

**TESTIMONY OF SUSAN BARNES
BEFORE THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

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Mr. Chairman, Members of the Subcommittee, good morning. I am Susan Barnes, a Managing Director of Standard & Poor's Ratings Services ("S&P"). From 2005 to 2008, I was the North American Practice Leader for Residential Mortgage Backed Securities ("RMBS") at S&P. I have been asked to appear today to discuss the following topics:

- The process used at S&P to issue new ratings for RMBS products;
- The resources available to the RMBS ratings group;
- The models used by S&P to rate RMBS, the data used in the rating process, and S&P's practice with respect to changes in criteria and their application to rated transactions;
- Awareness of the housing bubble, reports of mortgage fraud and the deterioration of subprime mortgage-backed securities from 2004 – 2007 and how those concerns were taken into account in the ratings process at S&P; and
- Rating actions on U.S. RMBS taken by S&P from 2006 through 2008.

I want to begin by saying that at S&P we have learned hard lessons from the recent difficulties in the subprime residential mortgage area. Although the subprime mortgage market improved access to credit and homeownership for millions of Americans, apparent abuses in that market have had a reverberating impact on the economy and the country. S&P supports efforts to investigate reported abuses and to prevent their recurrence. For its part, S&P has taken, and continues to take, steps to ensure that its ratings — and the assumptions that underlie them — are analytically sound in light of shifting circumstances. As my testimony will set forth in some detail, S&P began downgrading some of its ratings in this area towards the end of 2006 and had warned of deterioration in the subprime sector long

before that. Nonetheless, we are fully aware that, for all our reliance on our analysis of historically-rooted data that sometimes went as far back as the Great Depression, some of that data proved no longer to be as useful or reliable as it had historically been. Additionally, the collapse of the housing market itself has been both more severe and more precipitous than we, along with so many others, had anticipated.

S&P's reputation and its track record are the keys to its business and we take very seriously the criticisms of each that have been raised.

Ratings and Their Role in the Capital Markets

Although my focus today is on S&P's process for rating RMBS securities, it is helpful at the outset to discuss the nature of our credit ratings, which in the past has sometimes been misunderstood. At their core, S&P's credit ratings represent our opinion of the likelihood that a particular obligor or financial obligation will timely repay owed principal and interest. When we issue a rating on a particular security we are expressing our view that the security shares similar credit characteristics to those securities that have, in the past, represented a particular range of credit risk.

As we have made clear in public statements, including statements to the SEC, testimony before Congress, and innumerable press releases, ratings do *not* speak to all of the factors that an investor should consider when making investment decisions. For example, ratings do not address:

- Whether investors should “buy”, “sell” or “hold” rated securities;

- Whether any particular rated securities are suitable investments for a particular investor or group of investors;
- Whether the expected return of a particular investment is adequate compensation for the risk;
- Whether a rated security is in line with the investor's risk appetite;
- Whether the price of the security is appropriate or even commensurate with its credit risk; or
- Whether factors other than credit risk should influence that market price, and to what extent.

Though they may move more slowly than market prices, ratings are not designed to be static. Our view of an RMBS transaction evolves as facts and circumstances develop, often in ways that are difficult to foresee. We issue ratings and, as new information becomes available with the passage of time, we either affirm those ratings — *i.e.*, leave them unchanged — upgrade them, downgrade them, or put them on CreditWatch, which is a warning to the market that the rating is likely to change in the future.

S&P's U.S. RMBS Rating Group

During my time in S&P's RMBS rating group, the number of new RMBS transactions under review increased, as did our group's overall headcount. For example, the number of RMBS being rated per year increased by 47% from 2004 to the peak in 2006. Over the same time, S&P's RMBS analyst headcount for new ratings increased by 63%.

S&P's Rating of Securities Backed by Mortgage Loans, Including Subprime Loans

S&P has been rating RMBS for over thirty years and has developed industry-leading processes and models for evaluating the creditworthiness of these transactions.

