



Moody's Investors Service

Announcement: Moody's applies revised supplemental risk measures to Brazilian consigned loan asset-backed securities sector

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New York, July 06, 2009 -- Moody's Investors Service has published a report showing how its supplemental risk measures for structured finance transactions will work in practice within the Brazilian consigned loan asset-backed securities (ABS) sector.

The report, "V Scores and Parameter Sensitivities in the Brazilian Consigned Loan ABS Sector", applies the measures to typical transactions within this sector.

In the report, Moody's concludes that it expects the typical transactions in the Brazilian Consigned Loan ABS sector will likely be assessed V Scores of Medium/High assumption variability.

V Scores are a relative assessment of the quality of available credit information and the potential variability around the various inputs in determining the rating. V Scores are intended to rank transactions by the potential for significant rating changes owing to uncertainty around the assumptions.

The second supplemental measure Moody's is applying in this sector is a Parameter Sensitivity analysis, which provides a quantitative calculation of how the initial, model-indicated rating of a structured finance security could vary if key assumptions were changed. Actual ratings that would be assigned in each case could vary from the information presented in the Parameter Sensitivity analysis, as qualitative factors are also taken into consideration in the ratings process.

For example, assume that a default rate of 6% and a stressed prepayment rate of 1.39% were used in determining the initial rating of a Brazilian consigned loan ABS transaction with 19% credit enhancement. If, instead, a default rate of 10% were used and the prepayment rate assumption remained unchanged, this might have caused the initial model-indicated global local currency rating for the senior certificates to change from Baa2 (Aaa.br) to Ba2 (Aa3.br).

Moody's announced its rating enhancements intended to increase the transparency and information content of its structured finance ratings in May 2008. Moody's began rolling out the new assessments in July 2008. Moody's refined these assessments to better match investor needs in December 2008, as described in the report "Update Report on Assumption Dependence Scores and Parameter Sensitivities for Structured Finance Securities."

Moody's will begin reporting transaction-specific V Scores and Parameter Sensitivities in pre-sale reports, new issue reports and press releases on new transactions in the Brazilian consigned loan ABS sector.

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