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## Fitch Ratings Prime Credit Card Performance Index Snapshot\*

Prime Metrics	Current Month (%)	Month Over Month (bps)	Year Over Year (bps)
Delinquencies	2.59	↑ 9	↑ 31
Chargeoffs	4.21	↑ 33	↓ 282
Yield	17.78	↓ 18	↑ 52
Payment Rate	19.32	↓ 50	↓ 42
Excess Spread	7.11	↓ 33	↑ 188

\*[http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset\\_backed/credit\\_card\\_index/cc\\_index.cfm](http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm) Note: Green arrows indicate a positive trend and red arrows indicate a negative trend. bps – Basis points.

## ConsumerWatch

By Cynthia Ullrich

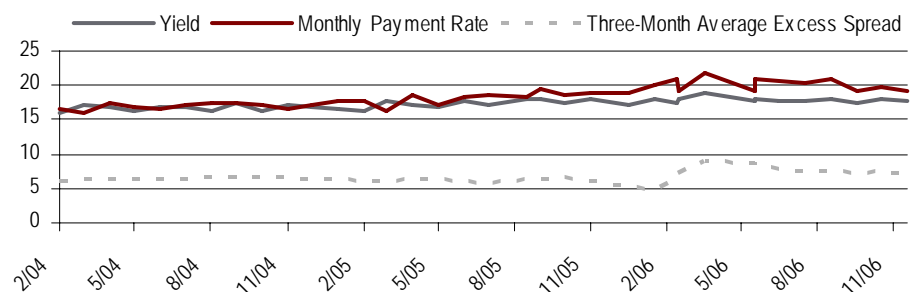
The use of revolving credit, as measured by the Federal Reserve, increased by 11.9% in November. While this can be partially attributed to growth in retail sales, Fitch Ratings believes this may be indicative of an increased demand for revolving credit as consumers reduce home equity withdrawals. Although overall consumer confidence, as measured by the University of Michigan Consumer Sentiment Survey, has settled for the last few months above 90, Fitch expects growth in consumer spending to slow in the early part of 2007, to an annualized rate of 2.0%, with a full-year estimate of 2.3% down 0.8% from 2006. This may result in a slowing of the monthly payment rate (MPR) on credit card products.

The Federal Reserve held the Fed Funds Rate at 5.25% in December and continued to state that inflation remains above its comfort level. Inflation has been moderating and was flat in November, at 2.6% as measured by the seasonally adjusted Consumer Price Index-Urban (CPI-U). In December, the unemployment rate was also flat at 4.5%. However, income growth, as measured by earnings per hour, was up 0.5% in December and is contributing to concerns that upward pressure on wages could generate higher inflation.

The final estimate of the real gross domestic product growth for the third quarter was revised downward to 2.0% from a preliminary estimate of 2.9%. The slowdown resulted from a decrease in residential fixed investment and personal consumption of services, as well as an increase in imports. Fitch expects this slowdown to continue, with a 2007 growth forecast of 2.4%, compared with the full-year forecast of 3.2% for 2006.

Bankruptcy filings remain depressed, with only about 12,000 per week, compared with historical norms of 30,000–35,000. 2006 bankruptcy filings were down more than 70% year over year. While the outlook on the prime consumer is still stable, Fitch expects the credit environment to become less favorable for credit card performance as delinquencies and total chargeoffs begin to creep up.

### Fitch Ratings Prime Credit Card Performance\*



\*[http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset\\_backed/credit\\_card\\_index/cc\\_index.cfm](http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm)

*Fitch Ratings Subprime Credit Card Performance Index Snapshot\**

<u>Subprime Metrics</u>	<u>Current Month (%)</u>		<u>Month Over Month (bps)</u>		<u>Year Over Year (bps)</u>
Delinquency	5.68		↑	2	↓ 74
Chargeoffs	9.23		↑	34	↓ 252
Yield	25.82		↓	184	↓ 31
Payment Rate	9.83		↓	74	↑ 30
Excess Spread	9.93		↓	106	↑ 199

\*[http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset\\_backed/credit\\_card\\_index/scc\\_index.cfm](http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/scc_index.cfm)

Note: Red arrows indicate a negative trend and green arrows indicate a positive trend.