While evaluating the credit characteristics of the underlying mortgage pool is part of our RMBS rating process, S&P does not rate the underlying mortgage loans made to homeowners or evaluate or regulate whether making those loans was a good idea in the first place. Originators make loans and are responsible for verifying information provided by borrowers. They also appraise homes and make underwriting decisions. In turn, issuers and arrangers of mortgage-backed securities bundle those loans and perform due diligence on the loans before they are put into securitizations. They structure transactions, identify potential buyers for the securities, and underwrite those securities. For the system to function properly, the market must be able to rely on these participants to fulfill their roles and obligations to verify and validate information before they pass it on to others, including S&P. Our role in the process is to reach an opinion as to the ability of the underlying loans to generate sufficient proceeds to pay the purchasers of the securities issued under stressed scenarios that correspond to our rating levels.

As a practical matter, S&P's analysis of an RMBS transaction is comprised of the following stages:

Collateral Analysis The first step in our analysis is evaluating the overall creditworthiness of a pool of mortgage loans by conducting loan level analysis using our Loan Evaluation and Estimate of Loss System (LEVELS[®]) Model. This model embodies and reflects our analytical assumptions and criteria. S&P's criteria do not dictate the terms of the

mortgage loans; those terms are set by the originator in the underwriting process. S&P collects from the arranger of a securitization up to 70 different data points related to each underlying mortgage loan, including, but not limited to: the amount of equity a borrower has in the home; the loan type; the extent of income verification; whether the borrower occupies the home; and the purpose of the loan. Our analysis of this data allows us to quantify multiple risk factors, or the layered risk, and allows us to assess the increased default probability that is associated with each factor. Based on the individual loan characteristics, the LEVELS[®] model calculates probabilities of default and loss realized upon default. The assumptions and analysis embodied in the LEVELS[®] model are under regular review and are updated as appropriate to reflect our current thinking about rating residential mortgages.

As part of our commitment to transparency, S&P makes its LEVELS[®] model available to investors who wish to license it. We also publicly announce any changes to our LEVELS[®] model in a timely manner. In other words, our basic criteria is out there every day, subject to criticism and comment.

Cashflow Analysis Another important aspect of our rating process is assessing the availability of cash flow in transactions that rely on excess spread as a form of credit enhancement. To do this, we use our Standard & Poor's Interest Rate Evaluator (SPIRE[®]) Model. The model uses our mortgage default and loss assumptions (generated by the LEVELS[®] model) and other cashflow stress assumptions. Like the LEVELS[®] model, our SPIRE[®] model reflects our analysis and assumptions and is regularly reviewed and updated as warranted.

Also like our LEVELS[®] model, our SPIRE[®] model is publicly available and subject to market comment and review every day.

Review of Legal Documents S&P also reviews the legal documents of the securities to be issued, and, where appropriate, the opinions of third-party counsel that address transfer of the assets and insolvency of the transferor. S&P reviews the deal documentation in order to understand, among other things, the payment and servicing structure and other legal or structuring issues of the transaction.

Credit Enhancement Any description of our ratings of RMBS would be incomplete without discussing the critical concept of credit enhancement. Credit enhancement is the protection (*i.e.*, additional assets or funds) needed to cover losses in deteriorating economic conditions, sometimes referred to as “stress”. Sufficient credit enhancement allows a pool of collateral to support a highly-rated security. Our opinion of the amount of credit enhancement necessary depends on many factors, including the type of collateral. For example, S&P required significantly more credit enhancement in order for a pool of subprime mortgages to support a high rating than it did for a pool of prime mortgages to support the same rating.

One form of credit enhancement, although there are several, would occur if the pool has more in collateral than it issues in securities, thereby creating a cushion in the pool. We refer to this form of credit enhancement as “overcollateralization,” and it is a key component in our ratings analysis. It provides protection against defaults in the underlying securities. That is, if the pool ends up experiencing losses, it should still generate enough cash from

which to pay the holders of the securities. I will discuss credit enhancement in more detail later in my testimony.

The Rating Committee After reviewing the relevant information about a transaction, including information related to credit enhancement, the lead analyst then presents the transaction to a rating committee. As with all S&P ratings, structured finance ratings are assigned by committee. Committees are comprised of S&P personnel who bring to bear particular credit experience and/or structured finance expertise relevant to the rating. The qualitative judgments of committee members at all stages of the process are an integral part of the rating process as they provide for consideration of asset and transaction specific factors, as well as changes in the market and environment.

Notification and Dissemination Once a rating is determined by the rating committee, S&P notifies the issuer and disseminates the rating to the public for free by, among other ways, posting it on our Web site, www.standardandpoors.com. Along with the rating, we frequently publish a short narrative rationale authored by the lead analyst. The purpose of this rationale is to inform the public of the basis for S&P's analysis and enhance transparency to the marketplace.

