

ABX Index- The Constituent Breakdown

Introduction

July 12, 2007

The current price on the ABX.HE.2007-1 BBB- index, implies that roughly half of the principal balance of the 20 constituent bonds will be wiped out. To put that into perspective, this particular sub-index of **mostly investment grade and some split-rated securities** is trading below 50 cents on the dollar! Indeed, fear has tightened its grip on the sub-prime/ABX market since our April 19, 2007 report (ABX Index – The Constituent Breakdown) with the highly publicized troubles in the hedge fund industry, losses at the broker dealers affecting earnings, and continued headlines detailing increased foreclosure and delinquency rates across the U.S. housing market. In response to the ongoing issues, on July 10, 2007, Moody's and S&P took over 1,000 total rating actions on bonds backed by sub-prime mortgages. All told, Moody's downgraded 399 securities and watchlisted 32 (\$5.2 billion of bonds were downgraded) while S&P put 612 securities (\$12 billion) on its watchlist for potential downgrade.¹ **And this may just be the beginning!** Many of these securities also serve as collateral (or reference obligations) for CDO tranches, and the rating agencies are expected to review the ratings of those securities as well.

Due to investor interest, we are updating our April 19th paper to include the newest ABX index data² from the June 25th remittance reports, detail on **interest rate resets** – which many market players believe to be an extremely important (and likely negative) event for the sub-prime market over the next 6-12 months, and **underwriting information on the newest ABX index, 2007-02**.

Key Findings

- After only six months since its roll-out date, eight of the 20 deals underlying the ABX 2007-01 index are already failing their delinquency trigger tests. By comparison, six months after the roll out of the 2006-01 and 2006-02 series, none of the deals underlying those indices had failed any performance trigger tests (although 10 and 18 of the deals fail the tests today, respectively).
- Over the past 3 months, 60+ day delinquencies have increased substantially in each of the three indices.
- ABX 2006-01 weighted average cumulative losses have nearly doubled during the last three months, to 0.59% from 0.32%. Similarly, ABX 2006-02 weighted average cumulative losses have risen to 0.49% from 0.20%. Also, average cumulative losses on the 2007-02 index have started to emerge, currently 0.07% after being nearly non-existent three months ago.
- We have included deal characteristics for the recently announced ABX 2007-02 index, expected to roll on July 19, 2007 (see page 15).

¹ When the rated tranche of a deal that underlies an ABX index is upgraded/downgraded it bears no impact on the make-up of that ABX index since constituents remain static throughout the life of each index.

² We have tried to the best of our ability to capture the most accurate data available in the market by using Intex, LoanPerformance, and Bloomberg on this project. Occasionally, however, each of the three data sources gave us different answers for a number that we were looking for (thankfully, in most of the cases the numbers did not vary widely), an example being a deal weighted average FICO score. Thus, while the data is, to the best of our knowledge, "correct," we would advise any investors interested in the ABX to check the numbers against current trustee/servicer deal documents.

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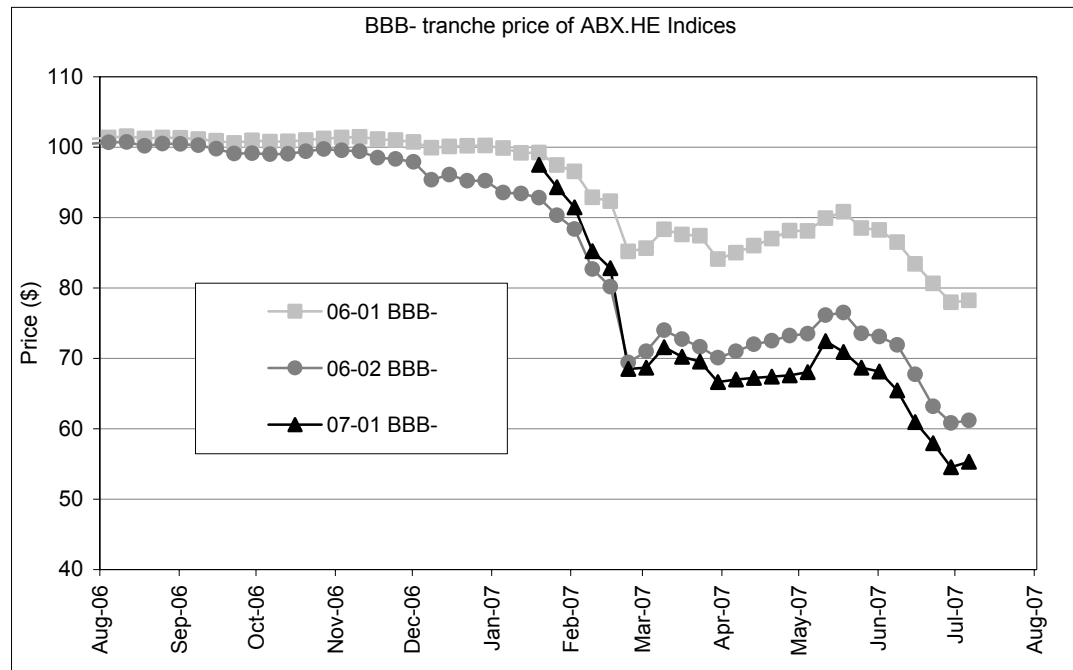
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ABX.HE Series Comparison



Source: Markit, Informa Global Markets, and Nomura Securities International

The table below provides weighted average characteristics for each ABX series along with the current cost of buying protection on the lowest rated index (triple-B minus) of the three ABX series. Over the past 3 months, 60+ delinquencies have increased 2.13%, 3.60%, and 5.94% for the 2006-01, 2006-02, and 2007-01 indices, respectively. The increasingly quick deterioration of the 2007-01 and 2006-02 indices has spurred investor concern, especially after such modest seasoning compared to the 2006-01 index.

Active Weighted Average Deal-Collateral Characteristics							
	ABX.HE.BBB-price*	60+ DQ %	FICO	LTV	ARM %	IO %	Full Doc %
ABX 2006-01	\$73.07	14.07	634	79.91	81.09	32.27	58.17
ABX 2006-02	\$54.73	15.54	627	78.44	80.67	22.86	59.86
ABX 2007-01	\$48.64	11.42	626	79.31	76.65	15.79	56.99

* as of July 11, 2007

Source: Loan Performance, Markit

The belief that loan origination practices and underwriting standards “bottomed out” in the second half of 2006, the same time that the deals which compose the 2007-01 index were originated, are the main catalysts for ABX 2007-01’s poor performance. For example, after only six months since its roll-out date 8 of the 20 deals underlying the ABX 2007-01 series are failing their delinquency trigger test. By comparison, six months after the roll out of the 2006-01 and 2006-02 series, none of the deals underlying these indices failed any performance trigger tests. However, 10 and 18 of the deals underlying the 2006-01 and 2006-02 indices fail the tests today, respectively.

Current prices imply that the ABX 2006-01 is the least risky series of the three. Although it has approximately six additional months of seasoning over the 2006-02 series, 60+ day delinquency rates on the 2006-01 are 1.47% lower. This progression of weakened underwriting standards (evident in soaring delinquencies) and lower credit enhancement levels are driving the price of the 2007-01 below the \$50 threshold. Investors are concerned that this combination of negative factors may cause losses to wipe out the 2007-01 sub-index entirely. Despite the 2007-01 having the lowest respective concentration of ARM and I/O loans, the potential impact of a negative housing market is believed to have the greatest effect on the loans underlying this index.

