

Asset-Backed  
Special Report

**Term ABS Credit Action Report:  
September 2006**

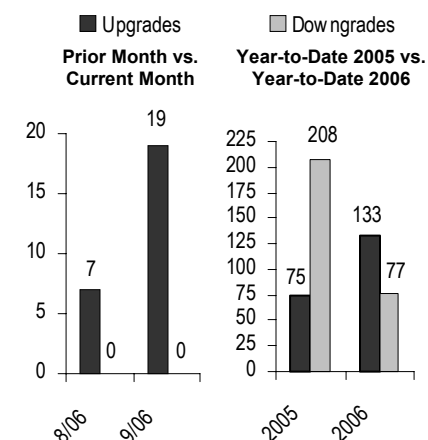
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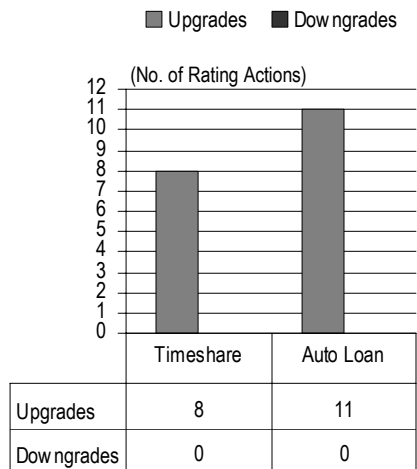
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**Upgrades and Downgrades**  
(No. of Rating Actions)



Note: There were 177 upgrades and 209 downgrades in 2005.

**Upgrades and Downgrades by Market Sector**  
(June 2006)



**Summary**

This report highlights credit trends and rating actions taken by Fitch Ratings in the nonmortgage term asset-backed securities (ABS) market during September 2006.

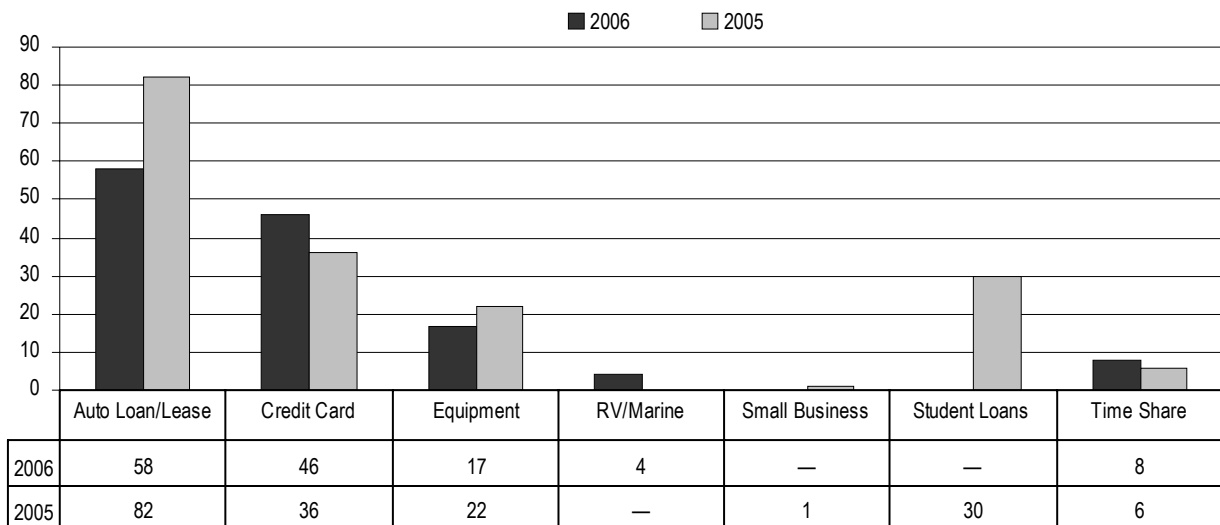
- Despite recent high energy prices and a housing-induced slowdown in economic growth, credit performance in the term ABS market remained stable for the first three quarters of 2006, with upgrades exceeding downgrades by a ratio of nearly 2:1. In August, the unemployment rate dropped slightly to 4.7%, and along with the recent ease in energy prices, Fitch believes collateral performance in the fourth quarter will remain in line with expectations.
- In September, there were a total of 19 upgrades, compared with seven in the prior month. Positive rating actions in the auto (11) and timeshare (eight) sectors reflect the continuing benefit of stable collateral performance and improving available credit enhancement. In the same period in 2005, Fitch raised 10 auto loan and 18 student loan ratings.
- There have been no downgrades since to report over the past three months, reflecting continuing stable ratings and collateral performance trends across most asset classes. In September 2005, there were 26 downgrades in the equipment leasing sector.
- ABS upgrades continue to significantly outpace downgrades. In the first three quarters, Fitch has issued 133 upgrades and 77 downgrades, compared with 75 upgrades and 208 downgrades during the same period in 2005. (For a breakdown of rating activity by market sector, see charts, pages 2 and 5; year-to-date 2005 downgrades are based on a revised number.)
- As part of its ongoing surveillance of existing transactions, Fitch conducted portfolio reviews for the auto loan and timeshare sectors. These portfolio reviews resulted in the upgrade of 11 auto loan and eight timeshare ratings, as well as the affirmation 339 auto loan and 31 timeshare ratings. Year to date, 1,377 ratings have been affirmed across all term ABS sectors.