Credit Enhancement — How Securities Backed By Subprime Mortgages Can Receive, and Merit, Investment Grade Ratings

As I mentioned earlier, credit enhancement — additional assets or funds — affords protection against losses in deteriorating conditions. When an issuer comes to us with a pool of subprime loans to be used as collateral for an RMBS transaction, S&P is well aware, of course, that all of this collateral is not likely to perform from a default perspective like 'AAA'

securities. Nonetheless, the pool of collateral loans *will* yield *some* amount of cash, even under the most stressful of economic circumstances.

A key component of our analysis is looking at the pool of collateral to determine how much credit enhancement — extra collateral, for example — would be needed to support a particular rating on the securities to be backed by that collateral. To do this, we analyze the expected performance of the collateral in stressful economic conditions. To determine the amount of credit enhancement that could support an ‘AAA’ rating, we use our most stressful economic scenario, including economic conditions from the Great Depression. The stress scenarios are then adjusted for each rating category. Thus, if our analysis of a particular collateral pool’s expected performance indicates that the pool would need 40% credit enhancement to support an ‘AAA’ rating, the issuer would have to have 40% additional collateral above and beyond the amount of the securities issued in order for the securities supported by the pool to have enough credit enhancement for an ‘AAA’ rating. To put it in more concrete terms, if the pool was comprised of, for example, \$2 million in collateral, it could only issue \$1.2 million in ‘AAA’ rated securities in this scenario. This way, if the collateral performs poorly — and forty percent in losses is very poor performance — there will still be sufficient collateral to cover losses incurred upon loan defaults. The amount of credit enhancement required depends on the type of collateral. For example, subprime loans are expected to perform worse than prime loans, so subprime collateral can support less ‘AAA’ rated securities than the same amount of prime collateral. This credit enhancement figure would, of course, be lower for ratings other than ‘AAA’, as those ratings address the likelihood of repayment in less stressful economic environments. Thus, it is not the case that

through securitization, poor credit assets magically become solid investments. Rather, it is because, in our example, a pool has \$2 million in collateral to support \$1.2 million in securities that it may receive an entirely appropriate ‘AAA’ rating on those securities.

The Data Used by S&P and Others in the Securitization Process

The securitization process relies on the quality of the data generated about the loans going into securitizations. S&P relies on the data produced by others and reported to both S&P and investors about those loans. At the time that it begins its analysis of a securitization, S&P receives detailed data concerning the loan characteristics of each of the loans in the pool — up to 70 separate characteristics for each loan in a pool of, potentially, thousands of loans. S&P does not receive the original loan files for the loans in the pool. Those files are reviewed by the arranger or sponsor of the transaction, who is also responsible for reporting accurate information about the loans in the deal documents and offering documents to potential investors.

S&P historically has included a review of the originators who originate the underlying mortgage loans as part of its rating process, and looks to see that the deal documents include representations and warranties by the appropriate entities regarding the quality of the loans and the data supplied about them. These agreements among the parties to the transactions are intended to protect investors from, among other things, losses on underlying loans caused by fraud in the origination process.

In 2008, S&P implemented procedures to collect more information about the processes used by issuers and originators to assess the accuracy and integrity of their data and their fraud detection measures in order to better understand their data quality capabilities.

S&P's new criteria also call for a statement of due diligence from issuers, prepared in conformity with specific S&P due diligence standards. Furthermore, S&P's data quality initiatives include standardized representations and warranties to be made by issuers concerning the underlying loans in an RMBS transaction.

After a securitization has issued, the deal documents and industry practice resulted in monthly pool-level information being reported by the trustees for securitizations. This information, which is available to the market as a whole, is used by S&P to conduct surveillance and also, in conjunction with its internal databases, to conduct research and develop criteria going forward. In addition to the pool-level information reported by the trustees, there has been an ongoing effort by S&P and others to acquire as broad as possible a collection of loan-level data about securitized pools that could be used both in the surveillance process and for research. To this end, S&P contracted with a number of third parties to obtain the full extent of such data that was available for use in its analysis. S&P has been an industry leader in the progression to more detailed RMBS information. For example, S&P was selected by the American Securitization Forum to partner in its "Project RESTART," an initiative to rebuild investor confidence in asset-backed securities through the use of unique IDs that will allow investors to track individual loans in securitizations. Following a request for commentary to the market in 2007, S&P also now requires a commitment from parties to a securitization at the time of new issuance that loan-level data will be reported by the trustee monthly over the life of the transaction.