ABX 2006-01 Deal Characteristics

ABX 2006-01 Deal Credit Performance													
Deal	Loan Age (m)	30 Day DQ	60 Day DQ	90 Day DQ	FCL	REO	60+*	DQ Trigger** (Actual)	DQ Trigger** (Limit)	Pass/Fail	Loss Trigger (Actual)	Loss Trigger (Limit)	Pass/Fail
MLMI 2005-AR1	25	4.98	3.46	2.08	6.88	4.80	19.41	16.12	18.36	PASS	0.41	2.65	PASS
LBMLT 2005-WL2	25	5.06	2.41	3.10	6.16	4.95	18.72	16.80	13.86	FAIL	0.67	1.30	PASS
SAIL 2005-HE3	24	4.87	1.88	2.15	6.72	5.56	18.62	17.26	14.64	FAIL	0.89	1.05	PASS
BSABS 2005-HE11	23	5.33	2.63	3.34	6.67	3.07	17.61	17.25	12.76	FAIL	1.07	3.40	PASS
ACE 2005-HE7	19	4.01	1.93	1.62	6.36	5.12	16.59	16.46	12.27	FAIL	0.92	1.40	PASS
HEAT 2005-8	22	4.36	2.81	2.62	5.25	3.72	16.21	15.44	11.78	FAIL	0.61	3.05	PASS
JPMAC 2005-OPT1	26	4.14	1.52	2.01	6.84	3.04	15.99	14.85	16.42	PASS	0.40	1.50	PASS
ARSI 2005-W2	22	2.96	1.25	1.59	6.08	4.50	15.25	15.25	12.80	FAIL	0.74	1.45	PASS
GSAMP 2005-HE4	24	4.79	1.13	0.43	8.55	2.79	15.22	14.89	14.36	FAIL	0.92	1.70	PASS
MABS 2005-NC2	21	3.65	1.22	3.66	5.59	3.36	14.79	14.78	11.42	FAIL	0.13	1.25	PASS
MSAC 2005-HE5	24	4.56	1.54	1.43	5.38	3.65	14.68	14.14	13.56	FAIL	0.81	1.50	PASS
NCHET 2005-4	23	2.45	0.96	0.89	6.91	3.15	13.81	12.45	14.73	PASS	0.55	1.45	PASS
SVHE 2005-4	23	4.79	1.22	0.53	6.26	3.13	13.74	13.12	12.06	FAIL	0.96	1.45	PASS
RASC 2005-KS11	21	3.94	1.89	1.51	6.99	2.20	13.61	11.84	12.50	PASS	0.73	1.60	PASS
SABR 2005-HE1	23	3.22	1.22	2.00	5.48	3.05	12.84	12.25	12.52	PASS	0.70	1.50	PASS
CWL 2005-BC5	23	4.27	1.39	1.60	4.34	3.32	12.04	11.61	12.85	PASS	0.23	1.25	PASS
RAMP 2005-EFC4	22	4.04	1.60	1.28	5.16	1.63	10.61	9.53	12.76	PASS	0.60	1.65	PASS
FFML 2005-FF12	20	3.04	1.63	2.50	2.75	1.90	9.74	8.75	10.47	PASS	0.22	2.85	PASS
AMSI 2005-R11	19	1.85	0.89	0.99	3.73	1.36	8.11	8.11	13.00	PASS	0.19	1.25	PASS
SASC 2005-WF4	22	2.22	0.92	0.98	2.29	1.65	7.35	6.59	12.42	PASS	0.25	1.25	PASS

Sources: Loan Performance, Intex, Bloomberg

* Our 60+ day delinquency column includes foreclosures, REOs, and bankruptcies (not shown).

** According to Intex – Delinquency trigger limit values are generally based on some percentage of the senior credit enhancement level, and the delinquency trigger actual values are usually either the 3-month rolling average of all loans 60+ days delinquent or the aggregate principal percentage of all 60+ delinquencies during the current month.

As of the June 25, 2007 remittance reports, half of the 20 deals underlying ABX 2006-01 are failing their delinquency triggers and an additional two deals stand within one percentage point of their delinquency trigger values. While no deal is currently failing its loss trigger test, on average, cumulative losses across the 20 constituent deals have nearly doubled during the last three (3) months, from 0.32% to 0.59% (since our last paper: ABX Index- The Constituent Breakdown, published April 19, 2007). In that time, 60+ day delinquencies have also risen quite sharply across ABX 2006-01, from 11.9% (as of the March 25, 2007 remittance) to 14.1%. Of note, a large percentage of the delinquencies (roughly 8.9% of the 14.1% total) represent loans currently in foreclosure or REO.

On the positive side, a few of these deals appear to be performing significantly better than the overall market. Notable performers include the three deals (SASC, AMSI, FFML) at the bottom of the above table, which all came in with less than 10% 60+ day delinquencies. In the underwriting section below, we discuss reasons why we think these deals are outperforming, for example, because of higher percentages of full documentation loans.

ABX.HE 2006-01 Deal Underwriting Analytics

Deal	FICO	LTV	Current ARM %	Current IO %	Full Doc	Low/ No Doc	Loan Purpose (P)*	Loan Purpose (ET)*	Loan Purpose (R)*	Occup (Owner)	Occup (Vac.)*	Occup (Inv.)*
MLMI 2005-AR1	633	86.9	83.6	46.7	55.3	44.7	36.5	59.5	4.0	93.8	0.0	6.2
LBMLT 2005-WL2	632	79.7	87.4	6.0	57.8	42.2	62.7	34.3	3.0	90.3	8.5	1.2
SAIL 2005-HE3	630	81.5	75.9	33.8	60.7	39.3	41.1	54.1	4.6	89.0	1.2	9.8
BSABS 2005-HE11	632	80.8	72.0	29.4	62.1	37.9	38.2	55.3	6.6	90.1	0.6	9.2
ACE 2005-HE7	643	81.4	84.7	33.0	41.9	58.1	60.9	36.9	2.2	95.9	2.2	1.9
HEAT 2005-8	629	79.1	88.7	33.1	53.1	46.9	51.0	43.2	5.8	95.6	0.7	3.7
JPMAC 2005-OPT1	619	78.0	72.1	20.0	61.4	38.6	31.3	58.0	10.8	92.5	1.4	6.1
ARSI 2005-W2	620	78.6	80.1	10.3	54.8	45.2	44.5	49.9	5.6	91.3	8.7	0.0
GSAMP 2005-HE4	628	79.1	80.1	31.8	61.3	38.7	55.9	41.1	3.1	93.2	1.4	5.4
MABS 2005-NC2	658	93.6	100.0	100.0	23.2	76.8	65.4	25.7	8.9	94.5	5.5	0.0
MSAC 2005-HE5	638	77.8	86.0	23.9	59.7	40.3	53.0	38.6	8.5	95.6	1.7	2.8
NCHET 2005-4	631	80.1	77.5	41.5	58.4	41.6	44.7	0.0	55.3	91.7	2.3	6.0
SVHE 2005-4	660	82.0	79.2	37.2	49.9	50.1	38.8	55.5	5.7	93.0	1.4	5.6
RASC 2005-KS11	623	77.2	77.7	18.7	66.0	34.0	44.5	40.1	15.4	94.3	0.0	5.7
SABR 2005-HE1	655	76.3	87.6	51.5	40.4	59.6	58.7	37.3	4.1	96.8	2.1	1.1
CWL 2005-BC5	627	78.1	66.4	30.9	64.7	35.3	35.9	53.6	10.4	97.7	0.5	1.9
RAMP 2005-EFC4	632	82.2	84.9	28.4	76.8	23.2	45.9	50.9	3.2	97.9	0.0	2.1
FFML 2005-FF12	646	79.7	88.8	65.7	64.6	35.4	NA	NA	NA	100.0	0.0	0.0
AMSI 2005-R11	633	78.2	74.1	21.5	74.0	26.0	3.2	92.5	4.3	96.3	2.7	1.0
SASC 2005-WF4	624	76.8	69.9	16.0	92.4	7.6	25.6	67.3	7.1	98.1	0.4	1.5

Source: Loan Performance, Intex, Bloomberg

Note: shaded cells represent deals that are currently breaching one of their triggers

* P - Purchase, ET – Equity Take-out, R – Refinancing, Vac. – Vacation, Inv. - Investment

Though it's hard to pinpoint the definitive reasons behind superior/inferior credit performance, we note the following:³

- The SASC, AMSI, and RAMP deals (three of the four best performers in terms of 60+ day delinquencies) have the highest percentages of full documentation loans of the 20 in the 2006-01 series (92.4%, 74.0%, and 76.8%). FFML, also one of the top credit performers, is not far behind at ~65%. In general, a higher percentage of full doc loans imply more stringent underwriting standards.
- The SASC and AMSI deals have the lowest percentage of loans that are classified as "for purchase" in series 2006-01. Purchase loans are usually associated with "silent seconds" and are typically seen as riskier than loans classified as "equity take out," or "refinance."
- Only five of the 20 deals have California exposure below 20%. They are: AMSI, JPMAC, RAMP, RASC, and SASC. Each is currently passing its delinquency trigger test, though the JPMAC deal recently experienced a spike in 60+ day delinquencies (up 4.57% during the last 3 months!).
- The SASC, AMSI, and RAMP deals have the highest percentage of loans with property types classified as "single family" (the other classifications are 2-4 family, condo, and PUD)
- The MABS deal was highlighted in our June 6th, 2006 paper as potentially problematic given its high percentage of I/O and low documentation loans. Indeed, it is one of the eight currently failing its delinquency trigger test in series 2006-1.

