# PNC Consumer Services
## A Division of PNC Bank N.A.

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| **RATINGS** | |
|---|---|
| Primary Servicer of Home Equity Residential Mortgage Loans | **SQ2+** |
| **RELATED RATINGS** | |
| PNC Bank N.A. | **A1** |
| PNC Financial Services Group, Inc. | **A2** |

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## SUMMARY OPINION

Moody's Investors Service has affirmed PNC Bank N.A.'s (“PNC”) rating of **SQ2+** as a Primary Servicer of home equity residential mortgage loans. PNC provides consumer lending services through its PNC Consumer Services (“PNCCS”) business unit. Moody's rating is based on the company's strong collection abilities, above average loss mitigation results and strong servicing stability.

PNCCS services primarily first and second lien home equity lines of credit (HELOCs) and first and second line home equity installment loans (HEILs). Moody's rating is confined to these two types of home equity loans, as the remaining non-mortgage portion of the portfolio was not included in Moody's review. As of February 28, 2007, PNCCS' servicing portfolio totaled 1,008,025 loans for an unpaid principal balance (UPB) of approximately $14.9 billion. Subordinate liens comprised approximately 63% of total accounts and 62% of the outstanding balance. PNCCS' third-party servicing represents approximately 47% of the company's total servicing portfolio.

PNCCS has demonstrated a solid ability to service delinquent loans and has strong collections results. The collections group operates in a blended call environment in which both inbound and outbound calls are handled by the same team of collectors. A predictive dialer system is used to conduct calling campaigns and calls are prioritized using a behavioral scoring model. Although all collections calls are recorded, the company only records a portion of its customer service calls. Moody's believes the practice of 100% call recording may assist servicers in training new employees and resolving potential borrower disputes.

Moody's views PNCCS' loss mitigation results to be above average. PNCCS determines the optimal default resolution based on an analysis of the borrower's financial situation, intentions, and previous history of loss mitigation, as well as loan characteristics such as lien position, collateral value, and UPB.

Moody's views PNCCS as strong in servicing stability. PNC Consumer Services Group is a wholly-owned subsidiary of PNC Financial Services Group, a publicly-traded company which holds PNC Bank, among other assets. PNC has an issuer rating of **A1**. The company has a comprehensive disaster recovery plan and performs periodic testing of internal controls in addition to audit reviews.

***Moody's Investors Service***

**August 1, 2007**

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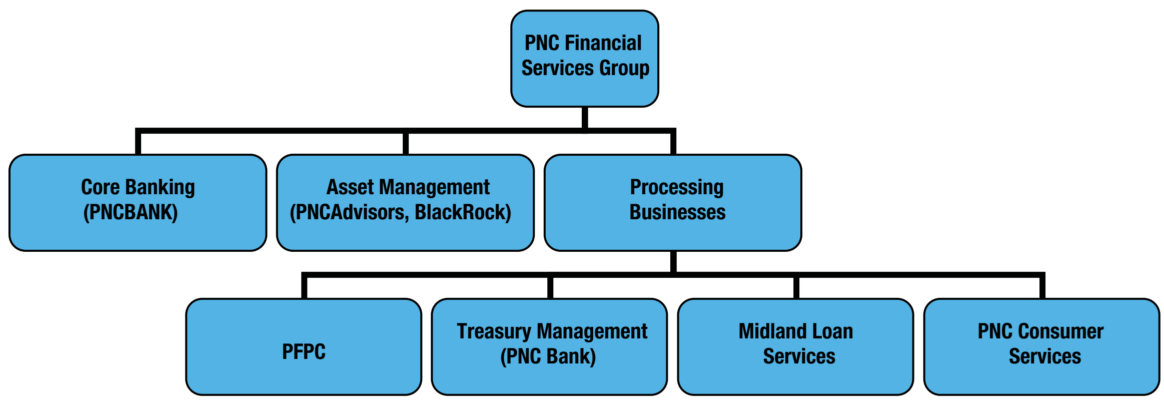
## COMPANY BACKGROUND

The PNCCS servicing operation was established in November 1992 as part of the company's Regional Community Bank division. In 1997, PNCCS began to offer third-party servicing. PNCCS offers both origination and servicing to its clients. Currently, PNCCS provides third-party loan origination and/or servicing to clients including American Express, Credit Suisse, E*Trade, EC Home Improvement, Home Savings and Loan Company, Wachovia Securities and Washington Federal Savings Bank. Third-party servicing presently accounts for approximately 47% of the company's servicing portfolio. PNCCS utilizes Advanced Consumer Lending System (ACLS) as its main servicing platform.