*CardWatch*

By Darryl Osojnak and Laura Corso

**Fitch Launches Retail Credit Card Performance Index**

On Jan.31, 2007, Fitch launched its Retail Credit Card Performance Index (the Retail Index), which complements Fitch’s Prime and Subprime Credit Indexes (the Prime Index and Subprime Index). The Retail Index will be published by Fitch monthly in this newsletter and can be found on Fitch’s web site at [www.fitchratings.com](http://www.fitchratings.com).

Fitch’s Retail Index is calculated using a debt weighted average of trusts that securitize only retail credit card receivables. The Retail Index tracks four primary metrics: gross yield, MPR, excess spread, and delinquencies of 60 days or more. Upon its launch, the Retail Index will provide three years of historical performance data.

The retail card asset-backed securities (ABS) sector includes both store cards owned by individual retailers and private label programs administered on behalf of retailers. Many retailers partner with large bank card issuers in designing their credit products while a few directly issue their own cards. Merchants issue the cards with the purpose of increasing sales and fostering brand loyalty and are often viewed as an adjunct component of a retailer’s primary line of business. Retail cards generally have lower credit lines than general purpose cards and can be used to extend credit to borrowers who are unable to obtain credit from other sources. Underwriting criteria vary considerably among retailers, resulting in disparate pools of borrowers. As a result, the performance of retail trusts is differential from prime and subprime trusts. This can be attributed to many factors including geographic concentration, brand loyalty, demographics, card value propositions, and retail consumer behavior. However, over time, consolidation in the sector by large sponsors such as GE, Citibank, and HSBC has benefited performance through improved underwriting and servicing of portfolios.

In terms of performance, the Retail Index has been experiencing an upward trend in chargeoff levels, similar to the trends demonstrated by the prime and subprime sectors, with the absolute level of chargeoffs at 4.21% for the prime market, followed by retail and subprime sectors at 6.11% and 9.23%, respectively. Chargeoffs are continuing to normalize from the bankruptcy reform implementation in October 2005, and the upward trend in losses is expected to continue throughout 2007. In recent months, prime, subprime, and retail delinquencies of 60 days or more have shown a gradual upward trend. Historically, subprime and retail delinquencies are fairly volatile and sensitive to economic pressures, while prime delinquencies remain less volatile. Retail delinquencies are currently

at 3.88%, above the current 2.59% level for prime and below the 5.68% level for subprime. The retail segment exhibited a yield of 26.37%, comparable to the 25.82% yield in subprime but significantly higher than the prime yield at 17.78%. As a result, the retail and subprime sectors showed higher three-month average excess spread levels of 12.33% and 9.93%, respectively, despite higher chargeoff levels. MPR has exhibited cyclical patterns year over year in the prime, subprime, and retail indices. Fewer collection days and seasonal shopping caused predictable declines in March and increases in April, September, and January. MPR levels in the Retail Index remained high compared with historical levels; however, in 2006, the MPR showed a gradual decline, possibly a result of increased economic pressures weighing on many of the subprime borrowers within the retail portfolios. The MPR level for prime is highest at 19.32%, followed by retail and subprime at 13.77% and 9.83%, respectively.

**Section News**

**Four Tranches of HSBC PLCCMNTI Placed on Rating Watch Positive**

On Jan. 18, 2007, Fitch placed four tranches of subordinate notes from the HSBC Private Label Credit Card Master Note Trust I on Rating Watch Positive. The Rating Watch Positive designation results from the accumulation of cash in the principal funding account (PFA); as the PFA funds, a percentage of the bonds are backed by cash rather than receivables, which effectively reduces the exposure of the bonds to credit risk from charged off receivables.

