American Securitization Forum

Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans

Executive Summary

December 6, 2007

Scope:

This streamlined framework applies to all first lien subprime residential adjustable rate mortgage (ARM) loans that have an initial fixed rate period of 36 months or less (including "2/28s" and "3/27s"), referred to below as "subprime ARM loans" that:

- were originated between January 1, 2005 and July 31, 2007;
- are included in securitized pools; and
- have an initial interest rate reset between January 1, 2008 and July 31, 2010.

This streamlined framework would be applied to subprime ARM loans in advance of an initial reset date. Typically, servicer/borrower communication should begin 120 days prior to the initial reset date.

Overarching Principles:

- The servicer will not take any action that is prohibited by the pooling and servicing agreement ("PSA") or other applicable securitization governing document, or that would violate applicable laws, regulations, or accounting standards. ASF's Statement of Principles, Recommendations and Guidelines for a Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans, published concurrently with this document, analyzes how the framework described in the Executive Summary is consistent with typical PSA provisions. The ASF urges readers of this Executive Summary to review the full Statement.

- The ASF believes that this framework is consistent with the authority granted to a servicer to modify subprime mortgage loans in typical PSAs. The ASF expects that the procedures in this framework will constitute standard and customary servicing procedures for subprime loans.

- The servicer will expeditiously implement the ASF Investor Reporting Guidelines for the Modification of Subprime ARM Loans recommended by the ASF, which is simultaneously released with this framework.

- LTV and CLTV will be determined based on information at origination. If an origination LTV is below 97%, a servicer may obtain an updated home value by obtaining an AVM, BPO or other means.

- All servicers of second liens to subprime borrowers should cooperate fully with this framework by providing information needed by first lien servicers and by agreeing to subordinate the second lien to any new first lien resulting from a refinance (with no cash out) under this framework.

- All existing contractual obligations and remedies related to fraudulent mortgage origination activity should be strictly enforced.

- The streamlined framework outlined in this framework represents the consensus view of the membership of the ASF, acting through its Board of Directors, as to the parameters used to determine the segmentation of subprime ARM loans, including the numeric values included in those parameters. It is understood by the ASF's members that the numeric values included in the parameters are not based on historic data, but rather simply represent a consensus view as to appropriate numeric values for use within this framework for the purpose of supporting a streamlined approach to loan modifications that complies with typical securitization governing documents. The ASF, acting through its Board of Directors, may in the future change these numeric values or further refine these parameters as experience is gained and market conditions evolve.

<u>Borrower Segmentation</u>:

Under this framework, subprime ARM loans are divided into 3 segments.

<u>Segment 1</u> includes current (as defined below) loans where the borrower is likely to be able to refinance into any available mortgage product, including FHA, FHA Secure or readily available mortgage industry products.

- Generally, the servicer will determine whether loans may be eligible for refinancing into readily available mortgage industry products based on ascertainable data not requiring direct communication with the borrower, such as LTV, loan amount, FICO and payment history. Servicers will generally not determine current income or DTI to determine initial eligibility for refinancing.

- If the borrower also has a second lien on the property, this framework contemplates that the borrower is able to refinance the first lien only, on a no cash out basis. In

order for the loan to fall into this segment, the second lien does not have to be refinanced; however, any second lien holder will need to agree to subordinate their interest to the refinanced first lien.

Segment 2 includes current loans where the borrower is unlikely to be able to refinance into any readily available mortgage industry product.

- *Current*: For purposes of this framework "current" means the loan must be not more than 30 days delinquent, and must not have been more than 1 x 60 days delinquent in the last 12 months, both under the OTS method. Corresponding tests would apply under the MBA method if the servicer uses that standard.

- *LTV test*: All current loans with an LTV (based on the first lien only) greater than 97% are deemed not to be eligible for refinance into any available product, and thus are within Segment 2. (97% is the maximum LTV allowed under FHA Secure.)

- *Not FHA Secure eligible*: All current loans that otherwise do not satisfy FHA Secure requirements, including delinquency history, DTI at origination and loan amount standards for this program, are within Segment 2 unless the servicer can determine whether they may meet eligibility criteria for another product, by reviewing eligibility criteria without performing an underwriting analysis.

Segment 3 includes loans where the borrower is not current as defined above, demonstrating difficulty meeting the introductory rate.

Segment 1 – Refinance:

- It is expected that borrowers in this category should refinance their loans, if they are unable or unwilling to meet their reset payment. However, a servicer may evaluate each borrower in this category on a case by case basis or apply any framework consistent with the applicable servicing standard in the transaction documents for a loan modification or other loss mitigation outcome.

- The servicer will facilitate a refinance in a manner that avoids the imposition of prepayment penalties wherever feasible. This may be accomplished by timing the refinance to occur after the upcoming reset date.

- Servicers should take all reasonable steps permitted under the PSA and other governing documents to encourage or facilitate refinancing for borrowers in Segment 1, or to borrowers in Segment 2 who become eligible for a refinance, including, where permitted, providing borrowers with information about FHA, FHA Secure and other readily available mortgage industry products, even if that servicer is not able to provide those products through any affiliated originator.

Segment 2 – Loan Modification:

- The servicer will determine the following for each Segment 2 borrower: current owner occupancy status (based on information known to the servicer, including billing and property address), current FICO score and the FICO score at origination of the loan.

- FICO test:

    - If the current FICO score is less than 660 and is less than a score 10% higher than the FICO score at origination, the borrower is considered to have met the "FICO test." If the borrower meets the FICO test, the servicer will generally not determine the borrower's current income.

    - If either a) the current FICO score is 660 or higher, or b) the current FICO is at least 10% higher than the FICO score at origination, the borrower is considered to not meet the "FICO test." If the borrower does not meet the FICO test, the servicer will use an alternate analysis to determine if the borrower is eligible for a loan modification.

- Segment 2 loans will only be eligible for a fast track loan modification if:

    - The borrower currently occupies the property as his or her primary residence;

    - The borrower meets the FICO test; and

    - The servicer determines that, at the upcoming reset, the payment amount would go up by more than 10%.

- Borrowers in this segment and eligible for a fast track loan modification as described above may be offered a loan modification under which the interest rate will be kept at the existing rate, generally for 5 years following the upcoming reset.

- As to Segment 2 loans eligible for a fast track loan modification, the servicer may make the following presumptions:

    - The borrower is able to pay under the loan modification based on his or her current payment history prior to the reset date.

    - The borrower is willing to pay under the loan modification, as evidenced by a) an agreement to the modification after being contacted or b) in the event that the affirmative agreement of the borrower cannot be obtained, the borrower's payment of two payments under the loan as modified after receiving notice of the modified terms.

- The borrower is unable to pay (and default is reasonably foreseeable) after the upcoming reset under the original loan terms, based on the size of the payment increase that would otherwise apply.

- The modification maximizes the net present value of recoveries to the securitization trust and is in the best interests of investors in the aggregate, because refinancing opportunities are likely not available and the borrower is able and willing to pay under the modified terms.

- For borrowers that do not meet the FICO test, the servicer will use an alternate analysis to determine if the borrower is eligible for a loan modification, as well as the terms of the modification (which may vary). This may include a) conducting an individual review of current income and debt obligations, debt-to-income analysis, and considering a tailored modification for a borrower, or b) applying any other framework consistent with the applicable servicing standard in the transaction documents to determine if a borrower is eligible for a loan modification.

