

Fitch Affirms Shinsei Servicer at ‘CSS1-(JPN)’ and ‘RPS1-(JPN)’

Fitch Ratings-Tokyo/New York/Singapore-24 March 2008: Fitch Ratings has today affirmed Shinsei Servicing Company’s (Shinsei Servicer) commercial mortgage special servicer rating and residential mortgage primary servicer rating at the current rating of ‘CSS1-(JPN)’ (CSS1 minus(JPN)) and ‘RPS1-(JPN)’ (RPS1 minus(JPN)), respectively. Shinsei Servicer has continued to maintain the strengths Fitch has seen in past reviews, including its highly automated and functional systems, well-established internal control management and efficient loan administration operations, together with strong support from Shinsei Bank Group in human resources and business, as well as seasoned employees.

Shinsei Servicer was established in October 2001 and commenced servicing operations in January 2002, after receiving a licence from the Ministry of Justice, Japan. The servicer is a fully-owned indirect subsidiary of Shinsei Bank Co., Ltd. (rated ‘BBB+’/Stable/‘F2’).

The CSS rating covers the operations of the servicer’s Asset Management Division which primarily conducts commercial mortgage special servicing. However, the servicer’s focus has currently shifted from non-performing loans to performing/sub-performing loans. Fitch acknowledges that the servicer has proactively responded to this change by taking measures, including consultations with obligors, appreciating the obligor’s situation, closely monitoring and utilising the functions and networks of the Shinsei group for collections; resulting in the servicer’s collection performance remaining stable. However, Fitch will continue to monitor the effectiveness of these measures under the rapidly changing market environment. By the end of November 2007, the division had cumulatively serviced 14,900 loans with an aggregate legal balance of JPY1,756 billion.

For the RPS rating, Fitch reviewed the operations of the servicer’s Retail Loan Division, which managed 29,600 loans worth approximately JPY305bn (excluding over 42,100 loans worth JPY428bn where Shinsei Servicer was acting as backup servicer) as of December 2007. The servicer is recognised in Japan as the only servicer with a proven track record in the large-scale transfer of residential mortgage loan assets and an operational system strictly based on the schedule of transfer of assets, which together with a well-established operations flow, can be said to give the company a competitive edge in the servicer industry. To handle its expanding operations, the servicer has made efforts to enhance its efficiencies, including upgrading its system, and standardising its rotation of employees for routine operations on performing loans. Fitch acknowledges that the company’s delinquency rate, especially for mid to long terms delinquencies, has decreased, and believes this is a result of the servicer’s elaborate notices to obligors. However, the agency will continue to monitor the servicer’s efforts to maintain and improve its quality of servicing amidst the rapid increase of assets.

Fitch rates primary, special and master servicers in Japan based on its asset types on a scale of one through five, with one being the highest rating. In addition, Fitch may attach a plus (+) or minus (-) sign to the rating, indicating a relative position within each rating category. “JPN” appears in the Japanese ratings to reflect their relevance in Japan’s legal, economic and social context. For further details, please refer to the report titled ‘Rating Japanese Servicers’, dated 11 July 2007 available on Fitch’s websites at ‘www.fitchratings.com’ in English and ‘www.fitchratings.co.jp’ in Japanese.

The updated report on Shinsei Servicer both in English and Japanese will be available shortly on Fitch’s websites, or through Fitch Market Services at 1-800-853-4824 in New York or Fitch’s Tokyo office at +81-3-3288-2628 in Japan.

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