**Key September Rating Activity**

- In September, Fitch completed an annual portfolio review of 112 transactions rated in its auto loan sector.
- In the auto loan sector, Fitch upgraded eight subordinate classes from three Ford Credit Auto Owner Trust transactions. Fitch upgraded the class C subordinate notes of Global Execution Auto Receivables Securitization (GEARS) 2004-A transaction. Fitch also upgraded two subordinate classes from the WFS Financial Owner Trust 2003-1 transaction. In addition, 339 other outstanding ratings in the auto loan sector were affirmed.
- On Sept. 7, Fitch completed a portfolio review of the 12 transactions rated by Fitch in its timeshare portfolio.

**Rating Actions by Market Sector — Upgrades**

(Full-Year 2005 vs. Year-to-Date 2006)



**2005 Upgrades: 177    2006 Upgrades: 133**

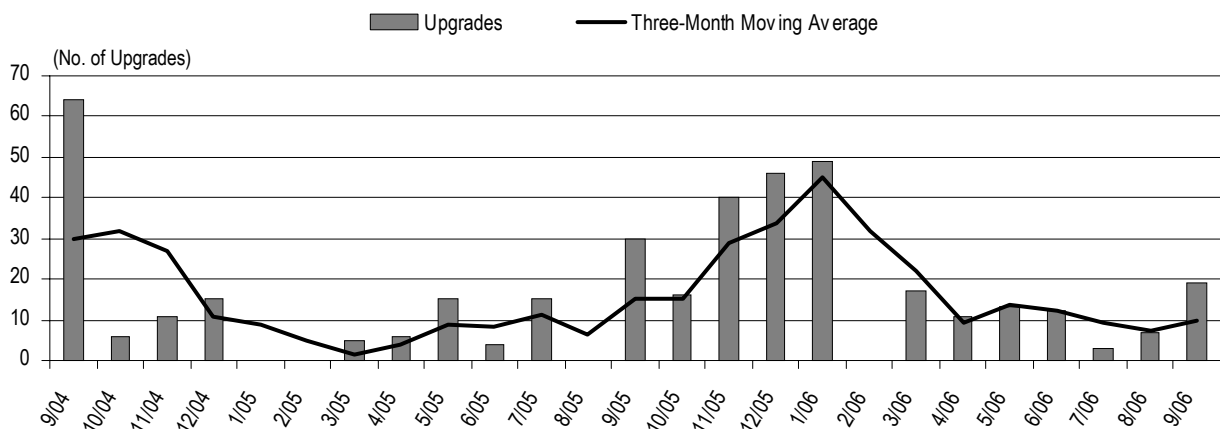
- In the timeshare ABS sector, Fitch upgraded four ratings on two Sierra Receivables Funding Company transactions. Fitch upgraded three classes of notes for Marriott Vacation Club Trust, Series 2002-1. Fitch upgraded the class A-2 notes for Metropolitan Mortgage Timeshare Trust, Series 1997-1. In addition, 31 other outstanding ratings in the timeshare sector were affirmed.