- For borrowers that are eligible for a fast track modification, the fast track option is non-exclusive and does not preclude a servicer from using an alternate analysis to determine if a borrower is eligible for a loan modification, as well as the terms of the modification.

Segment 3 – Loss Mitigation:

- For loans in this category, the servicer will determine the appropriate loss mitigation approach in a manner consistent with the applicable servicing standard in the transaction documents, but without employing the fast tracking procedures described under Segment 2. The approach chosen should maximize the net present value of the recoveries to the securitization trust. The available approaches may include loan modification (including rate reduction and/or principal forgiveness), forbearance, short sale, short payoff, or foreclosure.

- These borrowers will require a more intensive analysis, including where appropriate current debt and income analysis, to determine the appropriate loss mitigation approach.

American Securitization Forum

Statement of Principles, Recommendations and Guidelines for a Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans

December 6, 2007

I. Introduction and Overarching Principles

The American Securitization Forum (ASF)[1] is publishing this Statement as part of its continuing efforts to inform its members and promulgate relevant securitization industry guidance in light of the challenges currently confronting the subprime residential mortgage markets. Current subprime residential mortgage market conditions include a number of concerns that impact securitization transactions, subprime mortgage finance and the overall housing market: an increase in delinquency, default and foreclosure rates; an increase in real estate owned inventories; a decline in home price appreciation; and a prevalence of loans with a relatively low introductory rate that are adjusting to a higher rate.

This Statement is being published concurrently with our Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime ARM Loans, Executive Summary, and provides additional background, detail and discussion supporting that document.

The ASF believes that minimizing foreclosures and preserving homeownership, wherever possible, is in the best interests of borrowers, servicers, originators and investors as foreclosure is typically the most costly and least-preferred method of resolving a defaulted mortgage loan. As such, the interests of secondary mortgage market participants continue to be aligned with borrowers, communities and policymakers to prevent foreclosures where possible.

In light of these concerns and to help prevent unnecessary foreclosures, the ASF released a statement in June, 2007 (attached as Exhibit A, the "June 2007 Statement") concluding that loan modifications, for subprime mortgage loans that are in default or for which default is reasonably foreseeable, are an important servicing tool that can typically help borrowers avoid foreclosure as well as minimize losses to securitization investors. Higher than normal rates of foreclosure may harm borrowers and their communities, and may adversely affect housing values and therefore collateral values on both performing and non-performing loans. Accordingly, the ASF

[1] The American Securitization Forum is a broad-based professional forum of over 380 organizations that are active participants in the U.S. securitization market. Among other roles, ASF members act as investors, insurers, issuers, financial intermediaries and professional advisers working on securitization transactions. ASF's mission includes building consensus, pursuing advocacy and delivering education on behalf of the securitization markets and its participants. This statement was developed principally in consultation with ASF's Loan Modifications Working Group, Servicer Working Group and Investor Committee with input from other ASF members and committees. Additional information about the ASF, its members and activities may be found on ASF's internet website at www.americansecuritization.com.

recommended the use of loan modifications under appropriate circumstances and also provided guidance for servicers of securitized subprime residential mortgage loans.

Given increasing and evolving borrower and servicer needs in the current mortgage environment, the ASF also released a statement in October, 2007 (attached as Exhibit B) concluding that borrower counseling expenses typically can be reimbursable from securitization trust cash flows for loans where the servicer determines, in its reasonable judgment, that the related counseling service has had or is likely to have the effect of preventing foreclosures and mitigating losses on a loan.

Concurrently with this Statement we are also releasing the ASF Recommended Definitions and Investor Reporting Standards for Modifications of Securitized Residential Mortgage Loans (attached as Exhibit C, the "Modification Reporting Guidelines"). Such guidelines will provide a greater level of information regarding loan modifications to investors for securitization trusts and the performance of those loans.

The current market conditions are unique in aligning the interests of securitization investors, servicers and borrowers; it is in all market participants' best interests that homeowners are enabled to stay in their houses. Keeping borrowers in their homes whenever feasible avoids losses associated with foreclosure, promotes a healthy housing market that provides for further financing and investment opportunities, and mitigates losses on those loans for which foreclosure is unavoidable by reducing the downward pressure on real estate values. We believe that applying the framework outlined in this Statement will streamline the loss mitigation efforts of servicers, and will maximize trust proceeds to investors as compared to the proceeds typically realized through foreclosure.

The overall purpose of this Statement is to provide further guidance for servicers to streamline borrower evaluation procedures and to facilitate the effective use of all forms of foreclosure and loss prevention efforts, including refinancings, forbearances, workout plans, loan modifications, deeds-in-lieu and short sales or short payoffs. We believe that publication of these principles, recommendations and guidelines will help to establish a common framework for servicers to efficiently evaluate the financial condition of the borrowers they work with and, where needed, employ the most effective foreclosure and loss prevention techniques. As a consequence, the ASF believes that this guidance will promote greater uniformity, clarity and certainty of application of these provisions throughout the industry.

This Statement is focused on subprime first-lien adjustable rate residential mortgages loans (subprime ARM loans) that have an initial fixed rate period of 36 months or less, are included in securitized pools, were originated between January 1, 2005 and July 31, 2007, and have an initial interest rate reset date between January 1, 2008 and July 31, 2010. Some of the principles, recommendations and guidelines reflected in this Statement may also apply to loss mitigation efforts of other types of residential mortgage loans, including prime and Alt A loans, but are likely not to be appropriate for loss mitigation efforts of second-lien residential mortgage loans.

The streamlined framework outlined in this Statement represents the consensus view of the membership of the ASF, acting through its Board of Directors, as to the parameters used to determine the segmentation of subprime ARM loans, including the numeric values included in those parameters. It is understood by the ASF's members that the numeric values included in the parameters are not based on historic data, but rather simply represent a consensus view as to appropriate numeric values for use within this framework for the purpose of supporting a streamlined approach to loan modifications that complies with typical securitization governing documents. The ASF, acting through its Board of Directors, may in the future alter these numeric values or further refine these parameters as experience is gained and market conditions evolve.

While this Statement addresses certain legal, regulatory and accounting matters, it does not constitute and should not be viewed as providing legal or accounting advice.

In implementing this Statement, each servicer will not take any action that is prohibited by the pooling and servicing agreement or other applicable securitization governing document, or that would violate applicable laws and regulations (including REMIC) or accounting standards. Moreover, each servicer will expeditiously implement the ASF Modification Reporting Guidelines.

All servicers of second liens to subprime borrowers should cooperate fully with this framework by providing information needed by first lien servicers and by agreeing to subordinate the second lien to any new first lien resulting from a refinance (with no cash out) under this framework.

II. Overview of Current Subprime ARM Borrower Population and Recommendations for Borrower Evaluation Procedures

The subprime mortgage market has been and is expected to experience rising rates of defaults and foreclosures through 2008, in particular as the interest rate reset date on a significant number of subprime ARM loans arrives. A significant portion of subprime ARM loans that would have had a reset over the next two years have already paid in full. A smaller portion of loans that would have had a reset in the next two years have been subject to short sales, foreclosure or other disposition. However, U.S. federal regulators expect that 1.8 million subprime ARMs are due to reset in 2008 and 2009 to a significantly higher rate where the borrower may have difficulty paying the higher mortgage payment. By a wide margin, the largest percentage of the remaining subprime borrowers should be eligible for refinancing, due to their relatively low loan-to-value/combined loan-to-value (LTV/CLTV) ratios or good credit scores or payment history. The remaining population of these subprime ARM loans may be eligible for a loan modification or some other type of loss mitigation technique, depending on the facts and circumstances of each individual borrower.