S&P's Response and Publications Regarding Deteriorating Conditions in the Subprime Mortgage Market

The Subcommittee has asked me to speak to S&P's awareness of deteriorating conditions and reports of fraud in the subprime mortgage market, and how those concerns were taken into account in our rating analysis.

From 2005 to 2007, through its publications, S&P repeatedly and consistently informed the market of its concerns about the deteriorating credit quality of RMBS transactions. For example:

- In an April 20, 2005 article entitled *Subprime Lenders: Basking In The Glow Of A Still-Benign Economy, But Clouds Forming On The Horizon*, S&P observed that increased competition among subprime lenders threatened a relaxation in underwriting standards and warned that the growing popularity of "affordability" mortgage products "suggests that Standard & Poor's concerns are justified." We singled out interest-only mortgages as "[e]specially worrisome," noting that "these loans are more likely to feature adjustable rates . . . setting borrowers up for potential problems should mortgage rates rise dramatically."
- Following an internal Housing Market Simulation that it conducted in 2005, S&P published a study concerning the potential impact of a housing downturn on RMBS, using the following assumptions:
 - 20% national decline in home prices over a two year period, including a 30% decline on the East and West coasts and 10% in the middle of the country.
 - Unemployment rate peaking at 6.5% in 2007,
 - Gradual slowing of GDP to 1.2%.

The results of the study showed that S&P's existing models captured the risk of a downturn of this magnitude and concluded that most investment-grade RMBS would weather a housing downturn without suffering a credit-rating downgrade.

The 2005 Housing Simulation was also presented to investors at a Hot Topix conference in November 2005, by RMBS Surveillance personnel.

- In a January 19, 2006 article entitled *U.S. RMBS Market Still Robust, But Risks Are Increasing And Growth Drivers Are Softening*, we said: “Standard & Poor’s expects that some of the factors that drove growth in 2005 will begin to soften in 2006 Furthermore, Standard & Poor’s believes that there are increasing risks that may contribute to deteriorating credit quality in U.S. RMBS transactions; it is probable that these risks will be triggered in 2006.”
- On May 15, 2006, in an article entitled *A More Stressful Test Of A Housing Market Decline On U.S. RMBS*, we reported on the results of our follow-up analysis to our September 2005 housing-bubble simulation. We stated: “[t]he earlier simulation had concluded that most investment-grade RMBS would weather a housing downturn without suffering a credit-rating downgrade, while speculative-grade RMBS might not fare so well In the updated simulation . . . [S&P used] more stressful macroeconomic assumptions [which] lead to some downgrades in lower-rated investment-grade bonds.” The study still indicated, however, that higher-rated bonds were unlikely to be downgraded in such a scenario.
- On July 10, 2006, in an article entitled *Sector Report Card: The Heat Is On For Subprime Mortgages*, we noted that downgrades of subprime RMBS ratings were increasing due to “collateral and transaction performance.” The article also identifies “mortgage delinquencies” as a “potential hot button,” and notes that such delinquencies “may become a greater concern for lenders and servicers.”
- On July 17, 2006, we noted a 38% increase in downgrades in U.S. RMBS, a significant number of which came from the subprime market. *Structured Finance Global Ratings Roundup Quarterly: Second-Quarter 2006 Performance Trends*.
- On Oct. 16, 2006, in our *Ratings Roundup: Third-Quarter 2006 Global Structured Finance Performance Trends*, we reported that the number of downgrades more than tripled compared to the same period in 2005. We also noted that the quarter’s ratings actions among RMBS transactions had set a record for the most performance-related downgrades.