compared with a total of three upgrades in the auto lease and four upgrades in the equipment lease sectors in the previous month and 30 positive ratings during the same period in 2005. In the first three quarters of 2006, Fitch issued a total of 133 upgrades in the credit card (46), auto loan/lease (58), equipment lease (17), timeshare (eight) and recreational vehicle/marine loan (four) sectors. In comparison, Fitch issued 75 upgrades in the first three quarters of 2005 and a total of 177 for the full year. Year to date, upgrades have made up about 2.1% of outstanding ratings, compared with 1.3% as of September 2005.

**■ Upgrades**

In September 2006, there were 19 positive rating actions in the auto loan (11) and timeshare (eight) sectors,

**Upgrades: September 2004–September 2006**



**Auto Loan**

In September, Fitch upgraded the following ratings in the auto loan sector. As part of the review, all outstanding auto loan ABS rated by Fitch prior to 2006 were examined. While Fitch monitors transaction performance regularly through servicing statements and screener methodology, a comprehensive portfolio review is conducted to compare performance across the industry and formally review ratings. The portfolio review consisted of an evaluation of the lifetime performance of the transactions, accounting for delinquency experience, stressed remaining losses, anticipated available credit enhancement, and other factors. The rating actions reflect the sound financial and legal structure of the transactions. Specifically, the credit enhancement structures and expected cash flows from contracts owned by each respective trust demonstrate that the securities can now withstand stress scenarios consistent with the upgraded ratings and still make full payments to investors in accordance with the terms of the documents. The review resulted in the following rating actions.

**Ford Credit Auto Owner Trust:** On Sept. 13, Fitch upgraded eight and affirmed 14 classes of notes for the Ford Credit Auto Owner Trust transactions, as listed below.

**Ford Credit Auto Owner Trust Upgrades**

Series/ Class	Rating Action Date	Original Rating	Rating Change
<b>Ford Credit Auto Owner Trust, Series 2005-B</b>			
Class A	9/13/06	'AAA'	Affirmed at 'AAA'
Class B	9/13/06	'A'	'AA' from 'A'
Class C	9/13/06	'BBB+'	'A-' from 'BBB+'
Class D	9/13/06	'BB+'	Affirmed at 'BB+'
<b>Ford Credit Auto Owner Trust, Series 2005-A</b>			
Class A	9/13/06	'AAA'	Affirmed at 'AAA'
Class B	9/13/06	'A'	'AA' from 'A'
Class C	9/13/06	'BBB+'	'A' from 'BBB+'
Class D	9/13/06	'BB+'	'BBB+' from 'BB+'
<b>Ford Credit Auto Owner Trust 2004-A</b>			
Class A	9/13/06	'AAA'	Affirmed at 'AAA'
Class B	9/13/06	'AAA'	'AAA' from 'AA'
Class C	9/13/06	'A'	'AA' from 'A+'
Class D	9/13/06	'BBB'	'A' from 'BBB+'

**Global Execution Auto Receivables Securitization (GEARS):** On Sept. 13, Fitch upgraded one class of Global Execution Auto Receivables Securitization (GEARS) 2004-A, as listed above right.