³ This section is little changed from our April 2007 report, as the deal underwriting statistics haven't changed significantly during that time.

ABX 2006-01 Deal Prepayment Speeds

Deal	Deal Closing Date	Gross WAC	Original Deal Size (\$mm)	Current Deal Size (\$mm)	Factor	1 Mo. CPR	3 Mo. CPR	6 Mo. CPR	12 Mo. CPR	Life CPR	Prepay Penalty Loans
JPMAC 2005-OPT1	7/26/2005	9.21	\$1,510.1	\$580.2	0.384	72.42	71.97	54.73	44.42	38.88	17.8
MLMI 2005-AR1	9/29/2005	8.28	\$1,108.3	\$512.9	0.463	66.34	49.13	37.91	34.81	35.25	38.3
LBMLT 2005-WL2	8/30/2005	8.11	\$2,755.7	\$1,271.2	0.461	62.32	47.63	38.27	36.08	33.95	23.1
CWL 2005-BC5	12/28/2005	7.15	\$950.0	\$534.6	0.563	40.32	29.28	25.88	31.64	31.33	68.2
SAIL 2005-HE3	8/30/2005	7.53	\$2,370.3	\$1,190.7	0.502	39.15	34.99	30.61	33.08	30.82	54.4
MSAC 2005-HE5	10/28/2005	7.72	\$1,486.7	\$819.3	0.551	54.07	40.51	32.22	32.33	29.55	43.0
GSAMP 2005-HE4	8/25/2005	8.00	\$1,465.3	\$765.3	0.522	59.28	41.12	33.42	32.56	29.38	21.3
AMSI 2005-R11	12/20/2005	7.58	\$1,830.2	\$1,090.3	0.596	27.09	26.43	30.05	33.28	28.65	61.1
SABR 2005-HE1	11/30/2005	6.84	\$1,243.8	\$749.8	0.603	28.61	21.90	22.86	27.39	26.93	70.5
NCHET 2005-4	8/17/2005	7.11	\$2,080.2	\$1,164.0	0.560	25.35	23.24	25.32	29.59	26.69	69.7
SASC 2005-WF4	11/23/2005	7.04	\$1,962.2	\$1,184.4	0.604	29.13	25.92	24.34	27.36	26.62	70.4
ARSI 2005-W2	9/27/2005	7.23	\$2,750.0	\$1,581.1	0.575	22.16	22.15	24.16	29.19	26.46	59.3
BSABS 2005-HE11	11/30/2005	7.43	\$641.0	\$395.4	0.617	29.14	24.31	23.67	26.67	25.74	69.2
SVHE 2005-4	12/21/2005	7.54	\$883.0	\$551.5	0.625	46.67	33.06	27.56	26.98	25.29	48.7
HEAT 2005-8	11/1/2005	7.09	\$1,500.0	\$938.6	0.626	21.56	22.49	22.73	27.04	23.91	77.7
ACE 2005-HE7	11/28/2005	7.05	\$1,797.6	\$1,170.0	0.651	19.46	19.14	19.94	24.99	23.30	74.1
RASC 2005-KS11	11/29/2005	7.40	\$1,380.0	\$909.4	0.659	19.98	22.36	23.24	26.01	22.52	69.1
MABS 2005-NC2	11/29/2005	6.51	\$902.8	\$623.8	0.691	17.86	13.63	15.37	22.05	20.82	84.2
RAMP 2005-EFC4	9/29/2005	6.89	\$733.1	\$485.6	0.662	27.94	22.82	22.25	24.27	20.35	74.6
FFML 2005-FF12	12/28/2005	6.79	\$1,965.2	\$1,448.7	0.737	16.44	17.26	17.91	20.24	18.09	70.6

Source: Loan Performance, Intex, Bloomberg

Note: shaded cells represent loans that are currently breaching one of their deal triggers

To recap, sellers of protection on the ABX index (i.e. those who are long the index) would like to see the best performing deals prepay slowly and the worst performing deals prepay rapidly for two reasons. First, higher prepayments in a poorly performing deal will de-leverage the structure and therefore provide further credit enhancement for those higher up on the capital structure. Second, as the deals prepay the relative weight of each deal in the index changes. Therefore if a well-performing deal prepays slowly, it will assume a greater proportion of the index going forward.

Currently, with an average of 22.5 months of seasoning, the deals backing the first series of the ABX index have prepayment speeds ranging from 18.1 to 38.9 CPR. It appears that, for the most part, the good performers and the poor performers (in terms of credit) are randomly interspersed throughout the range of the "life" prepayment speeds, thus, there has been no *clear* benefit to either protection buyer or seller in the 2006-01 prepayment data thus far.

In the far right column, the current percentage of deals with prepay penalties are listed. The JPMAC, GSAMP, and LBMLT deals have the lowest current percentage of loans with prepay penalties at 18-23% of their loan pools, while the MABS (MASTR) deal has the highest percentage of loans with prepay penalties (84.2). During the last 3-6 months, we see that most of the deals with a relatively lower percentage of prepay penalty loans have sped up significantly, with 6-month speeds in the mid to high 30s and above (see JPMAC, MLMI, LBMLT, and to a lesser extent, GSAMP), while those that still have higher percentages of prepay penalty loans have prepaid in the 20s and high teens. Note also that there is some correlation between WAC and prepayment speed, as would be expected.

ABX 2006-01 Resets (by Percentage of Deal Collateral)								
Deal	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	> 2009
ACE 2005-HE7	0.4	66.7	1.2	0.0	0.3	4.5	0.0	11.7
AMSI 2005-R11	0.0	1.0	43.9	0.9	0.0	0.4	0.3	27.9
ARSI 2005-W2	0.7	50.4	0.1	0.0	0.3	23.2	0.0	0.0
BSABS 2005-HE11	12.4	42.9	1.0	0.3	4.7	0.0	11.2	0.0
CWL 2005-BC5	10.6	41.2	4.2	0.3	0.1	9.7	0.0	0.0
FFML 2005-FF12	0.1	6.7	60.5	0.0	0.0	1.8	0.0	19.7
GSAMP 2005-HE4	62.7	5.4	3.8	0.2	7.6	0.0	0.0	1.2
HEAT 2005-8	2.2	67.8	9.5	0.0	0.2	0.0	9.1	0.0
JPMAC 2005-OPT1	0.0	1.7	65.0	0.1	5.4	0.0	0.0	0.0
LBMLT 2005-WL2	67.1	1.1	5.9	1.3	11.2	0.0	0.0	1.5
MABS 2005-NC2	0.6	74.0	0.1	0.0	0.4	24.9	0.0	0.0
MLMI 2005-AR1	55.0	1.1	2.0	0.2	20.6	0.0	0.0	0.0
MSAC 2005-HE5	37.8	35.2	7.0	0.1	0.8	0.0	0.0	5.4
NCHET 2005-4	8.0	58.3	1.1	0.0	2.3	2.7	0.0	5.4
RAMP 2005-EFC4	2.1	70.3	0.1	0.0	0.1	12.2	0.0	0.0
RASC 2005-KS11	1.2	32.9	36.3	0.0	0.3	0.3	0.0	6.7
SABR 2005-HE1	5.0	72.5	0.1	0.0	1.3	6.0	0.0	2.8
SAIL 2005-HE3	12.6	36.8	12.4	1.3	0.0	13.4	0.0	0.0
SASC 2005-WF4	7.5	55.1	2.9	0.0	0.9	3.7	0.0	0.0
SVHE 2005-4	33.0	13.5	17.7	0.0	3.6	9.8	0.0	2.2

Source: Bloomberg

Note: the dark gray shaded cells represent deals that are currently breaching one of their triggers. The light gray shaded cells represent the quarter with the highest percentage of collateral resets for each deal.