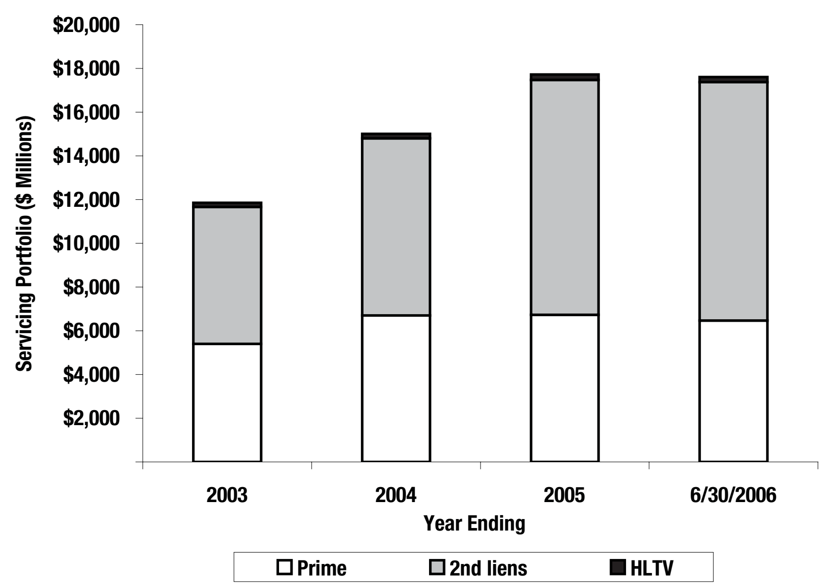
*Figure 1*
**Corporate Structure**




## SERVICING PORTFOLIO

The company services a variety of secured consumer loans, including HELOCs, HEILs and a variety of auto and boat loans. The company also services both secured and unsecured business loans of up to $500,000. Subordinate liens comprised approximately 63% of total accounts and 62% of outstanding balance of PNCCS's serviced portfolio as of February 28, 2007. The most significant geographical concentrations of the subordinate liens portfolio, on a UPB basis, are New Jersey (27%), Pennsylvania (25%) and California (12%). Moody's rating applies only to the home equity loans serviced by PNCCS.

*Figure 2*
**PNC Portfolio**



## SERVICING ABILITY

### Collections Management

- **Utilize behavioral scoring model for prioritizing borrower contact**
- **Incentive plan tied to both individual and team performance**
- **Call monitoring not performed by independent quality assurance group**

Moody's views PNCCS' collections results as strong. PNCCS' collection operations are divided into two units, early-stage and late-stage collections. The early-stage collections group is responsible for handling loans through the 60th day of delinquency. Late-stage collections focus on loans in excess of 60 days of delinquency. The early-stage group employs 20 associates, and 10 associates work in the late-stage group. The early-stage and late-stage collections teams are responsible for an average of 444 loans and 133 loans per employee, respectively.

PNCCS handles its inbound and outbound collection calls in a blended environment, allowing for more efficient use of the collection staff. Complex inbound calls are handled by more experienced collectors, while newly-hired collectors handle the more complex calls only after two to-four months of tenure with the company.

PNCCS utilizes a series of collection behavioral scorecards developed by an external vendor. The company has recently narrowed the number of scorecards utilized from ten to five to better reflect the attributes of its HEIL and HELOC borrowers. These scorecards are run through STRATA, a proprietary decision engine, within PNCCS' servicing application. When an account becomes past due, STRATA rescores the account and determines the appropriate collection strategy. Calls may be initiated as early as the first day of delinquency, depending on the score derived by STRATA.