For more information, see the rating action commentary on Fitch’s web site:

[http://www.fitchratings.com/creditdesk/press\\_releases/detail.cfm?pr\\_id=338853](http://www.fitchratings.com/creditdesk/press_releases/detail.cfm?pr_id=338853)

**Fitch Affirms Bank of America Credit Card Trust Class A and B Notes Ratings**

On Jan. 8, Fitch affirmed all outstanding Class A notes issued from the Bank of America (BA) Credit Card Trust, totaling approximately \$48.5 billion of credit card securities. BA amended the transaction's legal structure to reduce the amount of required subordination for the outstanding class A notes to 14% (derived from 7.5% class B and 6.5% class C notes) from 15% (derived from 7.5% each from class B and C notes). This change will result in an increase in class A issuance capacity by approximately \$580 million.

For more information, see the rating action commentary posted on Fitch's web site:

[http://www.fitchratings.com/creditedesk/press\\_releases/detail.cfm?pr\\_id=334592](http://www.fitchratings.com/creditedesk/press_releases/detail.cfm?pr_id=334592)

The BA series class B 2007-1 notes issued on Jan. 26, 2006 are structured with subordination of 6.5%, which is commensurate with an 'A' rating. Previously issued class B notes were structured with subordination of 7.5%, which remains commensurate with an 'A+' rating.

On Jan. 22, 2007, Fitch affirmed all outstanding class B notes issued from the BA Credit Card Trust, totaling approximately \$4.2 billion of credit card securities.

### December Monthly Issuance Overview

<u>Issuance</u>	<u>Coupon (bps)</u>	<u>Ratings</u>	<u>Expected Maturity</u>	<u>Size (\$ Mil.)</u>
BA Credit Card Trust 2006-A15	1 mL	AAA	11/15/11	1,000.00
BA Credit Card Trust 2006-A16	472 bps	AAA	12/15/10	1,000.00
Chase Issuance Trust 2006-7A	1 mL + 1 bps	AAA	12/15/10	1,150.00
Chase Issuance Trust 2006-8A	1 mL + 6 bps	AAA	12/16/13	500.00
Citibank Issuance Trust 2006-C4	1 mL + 22 bps	BBB	1/7/10	500.00

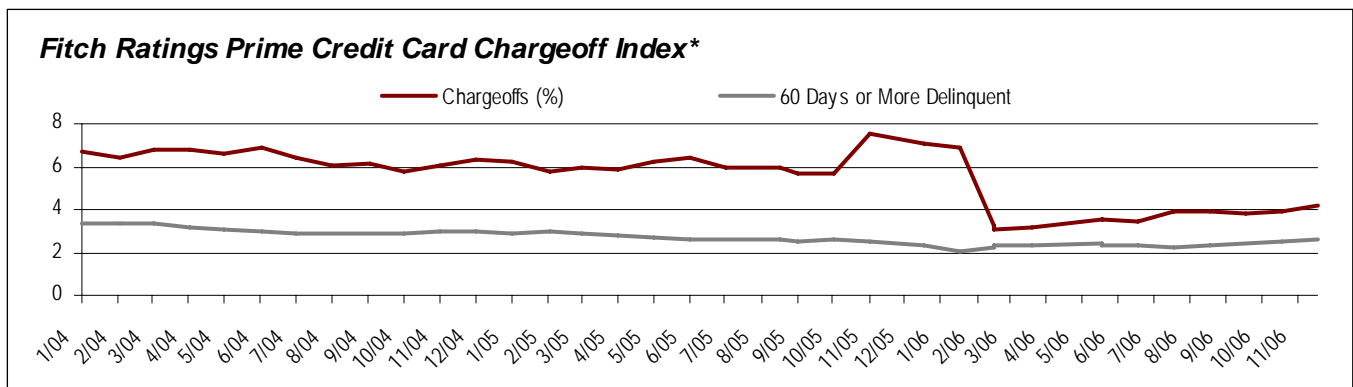
1mL – One-month London Interbank Offered Rate. bps – Basis points.