As the rates on these subprime ARM loans begin to reset, efficient and decisive action will be required by servicers to keep borrowers from defaulting on their mortgage payments. The proposed streamlined framework will facilitate servicers’ management of the increasing volume of loans coming upon an interest rate reset that may otherwise default. Servicers will be able to

identify more effectively the appropriate segment of the subprime borrower population for each borrower and, in certain circumstances, expedite refinancing into more affordable loan products and fast track borrowers for loan modifications. Servicers will also be able to devote more of their time and effort to other more intense loss mitigation efforts for loans that present greater challenges.

It is critical to the implementation of any loss mitigation technique that the servicer comply with the terms of the pooling and servicing agreement or other applicable securitization governing document, and that servicers select loss mitigation techniques that are most likely to keep the borrower in his or her home while maximizing trust proceeds to investors in securities backed by subprime ARM loans. It is also critical to the timely implementation of any loss mitigation technique that the borrower is contacted as early as possible in the process, preferably 120 days prior to such reset date.

III. Streamlined Implementation of Refinancings and Other Loss Mitigation Techniques

The streamlined framework described below applies to all first lien subprime residential adjustable rate mortgage loans (referred to as "subprime ARM loans" or "loans") that (i) have an initial fixed rate period of 36 months or less, (ii) were originated between January 1, 2005 and July 31, 2007, (iii) are included in securitized pools and (iv) have an initial interest rate reset date between January 1, 2008 and July 31, 2010. This streamlined framework would be applied to subprime ARM loans in advance of an initial reset date. Typically, servicer/borrower communication should begin 120 days prior to the initial reset date.

This population of subprime ARM loans can be roughly segmented into the following categories:

> Segment 1 includes current (as defined below) loans where the borrower is likely to be able to refinance into any available mortgage product, including FHA, FHA Secure or readily available industry products.
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> - Generally, the servicer will determine whether loans may be eligible for refinancing into readily available mortgage products based on ascertainable data not requiring direct communication with the borrower such as LTV, loan amount, FICO and payment history. Servicers will generally not determine current income or DTI to determine initial eligibility for refinancing.
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> - If the borrower also has a second lien on the property, this Statement contemplates that the borrower is able to refinance the first lien only, on a no cash out basis. In order for the loan to fall into this segment, the second lien does not have to be refinanced; however any second lienholder will need to agree to subordinate their interest to the refinanced first lien.

Segment 2 includes current loans where the borrower is unlikely to be able to refinance into any available product.

- *Current*: For purposes of this Statement, "current" means the loan must be not more than 30 days delinquent, and must not have been more than 1 x 60 days delinquent in the last 12 months, both under the OTS method. For servicers who determine delinquency under the MBA method, "current" means the loan must be not more than 60 days delinquent, and must not have been more than 1 x 90 days delinquent in the last 12 months, both under the MBA method.

- *LTV test*: All current loans with an LTV (based on the first lien only) greater than 97% are deemed to not be eligible for refinance into any available product, and thus are within Segment 2. (97% is the maximum LTV allowed under FHA Secure.)

- *Not FHA Secure eligible*: All current loans that otherwise do not satisfy FHA Secure requirements, including delinquency history, DTI at origination and loan amount standards for this program, are within Segment 2 unless the servicer can determine whether they may meet eligibility criteria for another product, by reviewing eligibility criteria without performing an underwriting analysis.

For all purposes under this Statement, LTV and CLTV will be determined based on information at origination. If an origination LTV is below 97%, a servicer may obtain an updated home value by obtaining an AVM, BPO or other means.

Segment 3 includes loans where the borrower is not current as defined above, demonstrating difficulty meeting the introductory rate.

Sections A, B and C below outline recommended approaches that servicers can apply to the three segmentations of subprime ARM loans discussed above.

A. Segment 1—Current Borrowers Able to Refinance into Private or FHA Loan Products

- It is expected that borrowers in this category should refinance their loans, if they are unable or unwilling to meet their reset payment. However, a servicer may evaluate each borrower in this category on a case by case basis or apply any framework consistent with the applicable servicing standard in the transaction documents for a loan modification or other loss mitigation outcome.

- The servicer will facilitate a refinance in a manner that avoids the imposition of prepayment penalties wherever feasible. This may be accomplished by timing the refinance to occur after the upcoming reset date.

- Servicers should take all reasonable steps allowed under the pooling and servicing agreement and governing documents to encourage or facilitate refinancing for borrowers in Segment 1, or to borrowers in Segment 2 who become eligible for a refinance, including, where permitted, providing borrowers with information about FHA, FHA Secure and other readily available mortgage products, even if that servicer is not able to provide those products through any affiliated originator.

For borrowers that do not meet the criteria for any refinance product, the servicer should apply normal servicing methods to evaluate a borrower's financial situation on a case by case basis, including making a determination as to whether a particular loan is otherwise eligible for the fast track loan modification process applicable to Segment 2.

B. Segment 2—Current Borrowers Unable to Refinance into any Loan Product

- The servicer will determine the following for each Segment 2 borrower: current owner occupancy status, current FICO score and the FICO score at origination of the loan. Owner occupancy status will be determined solely based on the borrower's representations at origination together with any information known to or readily available to the servicer. For example, the servicer may compare the current billing address with the property address.

  - If the current FICO score is a) less than 660 and b) is less than a score 10% higher than the FICO score at origination, the borrower is considered to have met the "FICO test." If the borrower meets the FICO test, the servicer will generally not determine the borrower's current income.

  - If either a) the current FICO score is 660 or higher, or b) the current FICO is at least 10% higher than the FICO score at origination, the borrower is considered to not meet the "FICO test." If the borrower does not meet the FICO test, the servicer will use an alternate analysis to determine if the borrower is eligible for a loan modification.

- Segment 2 loans will only be eligible for a fast track loan modification if:

  - The borrower currently occupies the property as his or her primary residence;

  - The borrower meets the FICO test; and

  - The servicer determines that, at the upcoming reset, the payment amount would go up by more than 10%.

- Borrowers in this segment and eligible for a fast track loan modification described above may be offered a loan modification under which the interest rate will be kept at the existing rate, generally for 5 years following the upcoming reset.

- As to Segment 2 loans eligible for a fast track loan modification, the servicer may make the following presumptions:

  - The borrower is able to pay under the loan modification based on his or her current payment history prior to the reset date.

  - The borrower is willing to pay under the loan modification, as evidenced by a) an agreement to the modification after being contacted or b) in the event that the affirmative agreement of the borrower cannot be obtained, the borrower's payment of two payments under the loan as modified after receiving notice of the modified terms.

  - The borrower is unable to pay (and default is reasonably foreseeable) after the upcoming reset under the original loan terms, based on the size of the payment increase that would otherwise apply.

  - The modification maximizes the net present value of recoveries to the securitization trust and is in the best interests of investors in the aggregate, because refinancing opportunities are likely not available and the borrower is able and willing to pay under the modified terms.

- For borrowers that do not meet the FICO test, the servicer will use an alternate analysis to determine if the borrower is eligible for a loan modification, as well as the terms of the modification (which may vary). This may include a) conducting an individual review of current income and debt obligations, debt-to-income analysis, and considering a tailored modification for a borrower, or b) applying any other framework consistent with the applicable servicing standard in the transaction documents to determine if a borrower is eligible for a loan modification.