PNCCS employs a predictive auto-dialer in calling campaigns for early-stage delinquent accounts (1-59 days past due), which are pooled across all asset types (home equity, auto etc.). A predictive dialer facilitates more voice-connects between collectors and borrowers by eliminating busy signals, answering machines and other barriers to live communication from the calling queue. STRATA generates a behavioral score to determine if contact should be made with the borrower and optimizer software is then utilized to determine the best time to call. Managers compare monthly delinquency performance to monthly goals to determine necessary changes in collection strategies and the dialer campaigns. A dedicated dialer strategist works with the risk management and collections managers to track the performance of the portfolio and determine the effectiveness of calling campaigns.

The company's late-stage collection unit handles accounts that are 60+ days delinquent and continues collection efforts until charge-off. The late-stage staff, which is typically sourced from the early-stage collections group, focuses on specific asset classes, with accounts segregated by asset type, as opposed to the pooling of assets used by the early-stage collection staff. Late-stage collectors can negotiate and approve repayment plans of up to three months and up to six months with a manager's approval.

All collectors are subject to call monitoring by their supervisor. Monitoring frequency varies according to the collector's experience. Typically, 20 calls per month (10 every two weeks) are monitored for a new collector, 10 per month for a credit counselor, 10 per senior associate every other month and 10 or more quarterly for specialists and team leaders. The rate of call monitoring is comparable to other servicers Moody's rates, but Moody's would positively view the implementation of a separate call monitoring group which may more objectively assess the collectors' performance. Collectors do not receive incentive compensation on the basis of their scored calls, but their remuneration is tied to factors including dollars collected, promises kept and loss figures for their team.

PNCCS records 100% of both its inbound and outbound collection calls. The call recording system captures the conversation and the screens accessed throughout the conversation and can be matched to comment reports pulled from the collections management system for review. Recordings are stored for 90 days unless there is a complaint, in which case the recording is stored until the complaint has been resolved. Moody's views the use of call recording technology as an important feature that helps to ensure a high quality of customer interaction.

Among the metrics that Moody's uses to evaluate a servicer's collection abilities are various roll-rate analyses over different time horizons. *Figure 3* shows one such analysis over a 13-month period for loans that were two to five years seasoned at the beginning of the period. The loans were classified at the outset of a 13-month static pool period in three delinquency categories, current to 29 days delinquent, 30 days delinquent and 60 days delinquent. The delinquency state of these loans was then measured again at the end of the static pool period. When compared to other servicers that Moody's rates, PNCCS exhibited strong performance in preventing the deterioration of home equity loans to a worse delinquency status, as well as in improving loans into a better delinquency status. Compared with the prior review, a 13-month static pool analysis of loans revealed a consistent performance in the number of current loans that became delinquent, with a smaller number of loans in the 30-day and 60-day delinquency buckets.

*Figure 3*

**Collection Management Static Pool Performance***

Static Pool Period: October 1, 2005 - October 30, 2006

| Status on Start Date | Current to 29 Days Delinquent | 30 Days Delinquent | | 60 Days Delinquent | |
|---|---|---|---|---|---|
| **Status on End Date** | **Worse** | **Better** | **Worse** | **Better** | **Worse** |
| Home Equity Loans | 2.3% | 44.1% | 49.0% | 29.2% | 70.8% |

* These metrics are adjusted to reflect PNCCS's loan re-aging/extension policy.

## Loss Mitigation

- **Collectors pre-qualify borrowers for loss mitigation plans**
- **The company uses stipulated loss mitigation plans to cash flow loans**
- **A wide variety of loss mitigation options are available to borrowers**

Moody's views PNCCS' loss mitigation performance as above average. PNCCS pursues a dual-track loss mitigation and foreclosure strategy when a loan becomes 90 days delinquent. PNCCS' workout arrangements include repayment plans, short sales, short payoffs, deeds-in-lieu, and modifications. Modifications include re-aging, re-amortization and interest extensions.

PNCCS proactively reaches out to troubled borrowers through calling and letter campaigns. The company has a philosophy of offering modifications earlier rather than later in order to cure delinquency, and most modifications are arranged before accounts become 90 days past due. PNCCS sends out loss mitigation letters to delinquent borrowers at approximately 75 days past due.