The table above lists mortgage rate resets in each deal's ARM collateral. The timing of these resets is extremely important to each deal's credit performance, as interest rates have risen since the loans underlying ABX 2006-01 were originated, and thus, borrower's mortgage payments are likely to rise substantially at the reset dates. In other words, those loans that are already delinquent will likely not ever become current again when an unfavorable rate reset occurs (absent a loan modification), and borrowers that are struggling to make their payments could potentially be pushed into delinquency if their monthly payment rises significantly. Already, we are seeing possible evidence of the harmful effect that rate resets can have on these deal pools:

- Since our last paper in April of 2007, two more deals failed their delinquency triggers, GSAMP, and MSAC. Both had the majority of their rate resets (the lightly shaded squares in each row above) during the 2nd quarter of 2007. The MSAC deal will also see a significant percentage of rate resets during the 3rd quarter of 2007.
- The MLMI deal had 55% of its collateral undergo rate resets during the 2nd quarter of 2007, and during the past three months, its 60+ day delinquency number spiked from 13.5% to 19.4% (the largest spike of the 20 deals underlying 2006-01). The LBMLT deal also saw a 3.2% spike in delinquencies and had a large percentage of its deal pool resetting, but this deal was already among the worst performers (in terms of 60+ day delinquencies) on the list in our April 2007 report.
- Deals such as SABR and CWL, which are relatively close to failing their delinquency triggers, will see a large amount of rate resets during the 3rd quarter of 2007. Will this push them over the limit?

It will be very interesting to see how these deals perform under this new stress, especially given the fact that market players may use this knowledge as a roadmap to predict how the resets will affect ABX 2006-02 (resets beginning to hit in about 6 months) and ABX 2007-01. Of course, the interest rate environment and the level of home price appreciation, among other factors, may dilute or intensify the effect of the resets during those periods...

ABX 2006-02 Deal Characteristics

ABX.HE 2006-02 Constituent Deal-Credit Performance													
Deal	Loan Age (m)	30 Day DQ	60 Day DQ	90 Day DQ	FCL	REO	60+*	DQ Trigger** (Actual)	DQ Trigger** (Limit)	Pass/Fail	Loss Trigger (Actual)	Loss Trigger (Limit)	Pass/Fail
LBMLT 2006-1	18	4.87	4.87	3.83	8.53	6.45	23.20	22.75	11.22	FAIL	0.58	1.30	PASS
BSABS 2006-HE3	18	4.89	4.89	2.37	7.92	4.94	20.32	20.07	11.97	FAIL	0.29	3.80	PASS
JPMAC 2006-FRE1	19	5.30	5.30	0.56	10.53	4.68	20.02	20.02	12.64	FAIL	1.29	1.60	PASS
ARSI 2006-W1	19	2.80	2.80	2.45	8.36	4.78	18.61	17.41	11.84	FAIL	0.42	1.55	PASS
GSAMP 2006-HE3	17	5.17	5.17	2.30	6.50	4.43	17.94	16.75	10.62	FAIL	0.88	1.65	PASS
SAIL 2006-4	15	4.97	4.97	2.16	8.20	3.28	17.40	15.75	9.95	FAIL	0.37	1.20	PASS
MSAC 2006-WMC2	14	4.44	4.44	1.56	7.87	3.94	17.18	15.65	8.51	FAIL	0.93	1.25	PASS
MABS 2006-NC1	19	3.87	3.87	1.28	6.38	4.95	16.72	16.42	11.88	FAIL	0.33	1.40	PASS
RASC 2006-KS3	17	4.04	4.04	2.09	7.25	3.08	15.84	13.53	11.36	FAIL	0.70	100.00	PASS
MSC 2006-HE2	18	5.87	5.87	1.25	6.21	4.27	15.74	14.46	10.32	FAIL	0.90	1.40	PASS
MLMI 2006-HE1	21	3.66	3.66	3.16	4.61	3.05	15.25	13.68	11.42	FAIL	0.89	100.00	PASS
RAMP 2006-NC2	18	4.06	4.06	1.44	8.15	2.85	15.13	14.07	11.74	FAIL	0.65	1.40	PASS
FFML 2006-FF4	17	4.09	4.09	1.25	6.21	3.12	13.23	12.38	10.41	FAIL	0.29	100.00	PASS
CARR 2006-NC1	19	2.53	2.53	1.01	7.39	2.72	13.21	11.85	11.44	FAIL	0.09	3.00	PASS
SVHE 2006-OPT5	14	4.79	4.79	3.47	5.66	0.82	13.12	12.98	10.56	FAIL	0.10	1.50	PASS
HEAT 2006-4	18	4.71	4.71	1.81	5.39	2.40	12.84	11.65	11.14	FAIL	0.38	100.00	PASS
CWL 2006-8	13	4.77	4.77	1.60	5.10	2.37	12.32	10.91	9.62	FAIL	0.23	1.35	PASS
ACE 2006-NC1	21	3.40	3.40	1.04	5.03	3.04	12.31	12.15	10.03	FAIL	0.38	1.45	PASS
SABR 2006-OP1	23	2.64	2.64	1.39	5.36	1.43	10.17	8.24	11.74	PASS	0.19	100.00	PASS
SASC 2006-WF2	15	3.00	3.00	1.10	2.73	1.19	6.80	5.70	10.90	PASS	0.22	1.65	PASS

Source: Loan Performance, Intex

* Our 60+ day delinquency column includes REOs, foreclosures and bankruptcies (not shown)

** According to Intex – Delinquency trigger limit values are generally based on some percentage of the senior credit enhancement level, and the delinquency trigger actual values are usually either the 3-month rolling average of all loans 60+ days delinquent or the aggregate principal value of all 60+ delinquencies during the current month.

The table above sorts the underlying deals of the ABX 2006-02 by 60+ delinquency rates. The shaded cells represent the deals that are breaching their respective delinquency triggers. In total, 18 out of the 20 deals that make up the ABX 2006-02 index are failing their performance trigger test. Although the differential between actual and trigger limit delinquency rates for SABR 2006-OP1 and SASC 2006-WF2 still maintain some breathing room, that gap has narrowed since March's payment data. SABR 2006-OP1 now has a 3.50% trigger differential compared to 4.12% in March, while the difference for SASC 2006-WF2 has decreased from 6.12% to 5.20%. Rapid deterioration has occurred since our last ABX constituent breakdown for the March payment month, when only 10 deals were failing their delinquency trigger test.

With the exception of SASC 2006-WF2, all of the remaining deals comprising the ABX 2006-02 index are experiencing double digit 60+ day delinquency rates. At the top of the list are LBMLT 2006-1, BSABS 2006-HE3, and JPMAC 2006-FRE1, each experiencing 60+ delinquency rates above 20%. On the other hand, SASC 2006-WF2 at 6.8% has the lowest 60+ day delinquency rate. Currently, the weighted average 60+ delinquency rate for the index is 15.54% compared to 11.94% as of March. The rising trend has been the same for the weighted average 90+ delinquency rate, which is currently 13.24% up from 9.88% just 3 months ago.

JPMAC 2006-FRE1 continues to post the highest cumulative losses of any deal in the ABX 2006-02, moving from 0.60% in March to 1.29% as of the June payment month. Although CARR 2006-NC1 is failing its delinquency trigger test and has a 60+ day delinquency rate of 13.21%, this deal has the lowest amount of cumulative losses to date at only 0.09%. The weighted average cumulative loss for each deal in the index is 0.49%. Over the past 3 months the average deal loss has more than doubled from just 0.20% as of March's payment data.

ABX.HE 2006-02 Constituent Deal-Underwriting Analytics												
Deal	FICO	LTV	Current ARM %	Current IO %	Full Doc	Low/ No Doc	Loan Purpose (P)**	Loan Purpose (ET)**	Loan Purpose (R)**	Occup (Owner)	Occup (Vac.)**	Occup (Inv.)**
LBMLT 2006-1	633	79.19	89.89	8.28	48.54*	51.46*	66.58	30.07	3.35	90.27	8.22	1.51
BSABS 2006-HE3	616	81.45	85.93	33.92	48.00*	52.00*	37.37	55.57	7.05	91.03	1.38	7.59
JPMAC 2006-FRE1	628	76.80	87.78	17.12	60.40	39.60	59.86	39.27	0.87	93.95	1.03	5.02
ARSI 2006-W1	624	80.70	84.46	32.61	58.94*	41.06*	48.90	47.36	3.74	91.61	7.09	1.30
GSAMP 2006-HE3	628	76.90	83.29	23.89	53.32*	46.68*	n/a	n/a	n/a	n/a	n/a	n/a
SAIL 2006-4	622	78.50	81.54	20.04	52.42	47.58	41.40	52.32	6.27	87.50	2.89	9.61
MSAC 2006-WMC2	644	74.73	81.25	14.62	44.60	55.40	62.36	35.37	2.28	96.08	2.71	1.21
MABS 2006-NC1	630	77.80	77.17	28.02	29.30	70.70	41.61	50.73	7.66	89.00	2.96	8.04
RASC 2006-KS3	624	77.60	81.13	19.60	59.62	40.38	42.26	52.80	4.94	95.48	1.49	3.03
MSC 2006-HE2	632	75.54	85.36	11.93	96.50	3.50	51.65	42.39	5.96	96.58	2.13	1.29
MLMI 2006-HE1	635	81.40	75.35	33.25	48.30	51.70	49.70	45.01	5.29	94.38	0.78	4.84
RAMP 2006-NC2	626	78.45	75.08	20.28	34.89	65.11	41.63	58.18	0.20	90.25	3.13	6.63
FFML 2006-FF4	652	82.04	84.79	54.14	57.69*	42.32*	64.01	32.24	3.75	96.32	0.85	2.83
CARR 2006-NC1	630	80.70	84.39	52.86	62.30	37.70	44.67	54.64	0.69	93.66	3.19	3.15
SVHE 2006-OPT5	606	80.78	81.29	9.09	65.68*	34.32*	33.25	59.33	7.42	93.64	4.94	1.42
HEAT 2006-4	624	79.10	81.23	22.74	70.00*	30.00*	41.64	51.98	6.35	93.44	0.92	5.63
CWL 2006-8	617	77.10	61.36	29.08	63.02	36.98	40.85	54.32	4.83	97.38	0.56	2.07
ACE 2006-NC1	631	80.40	74.61	29.92	56.00	44.00	50.04	43.02	6.95	90.42	2.56	7.02
SABR 2006-OP1	628	79.26	80.43	24.93	60.90	39.10	39.74	54.60	5.66	92.45	2.26	5.29
SASC 2006-WF2	614	74.19	71.38	13.62	91.50	8.50	34.16	59.08	6.76	96.64	1.04	2.32