- For borrowers that are eligible for a fast track modification, the fast track option is non-exclusive and does not preclude a servicer from using an alternate analysis to determine if a borrower is eligible for a loan modification, as well as the terms of the modification.

C. Segment 3—Borrowers Not Eligible Under Segment 1 or Segment 2

- For loans in this category, the servicer will determine the appropriate loss mitigation approach in a manner consistent with the applicable servicing standard in the transaction documents, but without employing the fast tracking procedures described in Segment 2. The approach should maximize the net present value of the recoveries to the securitization trust. The approaches may include loan modification (including rate reduction and/or principal forgiveness), forbearance, short sale, short payoff, or foreclosure.

- These borrowers will require a more intensive analysis, including where appropriate current debt and income analysis, to determine the appropriate loss mitigation approach.

IV. Detailed Provisions Related to this Framework

Servicers and counselors should work with borrowers, where needed, to help borrowers understand their current loan terms and the refinancing options available in the market. Outreach efforts should be conducted by servicers, utilizing credit counselors and the HOPE NOW Alliance, if helpful in facilitating communication with borrowers.

We recognize that servicers will not be able to make confirmed contact with all borrowers, particularly those in Segment 2 who meet the FICO test and for whom detailed analysis is not required. ASF is of the view that borrowers who fall within the eligibility criteria for a fast track loan modification should not fail to receive a modification solely due to the servicer's inability to obtain a signed agreement. Generally, it would appear reasonable for a servicer to deem a borrower to have consented to the terms of the modification, if notice of the modification has been sent to the borrower, and the borrower has made two monthly payments under the loan as modified after receiving notice of the modified terms in accordance with the modification.

Where the borrower has not signed an agreement evidencing the modification, there may be a question during periods when the fixed rate under the modification is greater than the adjusted rate that would have applied under the original mortgage note. If appropriate, the servicer may determine that the rate that should be charged during such periods should be the lower adjustable rate.

In the event of a modification, any advances made by the servicer in respect of delinquent monthly payments will be at the modified rate (or the lower rate described above.)

For loans that require payment of interest only prior to the initial reset, followed by amortizing payments, the rate would be kept at the current rate during the modification term, but the borrower would be required to make an amortizing payment beginning after the reset date.

Some securitization operative documents limit the servicer's ability to solicit refinancings of mortgage loans in the trust. The ASF believes that where possible these restrictions should not be interpreted to restrict the solicitation of refinancings under this framework. We believe that the servicer's efforts to facilitate and encourage refinancings of loans are part of an overall loss mitigation strategy which is designed to protect the interests of investors.

Under this framework, servicers will not take any action that would violate applicable laws and regulations. In particular, as to subprime ARM loans that are included in a securitization for which a REMIC election was made for federal income tax purposes, the servicer will not engage in any fast track loan modification unless default on the loan is "reasonably foreseeable" as that term is used in applicable REMIC regulations. Similarly, servicers will not take any action under this Statement that would alter the accounting treatment of any securitization that was treated as a sale under FAS 140.

In issuing this Statement, the ASF notes that fraud in connection with loan origination was a contributing factor to the wave of defaults to date on subprime loans. This Statement is designed to avoid rewarding borrowers who may have participated in fraud. Consistent with this intent, the fast track loan modification procedures outlined in this Statement are targeted to borrowers who occupy their homes as primary residences and who have established a track record of being willing and able to make their loan payments at the current interest rate. In addition, the ASF recommends that all existing contractual obligations and remedies related to fraudulent mortgage origination activity should be strictly enforced.

V. Compliance with Applicable Agreements

The ASF firmly believes that the framework outlined in this Statement is consistent with the authority typically granted to a servicer under the operative documents governing a subprime loan securitization.

As indicated in the ASF's June 2007 Statement, existing subprime securitization operative documents generally authorize the servicer to modify loans for which default is reasonably foreseeable, provided that the modification is in the best interests of security holders, and would not result in a REMIC violation. The June 2007 Statement also provides interpretive guidance that standard and customary servicing procedures for servicing subprime loans included in a securitization, as used as an overarching standard in securitization operative documents, should be interpreted to permit loan modifications for loans for which default is reasonably foreseeable, so long as the modification is in the best interests of investors in the aggregate.

The June 2007 Statement provides further interpretive guidance that the modification standard "default is reasonably foreseeable" should be deemed to be met where there has been direct

contact between the servicer and the borrower, where the servicer has evaluated the borrower's current ability to pay of the borrower, and has a reasonable basis for determining that the borrower is unlikely to be able to make scheduled payments on the loan in the foreseeable future. We believe that the fast track loan modifications under Segment 2 comply with this guidance. Servicers will endeavor to discuss the modification with the borrower in a live call, but in any event there will be a communication sent to the borrower that explains the terms of the modification. The servicer will evaluate the ability of the borrower to continue to pay at the current rate by relying on the payment history. The servicer will also have a reasonable basis for believing that the borrower will not be able to make payments under the loan as originally required after the upcoming reset date, based on the size of the payment increase that would otherwise apply.

The June 2007 Statement provides further interpretive guidance that in evaluating a loan modification, the servicer should compare the anticipated recovery under the loan modification with the anticipated recovery through foreclosure on a net present value basis, that whichever action maximizes recovery should be deemed in the best interests of investors, and also that the standard "in the best interests of" the investors should be interpreted by reference to the investors in that securitization in the aggregate. For any securitized pool and set of fast track loan modifications, as to each loan in the group, the servicer will have determined individually that the borrower is not able to refinance, that the borrower is able to pay at the current rate, and that there is a reasonable basis for believing that the borrower will not be able to make payments under the loan as originally required after the upcoming reset date. In light of current market conditions including home value trends, it appears that key elements of any net present value determination (such as default rates with or without a modification, and loss severities) cannot be accurately predicted based on historic data. Nevertheless, we believe that a servicer can appropriately take the view that a group of loans modified under the fast track procedures for Segment 2 loans will in the aggregate result in a better recovery on a net present value basis, when comparing the reduction in interest payments that may result from the modifications with potential losses upon foreclosure that might have resulted absent the modifications. Accordingly, we believe that the methodology for making fast track loan modifications under Segment 2 complies with this guidance, and will result in action that is in the best interests of investors.

We further note that upon adoption and implementation of this framework by a substantial number of subprime loan servicers, the fast track procedures for Segment 2 will demonstrably constitute standard and customary servicing procedures for subprime loans.

Based on the foregoing, it is anticipated that master servicers, trustees and other transaction parties that are required to provide their consent to loan modifications will concur that servicers who follow the criteria set forth for fast track loan modifications under Segment 2 are complying with the terms of the securitization operative documents and the applicable servicing standard, and therefore will provide the requisite consent.

The foregoing discussion is subject to any specific provisions of securitization operative documents that may limit modifications, such as a provision limiting the total number of modified loans to a percentage of the securitized pool.

VI. Conclusion

The volume of defaults and pending interest rate resets that may trigger defaults is unprecedented in the history of the United States residential housing market. We believe that adoption of a streamlined approach to evaluating individual loans for modification in order to facilitate rapid and orderly loan modifications is consistent with the authority typically granted to a servicer under the securitization agreements, and critical to an effective loss mitigation strategy under current market conditions.