One month after a property is referred to foreclosure and two months prior to a scheduled foreclosure sale, PNCCS sends additional letters to the borrower describing loss mitigation options. The company also makes several follow-up calls to confirm that the letter was received and loss mitigation services were offered. If PNCCS is unable to contact a borrower, the company utilizes a field-chase service to attempt contact.

PNCCS typically modifies loans before they become 90 days past due. The loan type and nature of a borrower's financial situation determine which type of modification will be offered. PNCCS offers re-amortization to borrowers that experience a permanent impairment in their income, while extensions (for HEILs) and re-aging (for HELOCs) are offered to borrowers with temporary financial problems. HEIL borrowers are eligible for two extensions per year. HELOC borrowers are allowed to re-age their loans twice over a five-year period. PNCCS does not require a down payment for repayment plans or for modifications. PNCCS offers a number of additional loss mitigation alternatives such as external refinance referral, short sale, short pay-off, deed-in-lieu, third-party sale, and note sale.

PNCCS determines the optimal default resolution based on analysis of the borrower's financial situation, intentions, and history of loss mitigation options, as well as loan characteristics such as lien position, collateral value, and outstanding balance.

Among the metrics that Moody's uses to evaluate a servicer's loss mitigation abilities is the servicer's performance in resolving loans that are seriously delinquent. Moody's also reviews the servicer's loss mitigation efforts including third-party sales, short sales and deeds-in-lieu. Figure 4 shows a static pool of loans that were seriously delinquent as of October 1, 2005, and their status a year later. Of the accounts that began the static pool period with more than 90 days of delinquency, 50.5% achieved either "total cure" or "cash flowing" status by the end of the static pool period. A 13-month static pool assessment of the company's loss mitigation results for loans that were either delinquent in excess of 90 days or in foreclosure indicated that PNC exhibited a slight improvement in performance over the prior review period. When compared with the previous review, the number of loans that were cured, cash flowing or in limbo at the end of the review period increased.

*Figure 4*

**Loss Mitigation Static Pool Performance of Home Equity Loans**

Status as of 10/30/06 of Loans that were 90+ Days Delinquent, in bankruptcy, or foreclosure as of 10/01/05

| Total Cure[a] | Cash Flowing[b] | In Limbo[c] | Loans that Experienced a Loss |
|---|---|---|---|
| 29.3% | 21.2% | 23.2% | 26.3% |

a. Loans that were "Current" or "Paid in Full" as of 10/01/05.

b. Loans that were 30 or 60 days delinquent as of 10/01/05. Performing forbearances as of 10/01/05 are included in "Cash Flowing."

c. Loans that were 90+ days delinquent or in foreclosure as of 10/01/05. Non-performing forbearances as of 10/01/05 are included in "In Limbo."

## Borrower Interaction

- **File imaging facilitates document retrieval, data verification and dispute resolution**
- **Payment processing facilities not located in a limited access environment**
- **Dedicated team handles escalated calls**

### *Customer Service*

PNCCS exhibits a high level of customer service in its loan servicing operations. Customer service is performed through PNC Bank's firm-wide customer service group, the National Financial Services Center, which provides 24/7 live customer service. PNCCS' call center metrics were solid with an abandonment rate of 2.4% and average speed of answer of 23 seconds for a recent 12-month period.

The customer service agents who are dedicated to home equity, auto, and personal loans are a highly-trained and tenured group of specialists. A centralized customer assistance team supports the customer service agents in resolving the more complex issues that arise. PNCCS also has a team of Spanish-speaking loan specialists to assist borrowers.

Customer service agents are formally monitored at a rate of four calls per month by a centralized monitoring team to ensure a non-biased assessment. Customer service agents also receive side-by-side training and are informally reviewed by their manager six times per month. A scorecard is utilized to assess the quality of the monitored calls and is factored into an incentive program for customer service agents. Moody's positively views the company's side by side coaching efforts as an important factor that may enhance the level of customer service.