### PerformanceWatch

By Laura Corso

#### Prime Delinquencies and Chargeoffs

Late stage delinquencies, representing borrowers who have fallen 60 days or more past due and a measure of future chargeoffs, increased for the fourth consecutive month in December by 9 basis points (bps) to 2.59%. Chargeoffs increased to 4.21% a 33 bps increase from the 3.88% chargeoff rate in November, although still 282 bps below year ago levels.

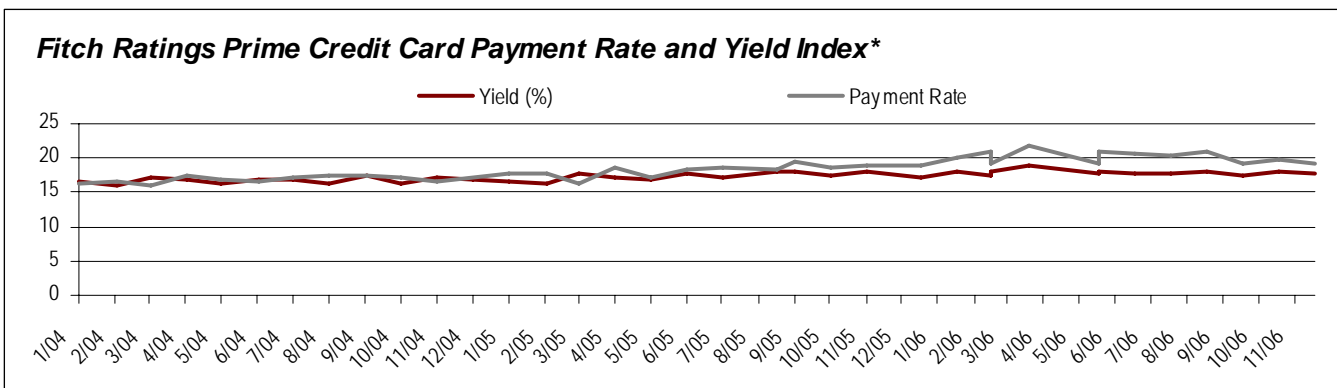


\*[http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset\\_backed/credit\\_card\\_index/cc\\_index.cfm](http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm)

#### Prime Yield and Payment Rate

Gross yield decreased 18 basis points (bps) to 17.78% in November and is 52 bps above year-ago levels. While gross yield remains stable, preliminary indications show MPR beginning to trend downward.

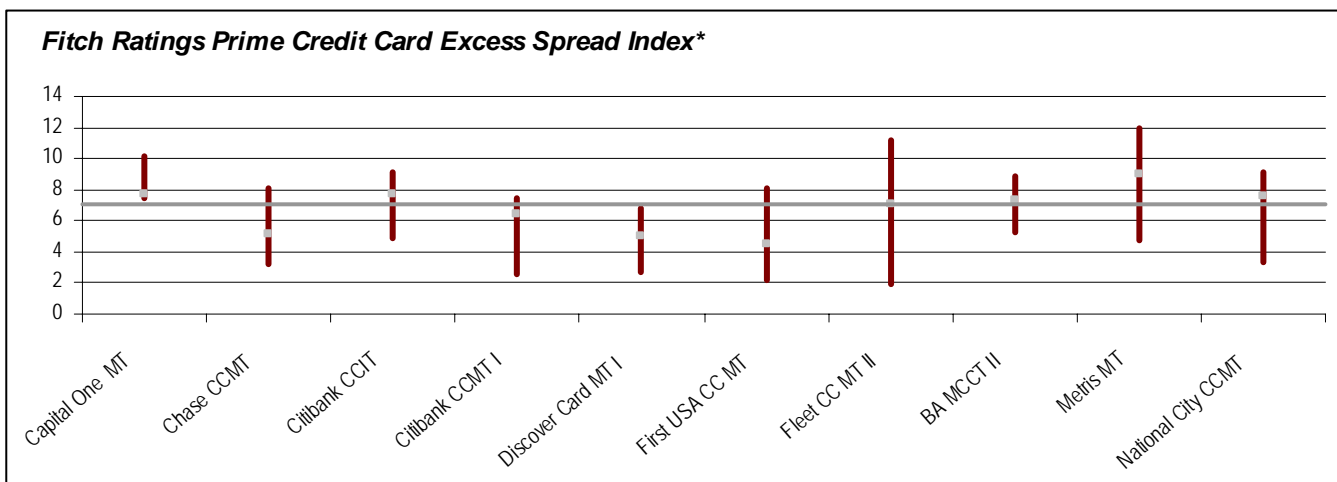
MPR, a measure of the rate at which cardholders make payments on their credit card debt, decreased 50 bps in December to 19.32%. As home prices continue to fall, consumers are using revolving credit to finance consumption rather than extracting home equity. As card balances increase, the decline in MPR may continue.