The ASF believes that the streamlined framework described in this Statement is consistent with prior ASF statements and with the approach expressed by many regulators and the administration. The approach outlined is intended to keep borrowers in their homes while also maximizing trust proceeds to investors. We emphasize the importance of not disrupting investor expectations as represented by the terms of securitization agreements, which will foster the continuation of the availability of affordable loan products and investment opportunities. As compared to the alternative of a significant amount of defaults and foreclosures, this streamlined framework may provide in many cases a relatively higher realization of returns to investors. Although the framework attempts to provide solutions to subprime ARM loan resets, this Statement does not address circumstances where borrowers are not able to meet their contractual obligations under the current rate.

Borrowers should work to stay current and contact their servicer if they believe they will have difficulties making the higher reset payment. These borrower efforts will help them to get the best refinancing or loss mitigation option. If a borrower thinks they will not be able to make the reset payment, today’s announcement should encourage borrowers to contact their servicer or counselor prior to the reset date. We believe servicers can and will do everything possible to help prevent unnecessary foreclosures.

EXHIBIT A

JUNE 2007 STATEMENT

American Securitization Forum

Statement of Principles, Recommendations and Guidelines for the Modification of Securitized Subprime Residential Mortgage Loans

June 2007

I. Introduction

The American Securitization Forum (ASF)[1] is publishing this Statement as part of its overall efforts to inform its members and promulgate relevant securitization industry guidance in light of the widespread challenges currently confronting the subprime residential mortgage markets.

Current subprime residential mortgage market conditions include a number of attributes of concern that impact securitization transactions and the broader environment for subprime mortgage finance: an increase in delinquency, default and foreclosure rates; a decline in home price appreciation rates; a prevalence of loans with a reduced introductory rate that will soon adjust to a higher rate; and a reduced availability of subprime mortgage lending for refinancing purposes. In light of these concerns, the ASF is of the view that loan modifications, for subprime mortgage loans that are in default or for which default is reasonably foreseeable, are an important servicing tool that can both help borrowers avoid foreclosure and minimize losses to securitization investors.

Moreover, the ASF recognizes that it is an important goal to minimize foreclosure and preserve homeownership wherever possible. Higher than normal rates of foreclosure may harm borrowers and their communities, and may adversely affect housing values and therefore collateral values on both performing and non-performing loans. Accordingly, the ASF recommends the use of loan modifications under appropriate circumstances as described in this Statement.

The overall purpose of this Statement is to provide guidance for servicers modifying subprime residential mortgage loans that are included in a securitization. It is our hope that publication of these principles, recommendations and guidelines will help to establish a

[1] The American Securitization Forum is a broad-based professional forum of over 350 organizations that are active participants in the U.S. securitization market. Among other roles, ASF members act as insurers, investors, financial intermediaries and professional advisers working on securitization transactions. ASF's mission includes building consensus, pursuing advocacy and delivering education on behalf of the securitization markets and its participants. This statement was developed principally in consultation with ASF's Subprime Mortgage Finance Task Force and Loan Modifications Working Group, with input from other ASF members and committees. Additional information about the ASF, its members and activities may be found at ASF's internet website, located at www.americansecuritization.com. ASF is an independent, adjunct forum of the Securities Industry and Financial Markets Association.

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common framework relating to the structure and interpretation of loan modification provisions in securitization transactions, thereby promoting greater uniformity, clarity and certainty of application of these provisions throughout the industry. As a consequence, ASF hopes that this guidance will facilitate wider and more effective use of loan modifications in appropriate circumstances.

While this Statement addresses certain legal, regulatory and accounting matters, it does not constitute and should not be viewed as providing legal or accounting advice.

This Statement is focused on modifications of first lien subprime residential mortgage loans. Many of the principles reflected in this Statement would also apply to modifications of other types of residential mortgage loans. This Statement does not address modifications of second lien residential mortgage loans.

II. Overview of Typical Securitization Document Modification Provisions

Servicing of subprime residential mortgage loans included in a securitization is generally governed by either a pooling and servicing agreement or servicing agreement. These agreements typically employ a general servicing practice standard. Typical provisions require the related servicer to follow accepted servicing practices and procedures as it would employ "in its good faith business judgment" and which are "normal and usual in its general mortgage servicing activities" and/or certain procedures that such servicer would employ for loans held for its own account.

Most subprime transactions authorize the servicer to modify loans that are either in default, or for which default is either imminent or reasonably foreseeable. Generally, permitted modifications include changing the interest rate on a prospective basis, forgiving principal, capitalizing arrearages, and extending the maturity date. The "reasonably foreseeable" default standard derives from and is permitted by the restrictions imposed by the REMIC sections of the Internal Revenue Code of 1986 (the "REMIC Code") on modifying loans included in a securitization for which a REMIC election is made. Most market participants interpret the two standards of future default – imminent and reasonably foreseeable – to be substantially the same.

The modification provisions that govern loans that are in default or reasonably foreseeable default typically also require that the modifications be in the best interests of the securityholders or not materially adverse to the interests of the securityholders, and that the modifications not result in a violation of the REMIC status of the securitization trust.

In addition to the authority to modify the loan terms, most subprime pooling and servicing agreements and servicing agreements permit other loss mitigation techniques, including forbearance, repayment plans for arrearages and other deferments which do not reduce the total amount owing but extend the time for payment. In addition, these agreements typically

permit loss mitigation through non-foreclosure alternatives to terminating a loan, such as short sales and short payoffs.

Beyond the general provisions described above, numerous variations exist with respect to loan modification provisions. Some agreement provisions are very broad and do not have any limitations or specific types of modifications mentioned. Other provisions specify certain types of permitted modifications and/or impose certain limitations or qualifications on the ability to modify loans. For example, some agreement provisions limit the frequency with which any given loan may be modified. In some cases, there is a minimum interest rate below which a loan's rate cannot be modified. Other agreement provisions may limit the total number of loans that may be modified to a specified percentage (typically, 5% where this provision is used) of the initial pool aggregate balance. For agreements that have this provision: i) in most cases the 5% cap can be waived if consent of the NIM insurer (or other credit enhancer) is obtained, ii) in a few cases the 5% cap can be waived with the consent of the rating agencies, and iii) in all other cases, in order to waive the 5% cap, consent of the rating agencies and/or investors would be required. It appears that these types of restrictions appear only in a minority of transactions. It does not appear that any securitization requires investor consent to a loan modification that is otherwise authorized under the operative documents.

III. Loan Modification Principles

Based upon extensive consultation with its members and other securitization market participants, ASF believes that the following principles articulate widely-accepted industry views regarding the use of loan modifications in connection with securitized subprime residential mortgage loans:

1. For subprime mortgage loans that are in default or where default is reasonably foreseeable, loan modifications are an important loss mitigation tool that should be used in the circumstances described in this Statement. Modifications may include changing the interest rate on a prospective basis, forgiving principal, capitalizing arrearages and extending the maturity date. Other loss mitigation alternatives include forbearance, repayment plans for arrearages and other deferments which do not reduce the total amount owing, and also non-foreclosure alternatives to terminating a loan, such as short sales and short payoffs. Unlike other loss mitigation alternatives, loan modifications have the additional advantage that they can be used prior to default, where default is reasonably foreseeable.

2. Establishing early contact with borrowers is a critically important factor in the success of any loss mitigation initiative. Servicers should be permitted and encouraged to reach out affirmatively and proactively to borrowers for whom default is more likely, determine whether default is reasonably foreseeable, and

then explore modification possibilities. In particular, such outreach should be permitted and encouraged prior to an upcoming first adjustment date on a hybrid ARM loan.

