to originators from borrowers, appraisers, and brokers. Moody's proposes that information from the third-party review be available to investors and other transaction participants that request it.

"Third-party review will enable Moody's and transaction participants to make more informed credit distinctions regarding the quality of lenders' underwriting standards and the reliability of information provided by issuers," says Moody's.

Moody's also proposes making greater credit distinctions based on the financial strength of the party providing representations and warranties.

The rating agency also recommends that securitization sponsors standardize and expand RMBS performance reports, including the provision of loan-level information for public transactions prior to closing and throughout the life of the securitization.

Other non-prime sectors are performing in line with expectations, however, Moody's will consider whether these proposals should apply to other non-prime securitized assets, such as non-prime auto loans, non-prime private student loans and non-prime credit card receivables, and will solicit the views of market participants and oversight authorities through a future "request for comment" proposal.

A full explanation of Moody's proposed changes, "Moody's Proposes Enhancements to Non-Prime RMBS Securitization," is available on www.moodys.com. Moody's is inviting participants in the structured finance market and other interested parties to review and comment. Feedback can be sent to cpc@moodys.com.

For more information please see www.moodys.com.

Moody's Investors Service is a leading provider of credit ratings, research, and risk analysis. Moody's commitment and expertise contributes to stable, transparent and integrated financial markets, protecting the integrity of credit. The firm's ratings and analysis track debt covering more than 100 sovereign nations, 12,000 corporate issuers, 29,000 public finance issuers, and 96,000 structured finance obligations. Moody's also publishes credit opinions, research and commentary, serving more than 9,300 customer accounts at some 2,400 institutions around the globe. Moody's Investors Service is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of $2.0 billion in 2006, employs approximately 3,600 people worldwide and maintains a presence in 27 countries. Additional information about the company is available at www.moodys.com.

Source: Moody's

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