

## Impact Of Hurricane Katrina On U.S. RMBS To Be Limited, Report Says

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NEW YORK (Standard & Poor's) Sept. 13, 2005--Based on a preliminary evaluation of affected mortgage pools, the impact of Hurricane Katrina on U.S. residential mortgage-backed securities (RMBS) is expected to be relatively limited. Standard & Poor's Ratings Services found during its recent assessment that the exposed pools had a limited concentration of affected mortgages and maintain built-in risk-insulating features that provide protection.

"Our primary rating criteria requires issuers and sellers to have the proper representations and warranties in place for all loans in a trust at closing," said credit analyst Terry Osterweil, a director in Standard & Poor's RMBS Ratings group. "These reps and warranties must state that the homes are in good repair, flood insurance is in effect when necessary, and that hazard insurance is in place."

Credit analyst Ernestine Warner, head of the U.S. RMBS Surveillance group, added that aside from these factors, Standard & Poor's believes that effective mortgage loan-servicing policies will assist with some of the issues that will come up.

"Some of these issues will include handling delinquency advances, property inspections, forbearance plans, and filing of insurance claims," she said. "Servicers will also help administer any federal aid that is distributed for properties in the affected areas."

Ms. Warner said the combination of risk-mitigating factors will either eliminate or reduce potential losses for a majority of the deals that include affected mortgages.

In its evaluation, Standard & Poor's used its Trends database to identify 3,629 outstanding transactions that were issued between January 2000 and September 2005 with original exposure to the four states hardest hit by Hurricane Katrina.

"Upon examination, we found that hundreds of these had no loans in Alabama, Louisiana, and Mississippi," said credit analyst Robert B. Pollsen, a director in Standard & Poor's RMBS Surveillance group. "It's also been widely reported that there were no areas in Florida that were categorized by FEMA as federal disaster areas."

Mr. Pollsen added that the recent hurricane will cause an increase in delinquencies, given the high level of personal tragedy, the general destruction of local infrastructure, and the loss of employment. Even with those considerations, however, the limited concentration of loans in those areas is expected to keep the overall impact on U.S. RMBS relatively nominal.

The information discussed above is contained in a detailed article, "Hurricane Katrina's Preliminary Impact On U.S. RMBS Transactions Expected To Be Limited," available on RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). The article is also available on Standard & Poor's Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Click on "Credit Ratings," then under "Browse by Business Line" choose Structured Finance. Under "Commentary & News" scroll down to the desired article.