[\\*http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset backed/credit card index/cc index.cfm](http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm)

### Prime Excess Spread

Excess spread, which measures the profitability of credit card securitizations, decreased 33 bps to 7.11% and is 188 bps above year-ago levels. Excess spread is expected to abate as gross yield remains stable and chargeoffs continue to increase.

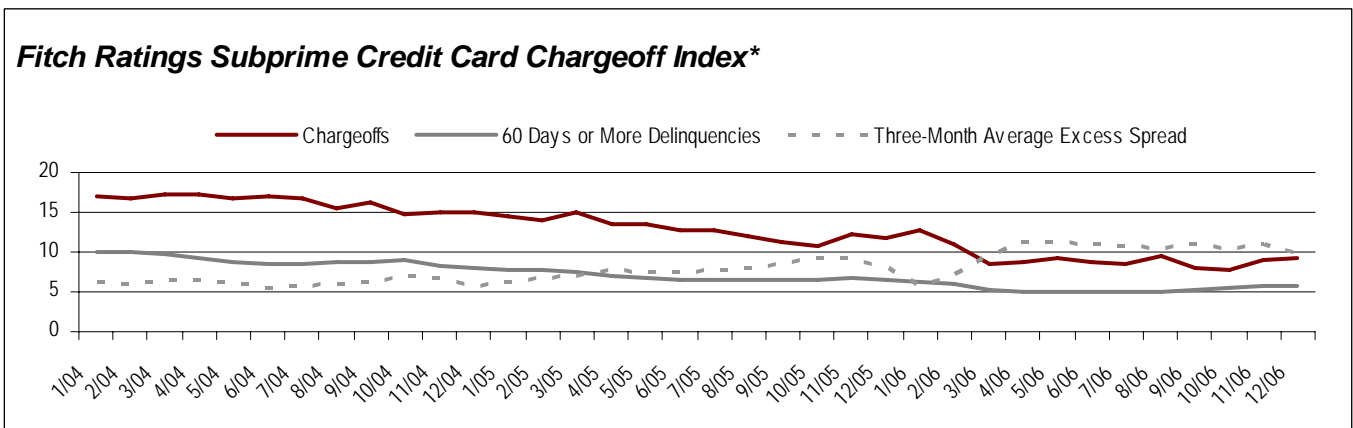


[\\*http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset backed/credit card index/cc index.cfm](http://www.fitchresearch.com/creditedesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm). Fitch Ratings Index: 7.11.  
Note: The chart above shows the excess spread highs and lows for each trust within the past 12 months. The dot indicates the current excess spread percentage.