**Global Execution Auto Receivables Securitization (GEARS), Series 2004-A Upgrades**

Class	Rating Action Date	Original Rating	Rating Change
Class A	9/13/06	'AAA'	Affirmed at 'AAA'
Class B	9/13/06	'AAA'	Affirmed at 'AAA'
Class C	9/13/06	'AA'	'AAA' from 'AA'
Class D	9/13/06	'A'	Affirmed at 'A'
Class E	9/13/06	'BBB'	Affirmed at 'BBB'

**WFS Financial Owner Trust:** On Sept. 17, Fitch upgraded two classes of WFS Financial Owner Trust, Series 2003-1, as listed below.

**WFS Financial Owner Trust, Series 2003-1 Upgrades**

Class	Rating Action Date	Original Rating	Rating Change
Class A	9/13/06	'AAA'	Affirmed at 'AAA'
Class B	9/13/06	'AA'	'AAA' from 'AA+'
Class C	9/13/06	'A'	'AA' from 'AA-'

**Timeshare**

In September, Fitch upgraded the following ratings in the timeshare sector.

**Marriott Vacation Club Trust 2002-1:** On Sept. 7, Fitch upgraded three classes of notes Marriott Vacation Club Trust 2002-1 transaction as outlined below.

**Marriott Vacation Club Trust, Series 2002-1 Upgrades**

Class	Rating Action Date	Original Rating	Rating Change
Class A-1	9/7/06	'AAA'	Affirmed at 'AAA'
Class A-2	9/7/06	'AAA'	Affirmed at 'AAA'
Class B	9/7/06	'AA'	'AAA' from 'AA'
Class C	9/7/06	'A'	'AA' from 'A'
Class D	9/7/06	'BBB'	'A' from 'BBB'

In addition, Fitch affirmed the class A-1 and A-2 notes. In its review of Marriott Vacation Club Trust 2002-1, Fitch noted that collateral performance on the portfolio has exceeded Fitch's expectations.

As of July 31, 2006, delinquencies of 61 days or more were 1.12% and cumulative defaults had reached 6.05%, both within Fitch's expectations. Credit enhancement consists of a combination of subordination

**Marriott Vacation Club Trust**

(%, As of July 31, 2006)

Series 2002-1	
61+ Day Delinquencies	1.12
Cumulative Net Losses	6.05

and a reserve account. Enhancement has been relatively static over the life of this transaction but has nominally grown as a percentage since the reserve account hit its floor of \$2.5 million. Fitch also noted substantial amounts of excess spread to protect against future losses.

**Metropolitan Mortgage Timeshare Trust 1997-A:**

On Sept. 7, Fitch upgraded and affirmed the following Metropolitan Mortgage Timeshare Trust as listed below.

**Metropolitan Mortgage Timeshare Trust Series, Series 1997-A Upgrades**

Class	Rating Action Date	Original Rating	Rating Change
Class A-1	9/7/06	'AAA'	Affirmed at 'AAA'
Class A-2	9/7/06	'A-'	'AAA' from 'A-'

In its review of Metropolitan Mortgage Timeshare Trust 1997-A, Fitch noted that available credit enhancement levels completely support each class of rated notes. The transaction's collateral has performed well within Fitch's expectations, as shown in the table below.

**Metropolitan Mortgage Timeshare Trust**

(As of July 31, 2006)

Series 1997-A	
61+ Day Delinquencies (%)	0.00
Cumulative Net Losses (%)	0.41

**Sierra Receivables Funding Company:** On Sept. 7, Fitch upgraded four classes and affirmed five classes for two Sierra Receivables Funding Company transactions, as outlined above right.

The underlying pools backing the Sierra 2003-1 and Sierra 2003-2 notes consist of timeshare loans originated by Fairfield Resorts, Inc. (FRI) and Trendwest Resorts, Inc. (Trendwest), both wholly owned operating subsidiaries of Wyndham Worldwide (formerly Cendant Corporation).