Source: Loan Performance, Intex, Bloomberg

Note: shaded cells represent loans that are currently breaching one of their deal triggers

* This data is current as of the April payment month

** P - Purchase, ET - Equity Take-out, R - Refinancing, Vac. - Vacation, Inv. - Investment

The above table is also sorted in descending order of 60+ day delinquency rates. We note that:

- The distribution of FICO scores and LTVs continue to be muddled throughout the list and imply that other factors such as documentation type and ARM concentration may be more indicative of poor performance.
- LBMLT 2006-1 has the third highest average FICO score, 633, but the highest 60+ delinquency rate. SASC 2006-WF2 has the second lowest FICO score of 614 but also the lowest 60+ delinquency rate. The weighted average FICO score for all the deals in the index is 627.
- The weighted average LTV ratio of the ABX 2006-02 is 78.44%, up slightly from 77.76% at the end of the first quarter.
- Counter intuitively, LBMLT 2006-1 which has the highest 60+ delinquency rate (23.2%) also has the lowest percentage of loans that are interest only (I/O), 8.28%. On the other hand, FFML 2006-FF4 and CARR 2006-NC1 have the two highest concentrations of I/O loans (54.1% and 52.9%, respectively) but are in the lower half when looking at 60+ delinquency rates.
- The weighted average full documentation percentage of the index is 59.86%. In terms of 60+ delinquency rates, as expected, eight out of the 10 worst performing deals have full documentation percentages below the weighted average. Conversely, when examining the 10 best performing deals six have full documentation percentages above the average.
- While the weighted average ARM concentration of the 2006-02 series is 80.67%, the three worst performing deals (LBMLT, BSABS, and JPMAC) continue to have the highest ARM percentages (89.89%, 85.93%, and 87.78%, respectively). The four best performing deals have an average ARM concentration of just 71.95%.
- Aside from the best and worst performing deals, loan purpose data remains mixed and a high percentage of "for purchase" loans likely signals homeowners increasing use of non-traditional loans to purchase a home that may be outside of their affordable price range.

ABX.HE 2006-02 Constituent Deal-Prepayment Speeds

Deal	Deal Closing Date	Gross WAC	Original Deal Size (\$ Mil)	Current Deal Size (\$ Mil)	Factor	1 Mo. CPR	3 Mo. CPR	6 Mo. CPR	12 Mo. CPR	Life CPR	Prepay Penalty Loans
SABR 2006-OP1	1/26/2006	7.35	\$1,259.7	\$741.9	0.589	36.80	28.01	26.56	31.25	30.65	71.72
JPMAC 2006-FRE1	1/27/2006	7.49	\$1,011.1	\$630.0	0.623	24.10	23.86	27.27	29.56	27.82	56.97
BSABS 2006-HE3	3/30/2006	7.89	\$793.4	\$528.4	0.666	21.43	21.98	26.29	28.82	27.39	63.78
SASC 2006-WF2	6/30/2006	8.33	\$1,300.0	\$950.3	0.731	28.93	29.53	26.90	26.29	26.29	69.25
MABS 2006-NC1	2/24/2006	7.50	\$915.2	\$604.8	0.661	18.77	20.45	22.35	28.15	26.20	74.25
HEAT 2006-4	5/1/2006	7.77	\$1,600.0	\$1,123.7	0.702	22.69	22.46	26.14	26.80	25.62	73.26
ARSI 2006-W1	2/7/2006	7.59	\$2,266.7	\$1,520.4	0.671	17.29	19.95	24.44	27.18	25.40	68.05
SVHE 2006-OPT5	6/19/2006	8.38	\$3,100.0	\$2,286.3	0.738	26.30	24.97	24.05	24.93	24.93	68.24
ACE 2006-NC1	1/30/2006	7.28	\$1,324.3	\$873.4	0.660	18.79	19.04	21.74	25.34	24.91	80.35
RAMP 2006-NC2	3/2/2006	7.84	\$760.0	\$516.3	0.679	24.38	24.32	26.21	27.86	24.73	71.35
SAIL 2006-4	6/30/2006	8.31	\$2,446.4	\$1,843.8	0.754	18.89	21.13	22.88	24.25	24.25	67.83
GSAMP 2006-HE3	5/26/2006	8.29	\$1,596.3	\$1,174.5	0.736	24.46	23.42	23.63	25.03	24.24	70.07
RASC 2006-KS3	3/29/2006	8.03	\$1,150.0	\$811.7	0.706	23.19	26.45	28.35	26.53	23.95	73.54
LBMLT 2006-1	2/7/2006	8.11	\$2,500.0	\$1,717.6	0.687	17.41	20.44	24.00	25.29	23.29	70.14
CARR 2006-NC1	2/8/2006	7.15	\$1,441.1	\$1,007.9	0.699	20.08	17.43	22.23	25.40	23.14	68.09
MSC 2006-HE2	4/28/2006	7.68	\$2,266.8	\$1,670.7	0.737	18.95	18.70	21.98	23.06	22.46	71.88
MLMI 2006-HE1	2/7/2006	7.38	\$781.3	\$545.4	0.698	21.47	19.51	19.54	23.36	21.86	75.87
FFML 2006-FF4	3/30/2006	7.70	\$1,524.8	\$1,130.0	0.741	22.04	22.37	24.17	22.86	19.60	76.03
CWL 2006-8	6/28/2006	8.18	\$2,000.0	\$1,622.0	0.811	25.92	22.71	22.13	18.43	18.43	72.32
MSAC 2006-WMC2	6/28/2006	7.99	\$2,603.0	\$2,126.1	0.817	13.18	15.89	19.34	17.90	17.90	69.81

Note: shaded cells represent loans that are currently breaching one of their deal triggers.

Source: Loan Performance, Intex, Bloomberg

The loans underlying the 2006-02 series have an average loan age of 17.7 months with lifetime prepayment speeds ranging from 17.90 to 30.65 CPR. The weighted average lifetime prepayment speed is now 23.48 compared to 22.58 for the March payment month. As witnessed at the end of the first quarter, the best and worst performers continue to be randomly dispersed within the series when sorted by their lifetime prepayment speed.

We would expect a deal's percentage of prepayment penalty loans to have a significant impact on which deals pay down the fastest. For instance, JPMAC 2006-FRE1 has the lowest percentage of loans with a prepayment penalty (56.97%) and is experiencing the second fastest lifetime CPR of 27.82. The same relationship exists for BSABS 2006-HE3 which has the second lowest concentration of prepayment penalty loans and the third fastest lifetime CPR.

Looking at the five slowest prepaying loans, four of them have prepayment penalty loan percentages above the index average of 71.55. Interestingly, ACE 2006-NC1 has the highest mix of prepayment penalty loans at 80.35 but lies right in the middle of the pack in terms of lifetime CPR at 24.91. However, prepayment speeds are slowing on the ACE deal as its 1-month CPR is just 18.79 and its 3-month speed is 19.04. The only two deals within the ABX 2006-02 that are not breaching their delinquency trigger limit are paying down quickly, with the first and fourth fastest lifetime CPR speeds.

