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Bond Insurers' Projected Losses In RMBS And CDOs Have Grown, Report Says

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NEW YORK (Standard & Poor's) Nov. 6, 2008--Bond insurers' projected losses have widened in nonprime and second-lien residential mortgage-backed securities and related collateralized debt obligations of asset-backed securities, Standard & Poor's Ratings Services said today in a report.

"The capital resources of these current and former 'AAA' rated primary bond insurers have been greatly pressured by the deteriorating performance of these asset classes," said Standard & Poor's credit analyst Robert Green, in an article, "Projected Losses Have Widened For Bond Insurers With RMBS And CDO Exposure."

Since our analysis of the bond insurers' exposure to nonprime mortgages and second-lien transactions in the 2005-2007 vintages on Dec. 19, 2007, loss projections have worsened, the report noted. For instance, the projected losses for Alt-A, subprime, closed-end second, and home equity line of credit transactions in the 2007 vintage were 13.3%, 27%, 55.2%, and 37.9%, respectively, as of Oct. 20, 2008. This compares with projected losses of 3.5%, 18%, 40%, and 13%, respectively, on Dec. 19, 2007. The higher cumulative net loss assumptions reflect subsequently higher delinquencies and foreclosures and the expectation for home pricing depreciation beyond what was initially anticipated, the report said.

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