In its review of Sierra 2003-1, Fitch noted increasing credit enhancement available to support each class of rated notes. Collateral performance on the portfolio has been within Fitch's expectations. As of July 31, 2006,

**Sierra Receivables Funding Company, LLC Upgrades**

Series/Class	Rating Action Date	Original Rating	Rating Change
<b>Series 2003-2</b>			
Class A	9/7/06	'AAA'	Affirmed at 'AAA'
Class B	9/7/06	'AA'	Affirmed at 'AAA'
Class C	9/7/06	'A'	'AAA' from 'AA'
Class D	9/7/06	'BBB+'	'AA' from 'A'
<b>Series 2003-1</b>			
Class A-1	9/7/06	'AAA'	Affirmed at 'AAA'
Class A-2	9/7/06	'AAA'	Affirmed at 'AAA'
Class B	9/7/06	'AA'	Affirmed at 'AAA'
Class C	9/7/06	'A'	'AAA' from 'AA'
Class D	9/7/06	'BBB+'	'AA' from 'A'

delinquencies of 61 days or more within the portfolio totaled 1.30% and cumulative defaults reached 11.77%. Credit enhancement consists of a combination of subordination, overcollateralization (O/C), and a reserve account. O/C is currently 22% of the collateral balance while the reserve account has increased to 2.61% of the collateral balance after reaching its floor of \$1.7 million. This transaction noted substantial amounts of excess spread to protect against future losses.

**Sierra Receivables Funding Company, LLC**

(%, As of July 31, 2006)

	Series 2003-1	Series 2003-2
61+ Day Delinquencies	1.30	1.36
Cumulative Net Losses	11.77	11.17

In its review of Sierra 2003-2, Fitch noted increasing credit enhancement available to support each class of rated notes. Collateral performance on the portfolio has been within Fitch's expectations. As of July 31, 2006, delinquencies 61 days or more were 1.36% and cumulative defaults reached 11.17%. Credit enhancement consists of a combination of subordination, O/C, and a reserve account. O/C is currently 29% of the collateral balance while the reserve account is maintained at 2% of the collateral balance. This transaction noted substantial amounts of excess spread to protect against future losses.

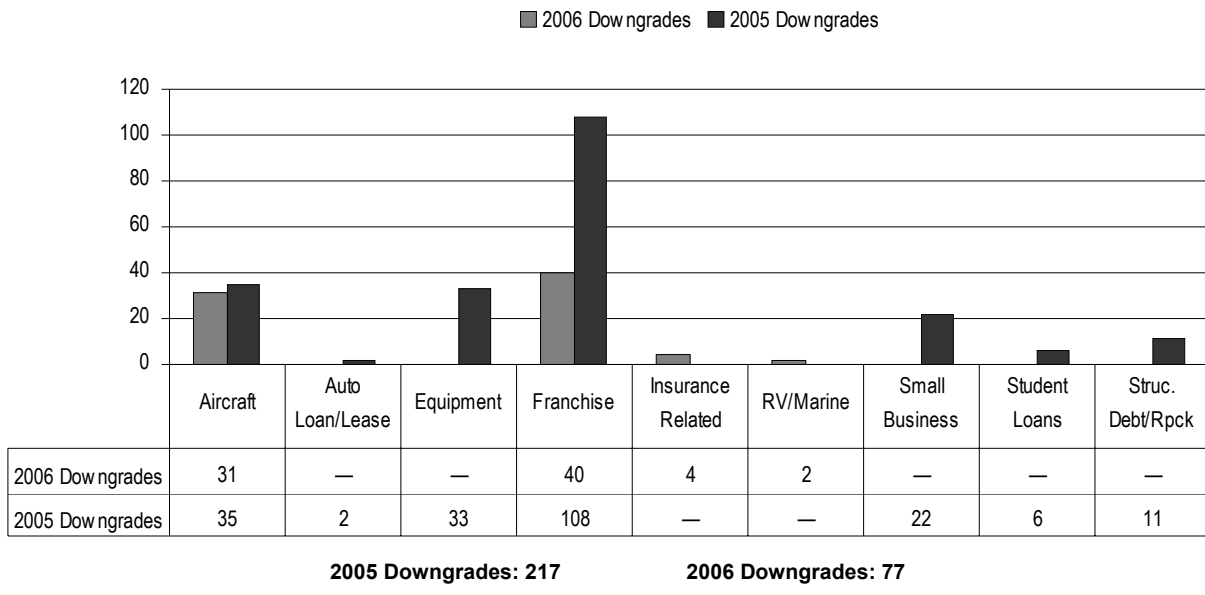
Fitch will continue to monitor these transactions and may take additional rating action as warranted by future performance.

