

Fitch Downgrades Various Distressed U.S. RMBS Bonds to 'Dsf'

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has downgraded 120 distressed bonds in 75 U.S. RMBS transactions to 'Dsf'. The downgrades indicate that the bonds have incurred a principal write-down. Of the bonds downgraded to 'Dsf', 115 classes were previously rated 'Csf' and five classes were rated 'CCsf'. All ratings below 'CCsf' indicate a default is likely.

As part of this review, the Recovery Estimates (REs) of the defaulted bonds were not revised. In addition, the review focused only on the bonds which defaulted and did not include any other bonds in the affected transactions.

Of the 120 classes affected by these downgrades, 72 are Prime, 32 are Alt-A, and nine are Subprime. The remaining transaction types are other sectors. Approximately, 55% of the bonds have an RE of 50%-100%, which indicates that the bonds will recover 50%-100% of the current outstanding balance, while 16% have an RE of 0%.

KEY RATING DRIVERS

All of the affected classes had incurred a principal write-down and are expected to endure additional losses in the future.

RATING SENSITIVITIES

While the bonds that have defaulted are not expected to recover any material amount of lost principal in the future there is a limited possibility this may happen. In this unlikely scenario, Fitch would further review the affected class.

A spreadsheet detailing Fitch's rating actions can be found at 'www.fitchratings.com' by performing a title search for 'Fitch Downgrades 120 Distressed Bonds to 'Dsf' in 75 U.S. RMBS Transactions'. These actions were reviewed by a committee of Fitch analysts. The spreadsheet provides the contact information for the performance analyst.

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The spreadsheet also details Fitch's assignment of REs to the transactions. The Recovery Estimate scale is based upon the expected relative recovery characteristics of an obligation. For structured finance, REs are designed to estimate recoveries on a forward-looking basis.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria & Related Research:

--'Global Structured Finance Rating Criteria' (May 20, 2014);

--'Structured Finance Recovery Estimates for Distressed Securities' (Nov. 18, 2011).

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http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=752212

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821

Structured Finance Recovery Estimates for Distressed Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=656557

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=838981

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