3. Loan modifications should be considered and made on a loan-by-loan basis, taking into account the unique combination of circumstances for each loan and borrower, including the borrower's current ability to pay. The ASF is opposed to any across-the-board approach to loan modifications, and to any approach that would have all modifications structured in a particular manner. The ASF is also opposed to any proposals that would provide an across-the-board moratorium or delay period on foreclosures.

4. Generally, the ASF believes that loan modifications should only be made:

   a. Consistently with applicable securitization operative documents (including amendments that can be made without investor or other consents);

   b. In a manner that is in the best interests of the securitization investors in the aggregate;

   c. In a manner that is in the best interests of the borrower;

   d. In a manner that, insofar as possible, avoids materially adverse tax or accounting consequences to the servicer and, to the extent known, to the securitization sponsor or investors;

   e. Where the loan is either in default or default is reasonably foreseeable, and if the latter, where there is a reasonable basis for the servicer determining that the borrower is unlikely to be able to make scheduled payments on the loan in the foreseeable future;

   f. Where there is a reasonable basis for the servicer concluding that the borrower will be able to make the scheduled payments as modified; and

   g. In a manner that is designed to provide sustainable and long-term solutions, but does not reduce the required payments beyond the magnitude required to return the loan to performing status, or beyond the anticipated period of borrower need.

5. The ASF believes that loan modifications meeting the criteria in Loan Modification Principles point 4 above are generally preferable to foreclosure where the servicer concludes that the net present value of the payments on the loan as modified is likely to be greater than the anticipated net recovery that would result from foreclosure.

6. In considering loss mitigation alternatives that reduce the interest rate prospectively, servicers should consider whether to make the rate reduction temporary (such as a relatively short term extension of the initial fixed period on a hybrid ARM), or permanent, based on the anticipated period of borrower need. For temporary rate reductions, servicers should re-evaluate the borrower's ability to pay, and the continued need for a rate reduction, at the end of the temporary period.

7. Any loan modification that reduces otherwise lawful, contractually required payments of principal or interest must be understood to be a financial concession by the securitization investors. There is no basis for requiring such concessions from investors unless the modification is determined to be in the best interests of the investors collectively. Loan modifications should seek to preserve the originally required contractual payments as far as possible.

8. Reasonable determinations made by servicers with respect to loan modifications, where made in good faith and in accordance with generally applicable servicing standards and the applicable securitization operative documents, should not expose the servicer to liability to investors and should not be subject to regulatory or enforcement actions.

IV. Loan Modification Interpretive Guidance

The ASF endorses the following interpretive positions on specific issues arising in connection with loan modifications:

1. The ASF believes, based on prevailing existing practice, that standard and customary servicing procedures for servicing subprime mortgage loans included in a securitization, as typically used as an overarching servicing standard in securitization operative documents, should be interpreted to allow the servicer to: a) permit loan modifications (including prospective interest rate reductions which may be either temporary or permanent, forgiveness of principal, capitalizing arrearages, or maturity extension not beyond the securitization maturity date) for loans that are in default or for which default is reasonably foreseeable, so long as the modification is in the best interests of investors in the aggregate, and b) engage in other loss mitigation alternatives including forbearance, repayment plans for arrearages and other deferments which do not reduce the total amount owing, and also non-foreclosure alternatives to terminating a loan, such as short sales and short payoffs. The ASF believes that existing securitization pooling and servicing agreements should be interpreted, to the maximum extent possible, to authorize the servicer to take the actions referenced above.

2. With respect to existing pooling and servicing or other operative agreements that expressly prohibit or restrict the servicer from taking the actions referenced above, the ASF believes that amendments to those agreements authorizing such actions should be approved by all parties required to consent to such amendments, as and when requested to do so.

3. The ASF believes that securitization operative documents should not impose numerical limitations on loan modifications, such as limits based on the percentage of the pool that may be modified.

4. The modification standards "default is imminent" and "default is reasonably foreseeable" should be interpreted to have the same meaning.

5. The modification standard "default is reasonably foreseeable" should be deemed to be met where there has been direct contact between the servicer and the borrower, where the servicer has evaluated the current ability to pay of the borrower, and has a reasonable basis for determining that the borrower is unlikely to be able to make scheduled payments on the loan in the foreseeable future. (This interpretation is intended to provide guidance only as to a set of circumstances where the standard would generally be viewed to be met, and not to reflect any view that the standard would not be met in other circumstances.)

6. In evaluating whether a proposed loan modification will maximize recoveries to the investors, the servicer should compare the anticipated recovery under the loan modification to the anticipated recovery through foreclosure on a net present value basis. Whichever action is determined by the servicer to maximize recovery should be deemed to be in the best interests of the investors.

7. The standards "in the best interests of" or "not materially adverse to the interests of" investors or securityholders in any securitization should be interpreted by reference to the investors in that securitization in the aggregate, without regard to the specific impact on any particular class of investors, and in a manner that is neutral as to the effect on the cash flow waterfall or any particular class of securities.

V. Loan Modification Recommendations

The ASF recommends the following further actions in respect of loan modifications:

A. Existing and future securitizations:

1. The ASF endorses and encourages the adoption of the position articulated in the Mortgage Bankers Association position paper titled "FAS 140

Implications of Restructurings of Certain Securitized Mortgage Loans", dated May [24], 2007 (the "MBA Position Paper").

2. Servicers should maintain policies, procedures and guidelines that are reasonably designed to identify and manage any actual or perceived conflicts of interest that may arise in connection with their loan modification activities and decision making. Such policies, procedures and guidelines should address, among other topics, situations in which a servicer (a) has an ownership interest in one or more classes of bonds supported by principal and/or interest collections on subprime mortgage loans that it services; (b) receives servicing fees or other compensation that is tied to various attributes of subprime mortgage loans that it services (e.g., outstanding principal balance, delinquency/default status); and (c) is not reimbursed for the costs of loan modifications from collections on subprime mortgage loans that it services.

3. Securitization operative documents should clearly state, for purposes of "delinquency triggers" or "cumulative loss triggers" which control whether excess cash flow may be released to the residual, the following: (a) whether and under what conditions a modified loan is to be considered "current", and (b) whether and how any interest rate reduction or forgiveness of principal resulting from a loan modification should be treated as a realized loss.

4. As an urgent, high priority matter, the ASF should develop guidelines under which delinquency triggers and cumulative loss triggers in securitization operative documents, which control whether excess cash flow may be released to the residual, should be interpreted in a manner consistent with the parties' intent and in a manner that appropriately reflects any loan modifications that have occurred. It is the sense of investors that (a) any partial forgiveness of principal should be treated as a loss for purposes of cumulative loss triggers, and (b) a modified loan performing in accordance with its modified terms should be treated as delinquent for purposes of delinquency triggers for some appropriate period of time.

5. Greater clarity, transparency and consistency should be established regarding how any interest rate reduction or forgiveness of principal resulting from a loan modification should be reflected for purposes of investor reporting, and for purposes of allocating payments for the cash flow waterfall.

6. Consistent with the foregoing recommendations, servicers should not make decisions to use or not use loan modifications for the purpose of

manipulating the application of delinquency triggers or cumulative loss triggers which control whether excess cash flow may be released to the residual.

7. The ASF will conduct a survey of typical document provisions and interpretations, on the question of whether and under what conditions a modified loan is to be considered current for purposes of investor reporting, and for purposes of delinquency triggers and cumulative loss triggers which control whether excess cash flow may be released to the residual. Additional guidelines should be developed and recommendations should be made and evaluated regarding amendments to securitization transactional documents, based on the results of this survey.