■ **Downgrades**

In September 2006, there were no downgrades to report. Reflecting continuing stable ratings and collateral performance trends across most asset

**Rating Actions by Market Sector — Downgrades**

(Full-Year 2005 vs. Year-to-Date 2006)



classes, there has been no negative rating actions since July. As shown in the chart above, for the first three quarters of 2006, Fitch reported 77 downgrades in four sectors representing approximately 1.2% of outstanding ratings, compared with a total of 208 downgrades (3.4%) in six sectors during the same period in 2005.

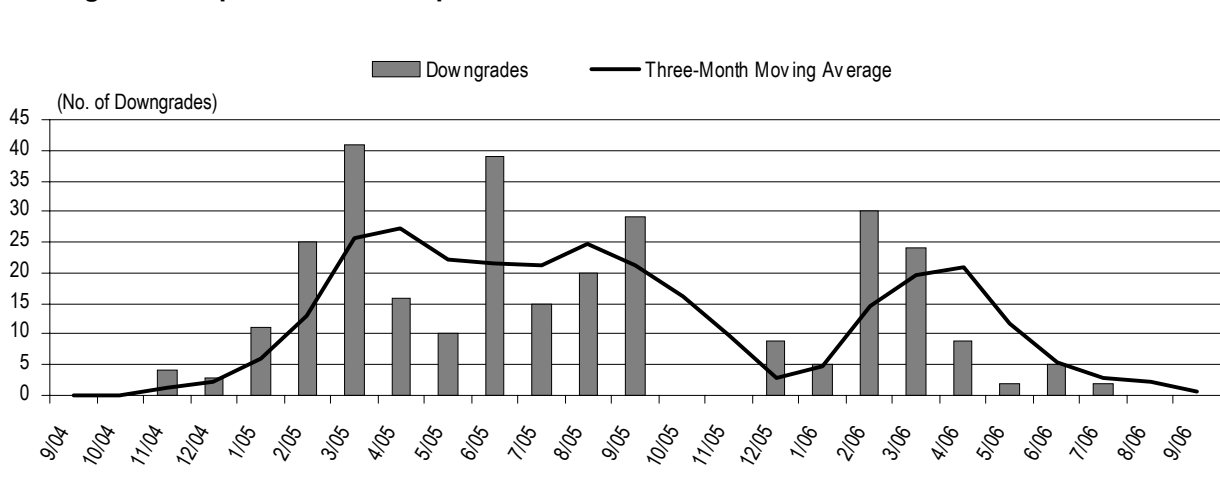
■ **Ratings Withdrawals**

Year to date, there have been 18 rating withdrawals in the equipment lease (17) and auto loan (one) sectors. Fitch’s actions were based on prior loan performance deterioration.

■ **Downgrades from Investment Grade to Below Investment Grade**

Year to date, there have been six ratings downgraded from investment grade to non-investment grade, of which five were in the franchise loan sector and one in aircraft finance. In 2005, there were a total of 37 downgrades from investment grade to non-investment grade in the franchise loan (25), small business loan (five), aircraft finance (six), and auto lease (one) sectors.