PNCCS does not currently record 100% of its customer service calls. Moody's believes the practice of 100% call recording may assist servicers in training new employees and resolving potential borrower disputes.

### *Payment Processing*

PNCCS offers borrowers three billing options: coupon book, monthly statement, and electronic billing. For all loan types, payments are made through PNC branches (7.1%), lockbox (40.5%), ACH (38.2%), or electronic means such as Western Union, Clear Tran and CheckFree (14.2%). Incentives are offered to borrowers to encourage the use of the ACH payment option.

Checks received at the lockbox are imaged and can be accessed by customer service agents from their desktops as needed. Electronically-transmitted payments are posted on the day of receipt. Checks that are received before 3:00 p.m. are posted on the same day, while those received after 3:00 p.m. are posted the next day but effective-dated to the receipt date.

PNCCS does not have a limited-access environment to handle its manual check processing. Moody's would positively view the implementation of a secured, limited-access environment for payment processing.

### *Document Management*

PNCCS exhibits solid document management capabilities in its loan servicing operations. The company safeguards legal documents on-site in a secure area accessible only by document control personnel. All files are imaged using the FileNet imaging system. Customer service representatives have direct access to imaged files, while other departments can request retrieval from the document control area. The use of bar-coding to index imaged documents facilitates document retrieval. Moody's positively views PNCCS' document management technology to facilitate document retrieval, verification and dispute resolution.

## SERVICING STABILITY

- **Division of A1-rated commercial bank**
- **Commitment to employee training and development**
- **Comprehensive disaster recovery program**

### Financial Stability

PNCCS' servicing stability is strong. PNCCS is a division of PNC Bank, which is rated **A1** for long-term deposits. The firm's ultimate parent, PNC Financial Services Group, Inc., is a pubicly-traded company (NYSE: PNC) with a senior debt rating of **A2**. As of March 31, 2007, PNC Financial Services Group, Inc. had total assets of $122.6 billion and shareholders' equity of $14.7 billion, compared to $93.3 billion in assets and $8.8 billion in shareholders' equity on March 31, 2006. Net income increased to approximately $459.0 million for the first quarter ended on March 31, 2007 from $354.0 million the previous year.

### Legal, Compliance and Oversight

PNCCS has solid internal audit and corporate compliance processes. The corporate internal audit department of PNC Bank, which is independent of PNCCS, is responsible for auditing the servicing function. The audit function is designed to evaluate compliance with policies and procedures, and address the soundness and adequacy of the company's accounting and operating controls. Internal audit results are reported to management and to PNC Bank's board of directors.

PNC Bank also has a corporate compliance department, independent of PNCCS, that assists management in establishing policies and procedures designed to ensure compliance with applicable internal policies and external regulations. The compliance unit is also responsible for monitoring legal and regulatory changes and working with PNCCS to address these changes.

PNCCS also has a quality oversight team. This team performs on-going quality review tests and reports the results on a monthly basis. In addition, the head of the quality oversight team is also a member of the company's operational risk management committee, which meets monthly. The committee's responsibilities include discussing key and emerging risk issues, tracking key business initiatives, identifying and monitoring key risk metrics, and reviewing and monitoring findings from self-testing, internal and external audits, and regulatory exams.

PNCCS has solid vendor management policies and procedures. PNCCS manages its vendors by conducting periodic site visits and by maintaining and reviewing vendor files. PNCCS assigns rankings to its vendors according to their relevance to PNCCS' business. The ranking system determines the frequency of on-site visits and the comprehensiveness of vendor file maintenance. PNCCS uses scorecards to evaluate the BPO vendors and attorneys used in the foreclosure process.

### Management and Staffing

PNCCS' management team has an average of 22 years of industry experience and 13 years of tenure with the company.

PNC Bank N.A. has transitioned from a decentralized to a centralized training organization, with the intention of helping employees to transition more easily to other positions and departments within the bank. New hires are required to attend a new employee orientation program that covers PNCCS' code of conduct, compliance guidelines, bank policies and procedures, and an overview of the consumer lending business. Upon completion of the program, new hires also take additional job-specific training classes.