Although on average the index contains a similar mix of prepayment penalty loans and a similar lifetime CPR, compared to three months ago, there are a few notable CPR occurrences. SABR has a 1-month CPR of 36.80 compared to its 3-month speed of 28.01 and lifetime speed of 30.65. On the other hand, MABS has slowed down over the past month to a speed of 18.77 compared to a 6-month speed of 22.35 and a lifetime speed of 26.20. Additionally, ARSI, SAIL, MSC, and MSAC have also experienced significant slowdowns in their 1-month CPR speeds compared to their longer term speeds.

ABX 2006-02 Resets (by Percentage of Deal Collateral)								
Deal	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	Other
ACE 2006-NC1	-	20.88	46.38	-	-	3.95	1.12	Jul 2010 – Sep 2010 (2.29)
ARSI 2006-W1	0.01	3.49	53.15	7.64	-	0.49	-	Sep 2008 – Dec 2009 (19.86)
BSABS 2006-HE3	0.50	8.31	38.27	33.69	0.04	-	-	Jul 2008 – Feb 2009 (5.12)
CARR 2006-NC1	-	1.23	37.07	-	-	2.56	42.69	Jan 2009 – Nov 2010 (0.86)
CWL 2006-8	0.26	0.06	0.22	2.81	53.41	-	-	Jul 2008 – Feb 2009 (4.60)
FFML 2006-FF4	0.02	0.34	8.88	59.30	-	0.27	-	Oct 2008 – May 2009 (15.98)
GSAMP 2006-HE3	0.11	0.69	24.89	36.54	11.53	-	-	May 2008 – Jun 2009 (9.55)
HEAT 2006-4	0.21	13.71	22.67	37.95	0.82	-	-	May 2008 – Apr 2009 (5.89)
JPMAC 2006-FRE1	0.04	3.03	81.50	-	-	0.17	2.25	Sep 2010 – Nov 2010 (0.77)
LBMLT 2006-1	0.04	0.05	44.00	30.61	-	0.01	6.70	Jan 2009 – Feb 2010 (8.47)
MABS 2006-NC1	-	-	63.90	-	-	-	13.27	-
MLMI 2006-HE1	0.11	25.60	41.09	-	-	2.73	2.97	Nov 2008 – Apr 2009 (2.84)
MSAC 2006-WMC2	-	0.01	0.29	8.84	65.09	-	-	Mar 2009 – Jun 2014 (6.94)
MSC 2006-HE2	0.05	1.22	43.25	32.82	0.01	0.05	-	Oct 2008 – May 2012 (7.97)
RAMP 2006-NC2	0.08	0.20	13.59	41.97	0.02	0.45	11.79	Feb 2009 (6.98)
RASC 2006-KS3	0.01	0.74	16.66	57.82	-	0.10	-	Sep 2008 – Apr 2009 (5.84)
SABR 2006-OP1	8.69	60.14	1.02	-	0.51	2.34	-	Sep 2008 – Aug 2010 (7.73)
SVHE 2006-OPT5	-	0.02	0.17	5.76	68.12	-	0.01	Jan 2009 – Aug 2010 (7.20)
SAIL 2006-4	0.07	0.07	2.42	28.02	50.96	-	-	-
SASC 2006-WF2	0.16	2.73	5.83	27.82	34.83	-	-	-

Source: Bloomberg

Note: the dark gray shaded cells represent deals that are currently breaching one of their triggers. The light gray shaded cells represent the quarter with the highest percentage of collateral resets for each deal.

The table above illustrates the reset distribution of the loans that underlie the ABX 2006-02 index. The price of the index continues to feel the effects of negative sentiment surrounding home price appreciation, thin levels of credit enhancement at the lower rated tranches, and overall uncertainty in the marketplace. While each month's payment data sheds a little more light on the severity of the problems facing the sub-prime market and therefore the ABX indices, we believe that the ultimate fate of ABX indices depends on the data that follows after a bulk of the loans reach their reset date.

The lightly shaded cells above highlight the quarters when the largest percentage of each deal are due to reset. It appears that by the end of this year's fourth quarter over half of the deals comprising the ABX 2006-02 have a majority of their underlying loans scheduled to reach their reset date. Once these dates are reached, investors should note that it will likely still take a few months for the expected increase in delinquencies to reveal itself. Even if we experience another spike in delinquencies from the 2/28 loans that reset at the end of this year, it could take an additional 6 to 24 months to finalize the foreclosure process and for the loans to realize losses.

ABX 2007-01 Deal-Loan Characteristics

ABX.HE 2007-01 Constituent Deal-Credit Performance													
Deal	Loan Age (m)	30 Day DQ	60 Day DQ	90 Day DQ	FCL	REO	60+*	DQ Trigger** (Actual)	DQ Trigger** (Limit)	Pass/Fail	Loss Trigger (Actual)	Loss Trigger (Limit)	Pass/Fail
MSAC 2006-HE6	12	5.62	4.51	2.54	8.06	2.40	18.35	14.47	8.98	FAIL	0.31	1.35	PASS
LBMLT 2006-6	12	5.31	2.84	3.66	7.50	1.79	16.60	16.31	9.43	FAIL	0.15	1.30	PASS
SABR 2006-HE2	13	4.25	4.64	2.91	5.87	1.87	15.81	11.30	9.65	FAIL	0.25	1.40	PASS
ACE 2006-NC3	9	9.17	4.44	3.88	6.75	0.30	15.68	9.24	8.35	FAIL	0.01	1.25	PASS
GSAMP 2006-HE5	12	5.16	2.72	1.46	6.87	2.11	14.43	12.95	9.59	FAIL	0.20	1.60	PASS
FHLT 2006-3	10	5.21	3.96	1.79	7.29	0.39	13.88	13.80	9.80	FAIL	0.15	1.55	PASS
HEAT 2006-7	11	6.16	3.35	2.29	5.57	1.09	13.10	11.04	9.05	FAIL	0.06	1.30	PASS
FFML 2006-FF13	11	7.42	3.63	3.23	5.26	0.26	12.89	7.51	8.82	PASS	0.01	1.15	PASS
MLMI 2006-HE5	12	4.54	2.62	2.23	6.03	0.88	12.55	10.66	9.17	FAIL	0.14	1.55	PASS
CARR 2006-NC4	11	3.66	1.70	0.99	8.68	0.33	12.22	8.43	9.17	PASS	0.02	3.00	PASS
CBASS 2006-CB6	15	4.34	2.63	1.41	4.33	1.79	10.65	8.49	10.09	PASS	0.10	1.20	PASS
RASC 2006-KS9	9	4.61	1.88	1.39	6.02	0.76	10.58	9.11	9.33	PASS	0.11	1.55	PASS
SVHE 2006-EQ1	11	6.41	3.01	3.01	2.78	0.56	9.79	6.68	9.26	PASS	0.06	1.75	PASS
MABS 2006-NC3	9	4.49	1.79	2.40	4.69	0.33	9.55	7.81	8.66	PASS	0.02	1.45	PASS
CWL 2006-18	11	5.13	1.98	1.14	5.09	1.26	9.53	8.28	8.97	PASS	0.01	1.45	PASS
SASC 2006-BC4	9	5.33	3.24	0.95	4.12	0.29	8.82	6.20	9.14	PASS	0.01	1.25	PASS
CMLTI 2006-WFH3	10	5.84	2.78	2.24	2.69	0.62	8.75	4.93	9.16	PASS	0.01	1.25	PASS
ABFC 2006-OPT2	10	5.10	1.87	2.51	3.13	0.03	7.70	6.04	9.67	PASS	0.02	1.30	PASS
BSABS 2006-HE10	8	5.26	2.68	0.95	3.87	0.01	7.70	8.55/ 7.13	8.77/ 8.75	PASS	0.00/ 0.00	4.70/ 3.70	PASS
JPMAC 2006-CH2	12	2.81	0.61	0.05	0.10	2.14	3.14	1.40/ 3.34	7.09/ 8.20	PASS	0.00/ 0.00	0.55/ 1.00	PASS

Source: Loan Performance, Intex

* Our 60+ day delinquency column includes REOs, foreclosures and bankruptcies (not shown)

** According to Intex – Delinquency trigger limit values are generally based on some percentage of the senior credit enhancement level, and the delinquency trigger actual values are usually either the 3-month rolling average of all loans 60+ days delinquent or the aggregate principal value of all 60+ delinquencies during the current month.