**Downgrades: September 2004–September 2006**



■ **Recent New Criteria Reports**

Fitch recently published the following new structured finance rating criteria reports:

- “Basis Risk In Structured Finance Transactions: T-Bill, CP, and Prime versus USD LIBOR,” dated Sept. 15, 2006.
- “USD Basis Risk Stresses,” dated Sept. 15, 2006.
- “Rating Criteria for U.S. Utility Tariff Monetization Bonds,” dated Sept. 11, 2006.
- “Rating Adjustment Table for ABCP Programs with Eligible Liquidity Facilities,” dated Sept. 5, 2006.
- “Fitch LIBOR Stresses,” dated Aug. 31, 2006.
- “U.S. Credit Card ABS Rating Criteria and Validation Study,” dated Aug. 1, 2006.
- “Special Purpose Vehicles in Structured Finance Transactions,” dated June 13, 2006.
- “Fitch LIBOR Stresses,” dated June 1, 2006.
- “Interest Rate Risk in Structured Finance Transactions: USD LIBOR,” dated May 15, 2006.
- “Using the Default VECTOR CP Model to Rate Securities-Backed ABCP,” dated May 12, 2006.
- “Distressed Recovery Ratings — ABS,” dated April 26, 2006.
- “Structured Finance Distressed Recovery Ratings,” dated April 25, 2006.
- “Rating U.S. Student Loan Seller/Service,” dated April 20, 2006.
- “Rating U.S. ABS Seller/Service,” dated April 20, 2006.
- “The Role of Multilaterals in Structured Finance,” dated March 16, 2006.
- “Structured Finance Distressed Recovery Ratings,” dated Feb. 28, 2006.
- “Rating ABS Seller/Service: Credit Card Addendum,” dated Jan. 18, 2006.

■ **Presale Reports**

Fitch issued the following U.S. term ABS presale reports in September 2006:

- “Brazos Higher Education Authority, Inc. (Student Loan Revenue Notes, Series 2006-2),” dated Sept. 22, 2006.
- “GE Capital Credit Card Master Note Trust, Series 2006-1,” dated Sept. 19, 2006.
- “SLM Private Credit Student Loan Trust 2006-C,” dated Sept. 19, 2006.
- “AEP Texas Central Transition Funding II LLC, Senior Secured Transition Bonds, Series A,” dated Sept. 18, 2006.

- “Wachovia Auto Loan Owner Trust, Series 2006-1,” dated Sept. 18, 2006.
- “The National Collegiate Student Loan Trust 2006-3,” dated Sept. 12, 2006.
- “SLC Student Loan Trust 2006-2,” dated Sept. 11, 2006.
- “HSBC Credit Card Master Note Trust (USA) I, Series 2006-1,” dated Sept. 7, 2006.
- “Lehman Brothers Small Balance Commercial, Series 2006-2,” dated Sept. 7, 2006.
- “SLM Student Loan Trust 2006-8,” dated Sept. 7, 2006.
- “CNH Equipment Trust 2006-B,” dated Sept. 6, 2006.
- “GCO Education Loan Funding Master Trust II, Series 2006-2,” dated Sept. 6, 2006.

■ **ABS Special Reports**

Over the past eight months, Fitch also published the following special reports discussing ABS credit trends:

- “Term ABS Credit Action Report: August 2006,” dated Sept. 15, 2006.
- “Reservations Required? How Life Insurers Are Coping with Ongoing Reserve Requirement Uncertainty,” dated Sept. 14, 2006.
- “Term ABS Credit Action Report: July 2006,” dated Aug. 11, 2006.
- “Term ABS Credit Action Report: June 2006,” dated July 31, 2006.
- “Midyear 2006 Term ABS Recap and Outlook,” dated July 26, 2006.
- “Bank Securitisation: IFRS versus Basel II — Risk Transfer Revealed,” dated July 20, 2006.
- “Fitch Ratings 1991–2005 U.S. Structured Finance Transition Study,” dated July 7, 2006.
- “Term ABS Credit Action Report: May 2006,” dated June 22, 2006.
- “Global Structured Finance — Q106 and End–2005 Rating Performance Update,” dated May 30, 2006.
- “VECTOR CP Study: Is U.S. Multiseller ABCP Risk Lower Than You Think?” dated May 25, 2006.
- “Term ABS Credit Action Report: April 2006,” dated May 19, 2006.
- “International Structured Finance Rating Comparability Survey,” dated May 16, 2006.
- “Dealer Floorplan Asset-Backed Securities — A Performance Review,” dated May 11, 2006.
- “Recent Trends in Disaster Recovery Planning,” dated April 20, 2006.