- Then, on December 8, 2006, in an article entitled *Credit Trends: 2007 Global Credit Strategy: Asset Class Outlook*, we informed the market of our view that “[c]redit quality in the RMBS sub-prime market has been under scrutiny this year. Standard & Poor’s RMBS surveillance group sees the environment ahead as portending greater downgrade potential along with lower upgrade potential.” We also stated that “the jump in third-quarter downgrade activity for the sub-prime market raises some risk flags for this segment; with 87 third-quarter downgrades adding to the 46 downgrades of the second quarter and 34 in the first.”
- On January 16, 2007, in an article entitled *Ratings Roundup: Fourth-Quarter 2006 Global Structured Finance Performance Trends*, we stated: “Rating activity among subprime transactions has started to shift to being predominantly negative from being predominantly positive. . . . We expect this trend in subprime rating performance to continue during 2007.”
- Ten days later on January 26, 2007, in our *Transition Study: U.S. RMBS Upgrades Are Down And Downgrades Are Up In 2006*, we reported that for 2006 “[d]owngrades overwhelmed upgrades for subprime mortgage collateral” and that we expected “losses and, therefore, negative rating actions to continue increasing during the next few months relative to previous years.”
- Our statements to the market continued throughout the first half of 2007. On March 22, 2007, in an article entitled *A Comparison Of 2000 and 2006 Subprime RMBS Vintages Sheds Light On Expected Performance*, we stated: “[w]hile subprime mortgages issued in 2000 have the distinction of being the worst-performing residential loans in recent memory, a good deal of speculation in the marketplace suggests that the 2006 vintage will soon take over this unenviable position.”
- In an April 27, 2007 article entitled *Special Report: Subprime Lending: Measuring the Impact*, we stated: “The consequences of the U.S. housing market’s excesses, a topic of speculation for the past couple of years, finally have begun to surface. . . . Recent-vintage loans continue to pay the price for loosened underwriting standards and risk-layering in a declining home price appreciation market, as shown by early payment defaults and rising delinquencies.”

- Then, on June 26, 2007, in an article entitled *Performance of U.S. RMBS Alt-A Loans Continues To Deteriorate*, we reported: “The most disconcerting trend is how quickly the performance of these delinquent borrowers has deteriorated. We continue to see migration from 60-plus-day to 90-plus-day delinquencies within the 2006 vintage, suggesting that homeowners who experience early delinquencies are finding it increasingly difficult to refinance or work out problems, as opposed to being able to ‘cure’ falling behind on payments.”

S&P’s observation and reporting of these developments in the subprime mortgage market led to changes in its criteria and assumptions as well, as reflected by a series of criteria updates. I have included with my testimony a detailed history of our criteria upgrades, and note here a few significant examples for illustration.

- Effective July 1, 2006, we tightened our criteria through changes in our LEVELS[®] model targeted to increase the credit enhancement requirements for pools with subprime loans. In announcing these changes to the market, we specifically identified subprime loans, such as “[l]oans with simultaneous second liens (especially those with very low FICO scores)”, as loans “much more likely to default than non-second-lien loans with similar FICO scores.”
- Then in July 2007, we again took action in response to increasingly bad performance data, including loss levels that continued to exceed historical precedents and our initial expectations. Specifically:
 - We increased the severity of the stresses we used to evaluate the ongoing creditworthiness for RMBS transactions issued during the fourth quarter of 2005 through the fourth quarter of 2006 and downgraded those classes that did not pass our heightened stress test scenario within given time frames.
 - In addition, we modified our approach for ratings on senior classes in transactions in which subordinate classes have been downgraded.
 - We also announced that, with respect to transactions closing after July 10, 2007, we would implement changes that would result in greater levels of credit protection for rated transactions.

- In 2008, S&P made specific changes to the way in which it prepares, and is compensated for, its ratings on residential mortgage-backed securities (“RMBS”). These changes include:
 - *Protections Against “Ratings Shopping”*: To protect against “ratings shopping” — *i.e.*, when an issuer may approach several rating agencies for preliminary feedback before making a selection in an effort to “shop” for the best rating — issuers now are required to pay fees at the time S&P first undertakes to review loan level RMBS data, as well as additional fees for RMBS ratings are incurred at several stages of the rating process, regardless of whether S&P ultimately is selected to rate the transaction.
 - *Originator Evaluations*: S&P formalized and enhanced its review of the origination practices leading up to loan securitizations, including minimum standards for mortgage origination processes and active reviews of major mortgage originators.
 - *Data Quality Initiatives*: S&P implemented procedures to collect more information about the processes used by issuers and originators to assess the accuracy and integrity of their data and their fraud detection measures in order to better understand their data quality capabilities. S&P’s new criteria also call for a statement of due diligence from issuers, prepared in conformity with specific S&P due diligence standards. Furthermore, S&P’s data quality initiatives include standardized representations and warranties to be made by issuers concerning the underlying loans in an RMBS transaction.