For existing employees, PNCCS provides refresher and remedial courses. Classes are also offered in conjunction with system enhancements and client acquisitions as needed. Additionally, leadership and supervisory/management development courses are offered through PNC University, a corporate-wide training platform. Corporate compliance maintains a schedule of mandatory regulatory training curricula that includes sessions on Regulation B, fair lending, HMDA and privacy issues.

PNCCS' overall employee turnover rate for its servicing staff is 12%, which is lower than most servicers rated by Moody's.

### Technology and Disaster Recovery

PNCCS utilizes several systems from CGI-AMS. The Advanced Consumer Lending System (ACLS) is PNCCS' main servicing system. For delinquent accounts, PNCCS employs the Collections Management System and the Recovery Management System for REO and charged-off accounts. PNCCS also utilizes CGI-AMS's STRATA advanced decisioning system in determining calling campaigns.

The STRATA decision engine interfaces quarterly with ACLS to update behavioral scores on the entire portfolio. FICO scores are also updated quarterly, and STRATA re-scores delinquent accounts to determine the appropriate collection strategy.

PNCCS utilizes an auto-dialer for its outbound calls. For inbound calls, "Whisper tone" technology is used to provide information to agents regarding the portfolio to which an account belongs. The representatives can therefore greet borrowers accordingly, achieving a level of "private label" servicing.

PNCCS has two servicing centers in Pittsburgh that serve as alternative back-up sites. As both centers are in Pittsburgh, PNCCS is still subject to the risk of a disaster affecting both centers. PNCCS also uses PENCRO Associates, Inc., a third-party vendor, as a back-up for making collection calls in the event of a disaster.

SunGard Recovery Services provides hot back-up services for PNCCS. Critical applications are backed up daily and sent to a secure offsite storage facility. Tapes can be retrieved from the facility within three working hours. PNCCS has a risk-weighted rating system to ensure that the most critical applications and services are recovered first. PNCCS takes part in annual enterprise systems test, and each operating unit conducts a business resiliency test at least once per year.

## APPENDIX

## MOODY'S SERVICER QUALITY RATING DEFINITIONS AND RATING SCALE

Moody's Servicer Quality (SQ) ratings are opinions of the ability of a servicer to prevent or mitigate losses in a securitization. SQ ratings are provided for servicers who act as the Primary Servicer (servicing the assets from beginning to end), Special Servicer (servicing only the more delinquent assets), or Master Servicer (overseeing the performance and reporting from underlying servicers). For Primary Servicers, each SQ rating is assigned to a specific asset type.

SQ ratings represent Moody's assessment of a servicer's ability to affect losses based on factors under the servicer's control. The SQ approach works by separating a servicer's performance from the credit quality of the assets being serviced. In doing this, Moody's evaluates how effective a servicer is at preventing defaults and maximizing recoveries to a transaction when defaults occur.

SQ ratings consider the operational and financial stability of a servicer as well as its ability to respond to changing market conditions. This assessment is based on the company's organizational structure, management characteristics, financial profile, operational controls and procedures as well as its strategic goals.

Moody's SQ ratings are different from traditional debt ratings, which are opinions as to the credit quality of a specific instrument. SQ ratings do not apply to a company's ability to repay a fixed financial obligation or satisfy contractual financial obligations other than, in limited circumstances, the obligation to advance on delinquent assets it services, when such amounts are believed to be recoverable.

## SERVICER QUALITY RATINGS DEFINED

### Rating Definitions

**SQ1** **Strong** combined servicing ability and servicing stability

**SQ2** **Above average** combined servicing ability and servicing stability

**SQ3** **Average** combined servicing ability and servicing stability

**SQ4** **Below average** combined servicing ability and servicing stability

**SQ5** **Weak** combined servicing ability and servicing stability

Where appropriate, a "+" or "-" modifier will be appended to the SQ2, SQ3, and SQ4 rating category and a "-" modifier will be appended to the SQ1 rating category. A "+" modifier indicates the servicer ranks in the higher end of the designated rating category. A "-" modifier indicates the servicer ranks in the lower end of the designated rating category.

Please note that the SQ rating scale described above with modifiers pertains to ratings issued after May 10, 2005.

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