RIDF Section 13. Sensitivity to Assumptions

Sensitivity of the Credit Rating to Assumptions Made by Fitch as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

The major assumptions made by Fitch in determining the announced credit ratings are discussed below, along with examples that illustrate the effect of the violation of those assumptions, where determinable.

Assumption

Fitch assumes all parties to the rated transaction will abide by their contractual obligations.

- *Fitch downgraded the Class A notes of a Greek RMBS transaction to 'B-sf' from 'BBB-sf' after being advised that the originator had moved both the commingling reserve account and the cash collateral account to a 'B-'/RWN/'B' rated bank from a bank rated 'A+'/RWN/'F1+'. Fitch concluded that the transfer of the transaction accounts, which contravened provisions of the documentation regarding an eligible account bank, resulted in the credit risk of the Class A notes being constrained by the new bank's ratings.*
- *Fitch downgraded the Class A notes ratings of an Italian Consumer ABS transaction from 'AAAsf' to 'A-sf' following the downgrade of the main transaction counterparty which served as account bank and commingling risk guarantor, to 'A-'/'F2'. Under the transaction documents, the issuer, servicer, and main counterparty were to take certain mitigating actions following downgrade of the main counterparty below 'A'/'F1'. Fitch was notified that no mitigating actions would be taken, and due to the failure of the transaction participants to implement the documented actions, Fitch concluded that the credit risk of the SF transaction notes could not be adequately delinked from that of the transaction's main counterparty.*

Assumption

Fitch assumes that the mechanism or structure used to isolate securitized assets from the originating, sponsoring or transferor entities is effective

- *Legal challenges have arisen that have tested the effectiveness of isolation of securitized assets in the past. In a notable example, following the bankruptcy of a US steel company. In December 2000 the U.S. Bankruptcy Court entered an interim ruling that allowed the bankrupt debtors to use proceeds of accounts receivable and inventory that had been transferred to securitization SPVs via true sale agreements. Securitization debt holders were repaid via an alternative means of financing before a final judicial ruling on the validity of the true sale. If Fitch's assumptions regarding the sanctity of the isolation of assets were to be proven false, the ratings on the securitization would likely fall to the level of the sponsor.*

Assumption

Fitch assumes that information provided by issuers/arrangers, due diligence companies, and data/model vendors is accurate and gives a true and fair representation of the subject/data it purports to show, subject to reasonable investigation by Fitch.

- *Problems associated with residential mortgage loans in U.S. RMBS transactions from the 2005-2007 vintages have been widely publicized, and the rating downgrades of these transactions are well known. Among the problems cited for these transactions (particularly in the Alt-A segment), was that there were widespread indications of fraud pertaining to "stated income" loans, whereby a borrower's income as stated on the loan application was grossly inflated.*

Assumption

Fitch assumes that laws governing the contractual terms of transaction and collateral documents will remain fundamentally stable, and without significant change in application or interpretation, including applicable tax laws.

- *In the past, certain states and municipalities had considered utilizing their power of eminent domain for the seizure and/or condemnation of 'underwater' residential mortgage loans in exchange for the current value of the underlying property. Recently, interest in the application of eminent domain for this purpose has waned. However, successful implementation would represent a previously unanticipated extension of the use of eminent domain with the potential for materially adverse effects on the value of assets within residential mortgage-backed securitizations and significant negative rating implications.*
- *Enactment of the Foreign Account Tax Compliance Act (FATCA) by the U.S. in 2010 could potentially subject some structured finance transactions to a withholding tax at a rate of 30% on certain transaction cash flows. While Fitch's structured finance note ratings do*

not take into account the tax status of a note holder or any withholding tax applied on payments to note holders, any impact upon intra transaction cash flows would be relevant and potentially material from a ratings perspective.

Assumption

Fitch assumes that operational counterparties, such as servicers, asset managers, and paying/calculation agents, will perform to at least the standard of a reasonably competent entity discharging the relevant function.

- *In October 2003 Fitch downgraded 56 classes of medical equipment lease transactions. The downgrades reflected Fitch's concerns over the heightened potential for collateral deterioration following the sponsor's bankruptcy in August 2003, concerns about the company's ability to service the portfolio with a reduced work force and unresolved delays in providing Fitch with updated servicer reports. The timeliness and accuracy of data on monthly servicing reports was a particular concern, as Fitch had identified discrepancies on the last servicer report prior to the bankruptcy and updated reports had not been received.*