- S&P has taken other actions to strengthen its analytical processes with respect to ratings on structured finance securities. These actions include:
 - Creation of a separate Model Validation Group to analyze and validate all models used in the ratings process.

- Partnering with the New York University Stern School of Business and American College Testing (ACT) to develop a two-level Credit Analyst Certification Program, and increased annual training requirements for structured finance and other ratings analysts by 25%.
- Seeking comment from market participants and adopting new criteria that address ratings stability, or the potential ratings volatility of a security rated by S&P. S&P also is now publishing analysis on the recovery potential of structured instruments.
- Publishing “what if” scenario analyses which are intended to allow investors to better understand the risk profile of a particular structured finance transaction.

No one can see the future. The point of these articles and actions, however, is to highlight our reaction to increasing subprime deterioration — looking, as we always do, to historical or paradigm-shifting behaviors to help analyze long-term performance. Consistent with our commitment to transparency we repeatedly informed the market of our view that the credit quality of subprime loans was deteriorating and putting negative pressure on RMBS backed by those loans. And, consistent with our commitment to analytical rigor, we revised our models, took action when we believed action was appropriate, and continue to look for ways to make our analytics as strong as they can be.

S&P’s Downgrade of U.S. RMBS in 2007 and 2008

As I’ve discussed earlier, the years of 2005 and 2006 were characterized by an increasing flow of publications and information from S&P and others in the market regarding the deterioration of the subprime mortgage market and the ahistorical performance of rated securities. Beginning in late 2006, these observations resulted in the earliest and most severe rating actions that S&P has taken in this area. Although the Subcommittee refers to certain

actions in July 2007 and January 2008 as “mass downgrades” — and those actions were no doubt very significant and large in comparison to historical downgrade activity — in fact there were downgrades taking place in significant numbers throughout 2007 and even earlier. These actions were taken even though the U.S. subprime RMBS with investment grade ratings had credit enhancement that exceeded the losses on what was then the worst-performing prior vintage (the 2000 vintage) and, indeed, U.S. subprime RMBS rated AAA had credit enhancement of many times this amount.

More particularly, S&P downgraded more RMBS securities in 2006 than in any year prior in the history of the RMBS market. The segment with the most downgrades that year was the subprime segment. Over the first half of the year of 2007, S&P downgraded 680 U.S. RMBS securities, in part as a result of revised surveillance criteria under which S&P downgraded securities even before actual losses appeared in the underlying loan pools. These criteria developments and ongoing downgrades culminated in July 2007 in the announcement of an additional 612 classes of U.S. RMBS being placed on Credit Watch Negative, followed by downgrades of most of those securities a short time later. The vast majority of the July downgrades were on securities backed by subprime loans and second liens, primarily those originated from late 2005 up until early 2007.

- “U.S. RMBS Upgrades Are Down And Downgrades Are Up In 2006” reports that “There were 46 performance-related defaults in 2006, a record number for one calendar year. . . Unfortunately, this trend of shortened seasoning could be indicative of more defaults happening sooner.” The article highlights the poor performance of the 2006 subprime vintage.
- Over the course of the month of February, S&P downgraded 50 classes of U.S. RMBS securities, and placed 68 classes on CreditWatch Negative.
- Over the course of the month of March, S&P downgraded 129 classes of U.S. RMBS securities, and placed 129 classes on CreditWatch Negative.

- Over the course of the month of April, S&P downgraded 97 classes of U.S. RMBS securities, and placed 187 classes on CreditWatch Negative.
- Over the course of the month of May, S&P downgraded 185 classes of U.S. RMBS securities, and placed 254 classes on CreditWatch Negative.
- Over the course of the month of June, S&P downgraded 219 classes of U.S. RMBS securities, and placed 288 classes on CreditWatch Negative.
- On July 10, 2007, S&P placed 612 U.S. RMBS classes on CreditWatch Negative. The July 10 actions represented a forward looking expectation about those borrowers who have been current, in addition to those who have been delinquent. Downgrades of most CreditWatched securities followed on July 12. Over the course of the month of July, S&P downgraded 1082 classes of U.S. RMBS securities, and placed 653 classes on CreditWatch Negative.

Conclusion

I thank you for the opportunity to participate in this hearing. I would be happy to answer any questions you may have.