In comparing the latest performance data for the deals underlying the ABX 2007-01 index to our findings in the April paper (using March data), the most notable development is the increase in deals currently failing their delinquency triggers. This causes the deal to pay sequentially rather than pro rata (to enhancement targets). Whereas in April only two deals were failing their delinquency triggers, now eight deals have are failing theirs. While we would expect delinquencies to increase as deals season, credit seems to be deteriorating more quickly on these deals than the pervious indices. As stated previously, when the 2006-1 and 2006-2 were in the same phase of their lifecycles (six months since roll-out date), no deals underlying either index were failing delinquency triggers. The ACE 2006-NC3 deal, with a loan age of merely nine months, is already suffering from 60+ day delinquencies of 15.7%. However, this does not come as a huge surprise in the midst of the sub-prime market blow-up and bulk downgrades of sub-prime securities.

The two deals that were failing their delinquency triggers three months ago are still experiencing the most delinquencies. The MSAC 2006-HE6 deal, seasoned one year, is now performing the poorest with over eighteen percent of the underlying loan pool 60+ days delinquent, and 8.06% in foreclosure. While its loss trigger is still passing, it comes closer to the trigger limit than any of the other 19 deals. At 41.8%, LBMLT 2006-6 has the highest exposure to the California residential real estate market than any of the other 19 deals. The downturn in the California housing market is likely responsible for this deal's 60+ delinquency of 16.6% and 7.5% foreclosure rate.

The most reasonable explanation for why these relatively new loans (ranging from eight to fifteen months) are defaulting so early in their lifecycles, long before even reaching their reset dates, is weakened underwriting standards. As demand for sub-prime paper burgeoned, originators and issuers became more aggressive in their lending practices. Allowing and even encouraging borrowers to take on more debt in order to purchase homes out of their price range has resulted in a

rise in early defaults. Barring any governmental action to relieve some sub-prime stress, we will not be surprised if most, if not all, of the deals are failing their delinquency triggers in several months.

JPMAC 2006-CH2 remains the best performing deal in the 2007-1 index with only 3.1% of its loan pool over 60 days delinquent – despite its loans being in the higher age range for the series. It is one of the only two deals in the index which does not have most of its loan concentration in California, but instead in Florida (22.7%), with only 13.2% of loans on California properties.

ABX.HE 2007-01 Constituent Deal-Underwriting Analytics

Deal	FICO	LTV	Current ARM %	Current IO %	Full Doc	Low/ No Doc	Loan Purpose (P)**	Loan Purpose (ET)**	Loan Purpose (R)**	Occup (Own)**	Occup (Vac)**	Occup (Inv)**
MSAC 2006-HE6	628	76.80	83.53	13.68	51.34	48.66	50.70	43.00	6.30	93.90	2.54	3.56
LBMLT 2006-6	638	76.70	83.51	6.49	52.51*	47.49*	57.84	37.81	4.36	92.19	6.60	1.21
SABR 2006-HE2	626	75.40	80.18	14.37	56.38	43.62	44.59	52.28	3.14	93.24	1.67	5.09
ACE 2006-NC3	626	81.80	74.61	17.16	58.96*	41.04*	N/A	N/A	N/A	N/A	N/A	N/A
GSAMP 2006-HE5	622	77.70	76.46	7.16	58.54*	41.46*	43.36	47.18	7.29	95.00	1.13	3.87
FHLT 2006-3	629	81.80	78.20	7.44	60.99*	39.01*	44.08	51.24	1.07	93.42	5.64	0.93
HEAT 2006-7	634	79.40	79.71	15.66	31.92*	68.08*	49.84	45.42	4.75	94.97	0.77	4.26
FFML 2006-FF13	650	82.70	81.54	30.37	68.16*	31.84*	73.63	23.36	3.01	97.01	2.38	0.60
MLMI 2006-HE5	615	78.26	78.55	29.64	47.62*	52.38*	24.41	59.81	15.78	86.85	1.56	11.59
CARR 2006-NC4	624	79.60	82.85	21.65	61.41	38.59	40.51	49.48	10.01	91.76	2.51	5.73
CBASS 2006-CB6	621	78.50	69.96	14.16	58.94*	41.06*	29.98	65.87	4.15	92.48	1.72	5.81
RASC 2006-KS9	627	79.80	74.06	11.67	59.50	40.50	41.13	48.31	10.56	96.83	1.17	2.00
SVHE 2006-EQ1	630	83.80	73.35	11.87	63.92*	36.08*	46.12	51.63	1.97	94.31	1.33	4.35
MABS 2006-NC3	621	76.80	75.70	18.23	61.94*	38.06*	40.57	49.55	9.88	90.63	3.21	6.16
CWL 2006-18	606	78.90	78.59	24.73	66.77	33.23	36.54	59.30	4.16	96.70	0.69	2.61
SASC 2006-BC4	620	78.00	68.79	20.80	58.65	41.35	30.01	63.69	6.30	93.72	2.36	3.92
CMLTI 2006-WFH3	624	79.70	74.48	12.31	79.11*	20.89*	47.48	45.61	6.91	91.76	2.07	6.18
ABFC 2006-OPT2	608	78.30	83.18	12.13	60.16	39.84	31.25	62.29	6.46	92.94	1.51	5.55
BSABS 2006-HE10	611	81.03	75.49	16.46	53.09*	46.91*	36.92	53.62	9.46	95.67	0.49	3.84
JPMAC 2006-CH2	638	77.20	63.23	3.55	45.63	54.37	32.60	64.09	3.31	96.44	0.60	2.96

Source: Loan Performance, Intex, Bloomberg

Note: shaded cells represent loans that are currently breaching one of their deal triggers

* This data is current as of the April payment month

** P – Purchase, ET – Equity Take-out, R – Refinancing, Own – Owner, Vac – Vacation, Inv - Investment

The table above displays the underwriting trends of the deals comprising the 2007-01 index. Although this table does not show delinquency data, it is sorted the same way as the Deal-Credit Performance table, by 60+ days delinquency descending.

The average FICO score of the twenty deals, weighted by current deal size, is 626, and ranges from 606 to 650. We do not note any correlation between the deals’ credit performance and FICO scores. In fact FFML 2006-FF13, representing the highest average FICO score, has 12.9% of its loan pool 60+ days delinquent and 5.3% foreclosed. Meanwhile, only 7.7% of the loans comprising ABFC 2006-OPT2 (second lowest average FICO in the series) are currently 60+ days delinquent and 3.1% in foreclosure.

Furthermore, the two worst performing deals (LBMLT 2006-6 and MSAC 2006-HE6) have the second and third highest percentage of “for purchase” loans, respectively. These loans are generally easier to obtain and often have second liens. Additionally, borrowers of these loans often do not have extensive mortgage payment history, as they would if they were refinancing. Consequently such loans are considered more risky and can help to further explain these deals’ high delinquency rates.

The JPMAC 2006-CH2 deal, the least delinquent of the twenty, has the lowest percentage of ARMs at 63.2%, as well as only 3.6% I/O loans. Often borrowers who opt for ARMs do so in order to afford homes that are out of their reach and hope that their financial situation improves by the reset date. Unfortunately for borrowers, this is not always the case and they can easily become delinquent when

their mortgage payments increase. I/O loans also increase the likelihood of a default at the reset date when payments are adjusted to include principal repayment.