### Subprime Performance

Late payments, measured by Fitch's 60 Days or More Delinquency Index, increased two bps to 5.68%. Chargeoffs increased 34 bps to 9.23% in December from 8.89% in November. The recent increases in chargeoffs can be attributed to a delinquency bubble caused by changes made to the minimum payment calculation per Office of the Comptroller of the Currency (OCC) guidance. The delinquency bubble is expected to continue to affect the Subprime Index through next month and is likely to normalize in February. MPR decreased 74 bps to 9.83% from the 10.57% in November. Fitch expects MPR to deteriorate as economic factors continue to weigh heavily on subprime consumers. Gross yield decreased 184 bps to 25.82% from the 27.66% in November. Excess spread remained healthy at 9.93%, down from 10.99%. While the decline this month was 106 bps, current excess spread is 199 bps above year-ago levels.

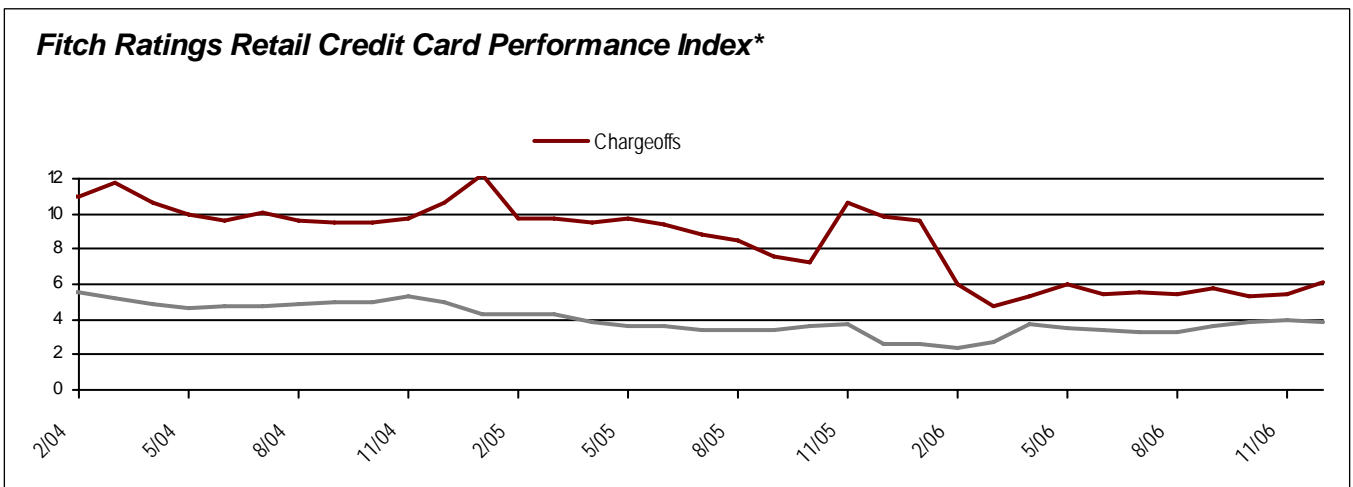
Fitch's outlook on the subprime sector remains negative as losses and delinquencies increase and unfavorable economic conditions remain a concern.



\*[http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset backed/credit card index/scc index.cfm](http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/scc_index.cfm).

**Retail Performance**

Late payments, as measured by Fitch’s 60 Days or More Delinquency Index, decreased 12 bps to 3.88%, down from 4.00% in November. Chargeoffs increased 71 bps to 6.11% in December from 5.40% in November. MPR increased 23 bps to 13.77% from the 13.54% in November. The fourth-quarter 2006 MPR was slightly lower compared with the first, second, and third quarters of last year. Since December 2005, MPR has remained elevated compared with previous years; Fitch will continue to monitor this closely, as the drop this month could indicate that MPR is returning to historical levels. Gross yield increased two bps to 26.37% from the 26.35% in November. Excess spread remained robust at 12.33%, down from 12.51% in November.



\*[http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset backed/credit card index/rcc index.cfm](http://www.fitchresearch.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/rcc_index.cfm)

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