B. Future securitizations:

1. The ASF will develop standard, uniform model contractual provisions governing the servicer's ability to provide loan modifications for use in future securitizations. Such provisions should expressly authorize the actions referenced in Loan Modification Interpretive Guidance point 1 above.

2. Use of an increased or supplemental servicing fee should be considered for loans that have been modified to defray the additional costs of administering modifications.

3. The ASF will develop standard, uniform model contractual provisions, both as to timing and priority, to govern the servicer's ability to obtain reimbursement for P&I advances and servicing advances made in respect of loans where there has been a loan modification, or where other types of loss mitigation have been used.

EXHIBIT B

OCTOBER 2007 STATEMENT

American Securitization Forum

Statement on Reimbursement of Counseling Expenses in Residential Mortgage-Backed Securitizations

October 10, 2007

The American Securitization Forum (ASF)[1] is publishing this Statement as part of its ongoing efforts to inform its members and promulgate guidance to the securitization industry in light of challenges confronting the residential mortgage markets.

Under current residential mortgage market conditions, the ASF recognizes that it is a particularly important goal to minimize foreclosure and preserve homeownership wherever possible. Higher than normal rates of foreclosure harm borrowers and their communities, and may adversely affect housing values and therefore collateral values on loans in securitizations. Accordingly, the ASF hereby reaffirms our June 2007 *Statement of Principles, Recommendations and Guidelines for the Modification of Securitized Subprime Residential Mortgage Loans* (June Statement), and that prudent and responsible loan modifications, among other loss mitigation techniques, are an important servicing tool that can both help borrowers keep their homes and minimize losses to investors in mortgage-backed securities.

Given the wide array of options typically available to the servicer in connection with a borrower default or reasonably foreseeable default, ranging from forbearance, modification, short sales, or foreclosure, effective communication with the borrower is an essential part of gathering the information needed to determine which option provides the best result for securitization investors. While servicers have primary responsibility for communication with borrowers and resolving delinquencies and defaults, counseling can help bridge gaps between servicers and borrowers by educating borrowers about their options and mediating potentially adversarial situations. The availability of professionally trained counseling services to borrowers can be an important tool to help prevent mortgage loan defaults and avoid difficult and costly foreclosures that ultimately hurt borrowers as well as investors in mortgage-backed securities.

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[1] The American Securitization Forum is a broad-based professional forum through which participants in the U.S. securitization market advocate their common interests on important legal, regulatory and market practice issues. ASF members include over 370 firms, including issuers, investors, servicers, financial intermediaries, rating agencies, financial guarantors, legal and accounting firms, and other professional organizations involved in securitization transactions. The ASF also provides information, education and training on a range of securitization market issues and topics through industry conferences, seminars and similar initiatives. For more information about ASF, its members and activities, please go to www.americansecuritization.com.

Most operative documents that govern securitization transactions entitle servicers to reimbursement for certain unanticipated costs from trust cashflows, or "servicing advances," related to their servicing of loans. These reimbursements typically include any customary, reasonable and necessary out of pocket expenses incurred by servicers in connection with the performance of their duties. Further, most securitization transactions permit servicing advances to be reimbursable from securitization trust cashflows if those advances are deemed unrecoverable from proceeds of the related loan.

Despite the potential that counseling offers in facilitating forbearance arrangements, loan modifications, short sales or other loss mitigation outcomes, many servicers of residential mortgage-backed securitizations have generally not sought reimbursement of counseling expenses from trust cashflows.

Given increasing and evolving borrower and servicing needs in the current mortgage-backed securities market, the ASF is of the view that borrower counseling expenses should be viewed as servicing advances, where consistent with the terms of the applicable securitization operative documents, and therefore reimbursable from securitization trust cashflows in the following circumstances:

- for loans in default or where default is reasonably foreseeable; and
- where the servicer concludes, in its reasonable judgment, that the related counseling service has had or is likely to have the effect of mitigating losses and maximizing recoveries on the particular loan.

In order to encourage counseling that may help keep borrowers in their homes and facilitate outcomes in the best interests of investors in securities backed by such mortgage loans, the ASF hereby recommends that servicers and counseling organizations work together to implement reimbursement procedures consistent with the above view. In making this recommendation, ASF acknowledges and affirms the existing contractual responsibilities of servicers as set forth in securitization governing documents. Subject to the specific terms and provisions of those governing documents, ASF believes that the engagement of borrower counseling services and reimbursement of related expenses as outlined in this Statement can serve as an important complement to servicers' existing obligations to service loans, mitigate losses and maximize recoveries in securitization transactions.

The ASF will continue to work to develop more specific counseling reimbursement provisions for inclusion in future securitization operative documents. The ASF will also work with counseling agencies, servicers, investors and other securitization transaction parties to facilitate those parties developing and clarifying procedures for implementing counselor reimbursements from trust cashflows, as well as servicer and counselor reporting practices to investors in mortgage-backed securities.

The ASF hopes that this recommendation will further facilitate, in addition to our June Statement, wider and more effective use, in appropriate circumstances, of loan modifications and other loss mitigation tools.

EXHIBIT C

MODIFICATION REPORTING GUIDELINES

American Securitization Forum:
Recommended Definitions and Investor Reporting Standards for Modifications of Securitized Residential Mortgage Loans
December 2007

Background:

The American Securitization Forum (ASF)[1] is publishing these *Recommended Definitions and Investor Reporting Standards for Modifications of Securitized Residential Mortgage Loans* (the "ASF Loan Modification Reporting Standards," or "Standards") as part of its continuing efforts to inform its members and promulgate relevant securitization industry guidance in light of the widespread challenges confronting the subprime residential mortgage markets.

In June 2007, ASF published a *Statement of Principles, Recommendations and Guidelines for the Modification of Securitized Subprime Residential Mortgage Loans* (the "June ASF Statement"). The purpose of that statement, together with several follow-up ASF initiatives since that time[2], is to establish a common framework relating to the structure and interpretation of loan modification provisions in securitization transactions, thereby promoting greater uniformity, clarity and certainty of application of those provisions throughout the industry. ASF's overall goal in issuing recommended guidance on these topics is to facilitate wider and more effective use of loan modifications and other loss mitigation options in appropriate circumstances.

The June ASF Statement included the following recommendations, among others:

- Greater clarity, transparency and consistency should be established regarding how any interest reduction or forgiveness of principal resulting from a loan modification should be reflected for purposes of investor reporting, and for purposes of allocating payments for the cash flow waterfall.

[1] The American Securitization Forum is a broad-based professional forum through which participants in the U.S. securitization market advocate their common interests on important legal, regulatory and market practice issues. ASF members include over 375 firms, including issuers, investors, servicers, financial intermediaries, rating agencies, financial guarantors, legal and accounting firms, and other professional organizations involved in securitization transactions. The ASF also provides information, education and training on a range of securitization market issues and topics through industry conferences, seminars and similar initiatives. For more information about ASF, its members and activities, please go to www.americansecuritization.com. ASF is an affiliate of the Securities Industry and Financial Markets Association (SIFMA).

[2] *ASF Statement on Reimbursement of Counseling Expenses in Residential Mortgage-Backed Securitizations*, October 10, 2007; *ASF Streamlined Foreclosure and Loss Avoidance Framework For Securitized Subprime ARM Loans*, December 2007.