ABX.HE 2007-01 Constituent Deal-Prepayment Speeds

Deal	Deal Closing Date	Gross WAC	Original Deal Size (\$ Mil)	Current Deal Size (\$ Mil)	Factor	1 Mo. CPR	3 Mo. CPR	6 Mo. CPR	12 Mo. CPR	Life CPR	Prepay Penalty Loans
SABR 2006-HE2	9/28/2006	8.34	\$ 1,024.8	\$ 822.3	0.802	23.14	22.49	23.37	N/A	25.02	65.23
FHLT 2006-3	10/19/2006	8.47	\$ 1,629.7	\$ 1,309.9	0.804	19.04	15.94	30.69	N/A	24.95	63.64
CBASS 2006-CB6	7/31/2006	8.11	\$ 780.7	\$ 618.9	0.793	20.40	19.50	23.50	N/A	22.20	87.14
ABFC 2006-OPT2	10/12/2006	8.61	\$ 1,099.3	\$ 909.4	0.827	17.27	17.90	18.54	N/A	21.95	79.95
GSAMP 2006-HE5	8/25/2006	8.57	\$ 1,037.3	\$ 850.6	0.820	16.30	17.79	19.75	N/A	20.75	64.27
SASC 2006-BC4	11/30/2006	8.22	\$ 1,576.6	\$ 1,379.9	0.875	15.51	16.35	22.02	N/A	20.06	75.93
SVHE 2006-EQ1	9/15/2006	8.38	\$ 1,727.0	\$ 1,466.3	0.849	18.56	17.03	22.08	N/A	19.22	70.93
ACE 2006-NC3	11/30/2006	8.39	\$ 1,501.4	\$ 1,324.1	0.882	18.48	18.80	19.02	N/A	19.01	75.68
CMLTI 2006-WFH3	10/31/2006	8.85	\$ 1,627.1	\$ 1,400.6	0.861	15.61	15.57	21.84	N/A	18.30	73.88
CARR 2006-NC4	9/28/2006	8.14	\$ 1,617.3	\$ 1,387.0	0.858	17.04	16.03	22.03	N/A	18.18	75.70
LBMLT 2006-6	7/26/2006	8.30	\$ 1,688.1	\$ 1,413.0	0.837	15.23	14.28	15.80	N/A	17.63	70.85
MABS 2006-NC3	12/28/2006	8.44	\$ 1,031.7	\$ 935.1	0.906	19.85	17.15	17.50	N/A	17.50	75.84
CWL 2006-18	9/28/2006	8.66	\$ 1,700.0	\$ 1,484.8	0.873	21.99	23.42	19.64	N/A	17.23	79.85
HEAT 2006-7	10/3/2006	8.20	\$ 1,100.0	\$ 956.0	0.869	18.50	16.06	17.82	N/A	16.67	77.21
MLMI 2006-HE5	9/28/2006	8.09	\$ 1,376.3	\$ 1,199.8	0.872	14.98	15.61	16.09	N/A	16.33	68.55
BSABS 2006-HE10	12/29/2006	8.32	\$ 1,152.2	\$ 1,053.7	0.915	21.64	19.87	15.99	N/A	15.99	66.02
JPMAC 2006-CH2	12/14/2006	7.73	\$ 2,023.8	\$ 1,835.3	0.907	14.55	14.59	14.44	N/A	14.79	75.24
MSAC 2006-HE6	9/27/2006	8.27	\$ 1,471.7	\$ 1,289.0	0.876	18.22	15.58	15.29	N/A	14.00	72.05
FFML 2006-FF13	9/28/2006	7.98	\$ 2,121.6	\$ 1,897.3	0.894	14.46	12.22	13.89	N/A	13.54	71.87
RASC 2006-KS9	10/27/2006	8.45	\$ 1,234.1	\$ 1,124.6	0.911	18.98	16.39	14.01	N/A	12.57	78.26

Source: Loan Performance, Intex, Bloomberg

Note: shaded cells represent loans that are currently breaching one of their deal triggers

The table above provides prepayment information for deals comprising the ABX 2007-01 index. The average loan age for this series is 11 months and the lifetime CPR ranges from 12.6 to 25.0. There does not appear to be a relationship connecting the credit performance of the deals to their prepayment speeds. The loans underlying these twenty deals are really just too new to have developed any notable prepayment trends. To illustrate this point, JPMAC 2006-CH2 and MSAC 2006-HE6 (the best and worst performing deals) are prepaying at relatively the same speed.

As these deals continue to season, investors long the ABX.HE 2007-1 index (sellers of protection) would like to see deals with the best credit performance prepaying slower than those with higher delinquencies, thereby increasing their share of the overall index.

ABX 2007-01 Resets (by Percentage of Deal Collateral)								
Deal	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	> 2010
ABFC 2006-OPT2	4.33	68.82	0	0.09	Apr 2009 – Feb 2011 (9.25)			
ACE 2006-NC3	3.11	44.02	22.56	0.00	0.12	4.67		
BSABS 2006-HE10	2.56	5.19	59.65	0.00	0.22	0.23	6.81	
CARR 2006-NC4	9.04	36.81	0	0.00	0.68	35.93		
CBASS 2006-CB6	62.35							
CMLTI 2006-WFH3	2.83	70.7						
CWL 2006-18	0.36	76.55						
FFML 2006-FF13	4.34	55.05		21.74				
FHLT 2006-3	3.23	71.02	0.59	0.00	0.05	2.68	Oct 2009 – Apr 2011 (0.68)	
GSAMP 2006-HE5	43.63	24.02	0.00	Jan 2009 – Jan 2010 (7.82)				
HEAT 2006-7	75.81							
JPMAC 2006-CH2	18.6	15.02	0.00	27.19				
LBMLT 2006-6	54.65	Jul 2008 – Dec 2010 (28.44)						
MABS 2006-NC3	0.91	58.93	0.00	0.00	0.00	15.93		
MLMI 2006-HE5	65.70							
MSAC 2006-HE6	44.48	Jul 2008 (30.71),		Aug 2008 – May 2012 (6.98)				
RASC 2006-KS9	1.06	48.72	3.94	0.00	0.11	20.25		
SABR 2006-HE2	46.46	27.37						
SVHE 2006-EQ1	7.56	57.54	0.00	0.01	8.20			
SASC 2006-BC4	0.66	20.55	47.27					

Source: Bloomberg

The preceding table illustrates when loans comprising each deal underlying the ABX 2007-01 index will undergo their resets. Most of these loans were originated as 2/28 ARMs, meaning that their reset dates are scheduled to take place two years from origination. Consequently we see that the bulk of the collateral is expected to face resets between the second and fourth quarters of 2008. The reset dates for the SASC 2006-BC4 deal extend out to 2Q2009 because 17.8% of its loans are 3/27 ARMs and so will reset a year later. Similarly, the JPMAC 2006-CH2 deal has 21.9% 3/27 ARMs – causing its reset dates to be drawn out to the end of 2009.

It will be interesting to see what happens as some of these deals approach their reset dates. The additional stress on those deals that are already experiencing high delinquencies so early in the game is likely to push defaults, foreclosures and losses even higher. Of course, if interest rates fall and/or home price appreciation grows in time for borrowers to refinance, major blow-ups could be avoided.

ABX.HE 2007-02 Unveiled

The newest ABX index is expected to be rolled out on July 19, 2007. The composition of ABX.HE 2007-02, including a few underwriting analytics, is outlined below.

ABX.HE 2007-02 Constituent Deal-Underwriting Analytics					
Deal	FICO	LTV	Current ARM %	Current IO %	Loan Age (m)
ACEHELT 07-HE4	637*	82.83*	86.44	35.26	3
BSABST 07-HE3	623	83.24	70.29	22.13	4
CITIMLT 07-AMC2	618	78.11	68.59	22.19	7
CWABT 07-1	610	80.71	73.36	26.27	6
FFMLT 07-FF1	656	91.89	75.72	25.33	6
GSAMPT 07-NC1	622*	77.01	79.05	22.42	6
HEAT 07-2	627*	82.6*	79.42	0.00	3
HISAST 07-NC1	623	78.25	81.39	22.82	5
JPMMA 07-CH3	620*	77.58	72.27	14.25	8
MLFFMLT 07-2	644	83.37	81.28	14.59	3
MLMIT 07-MLN1	621*	86.68	73.26	20.53	7
MSAC 07-NC3	624	77.08	77.35	20.94	5
NHELI 07-2	633	77.92	75.38	12.18	9
NSMFT 07-1	n/a	83.36	75.06	11.17	7
OOMLT 07-5	615	82.09	88.69	15.65	3
RASC 07-KS2	619	79.77	75.07	15.76	7
SABRT 07-BR4	621	82.57	76.06	18.74	5
SASC 07-BC1	627	81.49	71.89	26.92	7
SVHLT 07-OPT1	603	82.12	73.66	4.73	3
WMHE 07-HE2	636	81.29*	74.54	11.57	4

Source: Markit, Billoomberg, SEC filings, and Intex

* denotes figures that are original weighted averages

The new index composition appears to be largely in line with its predecessors, with many of the same issuers represented. The loans are quite new, ranging from three to nine months and averaging 5.3 months. Based on the information available, we estimate that the current weighted average FICO score for this series is 625 and the WALTV is 81.4%. The current weighted average ARM and I/O compositions are 76.2% and 17.9%, respectively – representing slightly stronger underwriting trends when compared to the earlier indices (p.2).

Given how little seasoning these deals have undergone to date, there is no substantial information regarding their credit performance and prepayment history. It will be interesting to compare this index's evolution to the earlier indices in six months when such data is available. Pricing on the ABX.HE 2007-02 index when it finally rolls out will reflect investors' attitude towards recent underwriting and state of the sub-prime market.

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