**Upgrades and Downgrades — September 2006**

Rating Action Date	Deal Name	Class	Current Rating	Previous Rating	Basis for Rating Action
<b>Upgrades</b>					
<b>Auto Loan</b>					
9/13/06	Ford Credit Auto Owner Trust, Series 2005-B	B	'AA'	'AA'	Positive collateral performance
		C	'A'	'AA-	Positive collateral performance
9/13/06	Ford Credit Auto Owner Trust, Series 2005-A	B	'AA'	'A'	Positive collateral performance
		C	'A'	'BBB+'	Positive collateral performance
		D	'BBB+'	'BB+'	Positive collateral performance
9/13/06	Ford Credit Auto Owner Trust, Series 2004-A	B	'AAA'	'AA'	Positive collateral performance
		C	'AA'	'A+'	Positive collateral performance
		D	'A'	'BBB+'	Positive collateral performance
	Global Execution Auto Receivables Securitization (GEARS), Series 2004-A	C	'AAA'	'AA'	Positive collateral performance
9/13/06	WFS Financial Owner Trust, Series 2003-1	B	'AAA'	'AA+'	Positive collateral performance
		C	'AA'	'AA-	Positive collateral performance
<b>Timeshare</b>					
9/7/06	Marriott Vacation Club Trust, Series 2002-1	B	'AAA'	'AA'	Positive collateral performance
		C	'AA'	'A'	Positive collateral performance
		D	'A'	'BBB'	Positive collateral performance
9/7/06	Metropolitan Mortgage Timeshare Trust, Series 1997-A	A-2	'A'	'A-	Positive collateral performance
9/7/06	Sierra Receivables Funding Company, LLC Series 2003-2	C	'AAA'	'AA'	Positive collateral performance
		D	'AA'	'A'	Positive collateral performance
9/7/06	Sierra Receivables Funding Company, LLC Series 2003-1	C	'AAA'	'AA'	Positive collateral performance
		D	'AA'	'A'	Positive collateral performance

**Downgrades**

No downgrades to report

Note: The basis for rating actions given above may be a result of a variety of factors, including but not limited to: stable collateral performance and improving credit enhancement; negative collateral performance and declining credit enhancement; seller/servicer upgrades or downgrades; and counterparty performance.

- “Term ABS Credit Action Report: March 2006,” dated April 19, 2006.
- “Do Recent Legislative Changes Make the Grade for U.S. Student Loan ABS?” dated April 7, 2006.
- “2006 Franchise Loan Outlook and 2005 Performance Review,” dated March 27, 2006.
- “U.S. Structured Finance Rating Comparability Survey,” dated March 24, 2006.
- “Term ABS Credit Action Report: February 2006,” dated March 17, 2006.
- “Global Asset-Backed Commercial Paper: 2005 Review and 2006 Outlook,” dated March 3, 2006.
- “Term ABS Credit Action Report: January 2006,” dated Feb. 21, 2006.
- “New ABS Assets: The Real Thing or Just Another Fad?” dated Jan. 27, 2006.
- “Term ABS Credit Action Report: December 2005 and Full-Year Review,” dated Jan. 27, 2006.
- “Trends and Best Practices for Credit Card Seller/Servicers,” dated Jan. 27, 2006.
- “Private Student Loan ABS Tutorial,” dated Jan. 26, 2006.
- “2006 Global Structured Finance Outlook: Economic and Sector-by-Sector Analysis,” dated Jan. 17, 2006.

*Details on these and other Fitch Research reports are available on Fitch's web site at [www.fitchratings.com](http://www.fitchratings.com).*

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