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- As an urgent, high priority matter, ASF should develop guidelines under which delinquency triggers and cumulative loss triggers in securitization operative documents, which control whether excess cash flow may be released to the residual, should be interpreted in a manner consistent with the parties' intent and in a manner that appropriately reflects any loan modifications that have occurred.

- Securitization operative documents should clearly state, for purposes of "delinquency triggers" or "cumulative loss triggers" which control whether excess cash flow may be released to the residual, the following: (a) whether and under what conditions a modified loan is to be considered "current," and (b) whether and how any interest rate reduction or forgiveness of principal resulting from a loan modification should be treated as a realized loss.

The following ASF Loan Modification Reporting Standards are intended to be responsive to the above recommendations contained in the June ASF Statement. These ASF Loan Modification Reporting Standards are an important body of companion guidance to accompany ASF's Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime ARM Loans (the “ASF Streamlined Framework”), which ASF is publishing simultaneously with these Standards.

Consistent with the June Statement, ASF is in the process of developing additional guidance on the treatment of modified loans for purposes of delinquency and cumulative loss trigger calculations, and will be issuing that further guidance shortly.

Scope and Implementation:

These ASF Loan Modification Reporting Standards are intended to apply to monthly investor reporting of loan modification activity for securitizations of residential mortgage loans generally, including but not limited to subprime mortgage securitizations. The scope of the recommended guidance does not include non-securitized (i.e., portfolio) loans. However, ASF recommends that consistency of reporting for all modification activity should be pursued whenever possible.

These Standards are intended to establish a common, minimum recommended framework for investor reporting of loan modification activity in securitizations. Individual transaction participants may elect to report additional loan modification details.

Servicers, trust administrators and other entities having responsibilities for securitization investor reporting are encouraged to implement these Standards as soon as practicable, including reporting prospective loan modification activity for existing transactions. For new deals, transaction participants are encouraged to incorporate these Standards into operative documents that set forth investor reporting requirements.

Finally, with the adoption of the ASF Streamlined Framework, servicers should consider collecting and reporting loan modification data for the various segments of loans that are set

forth in that guidance, as these are likely to be relevant to the ongoing evaluation of the efficacy of the loan modification recommendations set forth therein.

Summary of ASF Loan Modification Reporting Standards:

Part (A)--Definition of Modified Loan:

This definition is intended to identify actions taken with respect to a mortgage loan that constitute a loan modification, as distinct from other, less formal revisions to the payment terms of the loan, such as a trial period or forbearance arrangement. Accordingly, the definition of "Modified Loan" includes a revision to the contractual payment terms of the mortgage note that is agreed to by the servicer and borrower. The definition then sets forth a reasonably comprehensive, but not necessarily exclusive, list of actions that fit within this overarching definition. This definition does not include foreclosure, short sales, or any other final disposition of mortgage loans.

Part (B)--Recommended Loan Modification Data Fields:

This section of the Statement identifies and provides a brief description of the specific individual data fields for investor reports. Importantly, all of these reporting fields are intended to capture data at the individual loan level. This is intended to facilitate flexibility in aggregating loan-level data to produce pool-level reports, or other aggregated presentations of individual loan characteristics. The promulgation of specific data reporting templates and file formats was outside the scope of this initial project. This may be the focus of additional work, to the extent that developing standardized reporting templates and file formats may be helpful. Reporting fields applicable exclusively to adjustable-rate mortgages are denoted with an asterisk; certain other reporting fields are applicable only if they relate to particular loan types (e.g., balloon loans, IO loans).

A) Definition of Modified Loan:

"Modified Loan" includes the following: With respect to any mortgage loan, a revision to the contractual payment terms of the related mortgage note, agreed to by the servicer and borrower, including without limitation the following:

1. Capitalization of any amounts owing by adding such amount to the outstanding principal balance;
2. Extension of the maturity;
3. Change in amortization schedule;
4. Reduction or other revision to the mortgage note interest rate;
5. Extension of the fixed-rate payment period of any adjustable rate mortgage loan;
6. Reduction or other revision to the note interest rate index, gross margin, initial or periodic interest rate cap, or maximum or minimum mortgage rate of any adjustable rate mortgage loan;

7. Forgiveness of any amount of interest and/or principal owed by the related borrower;
8. Forgiveness of any principal and/or interest advances that are reimbursed to the servicer from the securitization trust; and
9. Forgiveness of any escrow advances of taxes and insurance and/or any other servicing advances that are reimbursed to the servicer from the securitization trust.

B) Recommended Loan Modification Data Fields:

Data Reporting Field	Description
1. Modified Loan Amount	Beginning actual unpaid principal balance owed by the borrower as of the Modification Effective Payment Date.
2. Modification Effective Payment Date	Date on which first payment is due under the modified terms.
3. Ending Actual Balance	Actual outstanding principal balance as of the monthly cutoff date.
4. Ending Scheduled Balance	Scheduled principal balance as of the monthly cutoff date.
5. Total Capitalized Amount	Total amount owing under the loan and added to the Ending Actual Balance.
6. Pre-Modification Interest Rate	Interest rate of the loan immediately preceding the Modification Effective Payment Date.
7. Post-Modification Interest Rate	Interest rate of the loan as of the Modification Effective Payment Date.
8. Post-Modification Margin	Margin as of the Modification Effective Payment Date.
9. Post-Modification Periodic Interest Caps*	Maximum interest rate which can be charged in an adjustment period, as of the Modification Effective Payment Date.
10. Post-Modification Lifetime Interest Caps*	Maximum interest rate which can be charged over the life of the loan, as of the Modification Effective Payment Date.
11. Pre-Modification P&I Payment	Total principal and interest payment amount preceding the Modification Effective Payment Date.
12. Post-Modification P&I Payment	Total principal and interest payment amount as of the Modification Effective Payment Date.
13. Pre-Modification Maturity Date	Original maturity date of the loan. (If there is more than one modification over

	the life of the loan, subsequent "pre-modification maturity date" would reflect the value immediately preceding the most recent Modification Effective Payment Date reported.)
14. Post-Modification Maturity Date	Maturity date of the loan as of the Modification Effective Payment Date.
15. Pre-Modification Interest Reset Period (If changed.)*	Original duration of the Interest Reset Period of the loan.
16. Post- Modification Interest Reset Period (If changed.)*	Duration of the Interest Reset Period of the loan as of the Modification Effective Payment Date.
17. Pre-Modification Initial Reset Date*	First interest reset date under the original terms of the loan.
18. Post-Modification Initial Reset Date, and Next Reset Date*	Initial interest reset date as of the Modification Effective Payment Date, and the subsequent reset date.
19. Fixed to ARM (Y/N)	Change in loan status from fixed rate to ARM.
20. ARM to Fixed (Y/N)	Change in loan status from ARM to fixed rate.
21. IO to Fully Amortizing (Y/N)	Change in loan status from IO to fully amortizing.
22. Fully Amortizing to IO (Y/N)	Change in loan status from fully amortizing to IO.
23. Pre-Modification IO Term (If applicable.)	Term of IO preceding the Modification Effective Payment Date.
24. Post-Modification IO Term (If applicable.)	Term of IO as of the Modification Effective Payment Date.
25. Balloon Payment Amount	Cumulative amount of balloon principal payment due.
26. Balloon Payment Date	Date on which Balloon Payment Amount is due.
27. Forgiven Principal Amount	Amounts owing and payable of principal forgiven.
28. Forgiven Interest Amount	Gross amount of interest forgiven.

*Applicable to adjustable-rate mortgages only.