

Rating Evaluation Service For Structured Finance

Insight, Before You Act



Our Analysis, Your Financing Structures

When exploring financing options, you may want to assess ahead of time how your proposed initiatives may effect the creditworthiness of your financing structures.

Our Rating Evaluation Service (RES) gives you a confidential, written assessment on a timely basis of the potential credit impact of your hypothetical securitization initiatives. This can allow you to identify the scenarios that you would view as more or less favourable, based on your objectives.

Benefits of RES:

- Our analysis can be applied to **new transactions or existing deals** being refinanced or amended.
- **Initial indicative ratings** are provided for both contemplated and outstanding (if applicable) notes, along with a credit rationale for each of your scenarios.
- Our analysis can be applied to only a **single or several** alternative 'what-if' scenarios.
- A request can be made for **collateral** and/or **cash flow/structural** analysis.
- Scenarios are vetted by an **analytic committee** with findings detailed in a **confidential report**.

A Well-Established Service

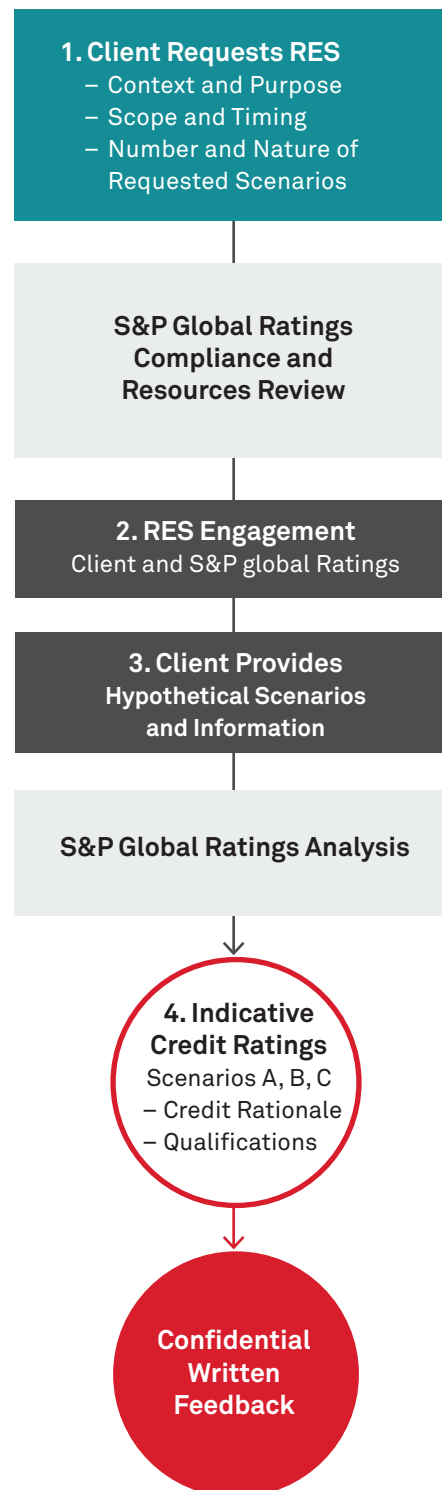
Developed in 1996, Rating Evaluation Service (RES) is well-established and available for the Corporates, Financial Services, Infrastructure, Structured Finance, and the Sovereign and sub-Sovereign sectors. RES is an analytical tool for entities considering strategic or financial initiatives — such as restructurings, mergers and acquisitions, divestitures, or material changes in debt or capital structure — that could affect their credit quality.

A RES analysis is not a credit rating, but rather is a confidential analysis requested by a rated or unrated entity on the potential indicative ratings of a hypothetical scenario. In the 20 years of its existence, our clients have used our RES analysis more than 4,000 times across all sectors, globally.

Confidentiality

The RES process and outcomes are confidential. Once you have engaged us to undertake an evaluation, the information that you have provided to us will be held in confidence. Our acknowledgement of, and agreement to, confidentiality are terms of the engagement letter, and the protection of confidential and commercially sensitive information is integral to our business. The RES evaluation is defined as hypothetical until one of the scenarios is chosen for actual implementation or until your financing arrangement is made public.

RES Analysis: Our Process



RES for Structured Finance – Applications

RES has been used in a variety of ways by our clients and is available across all major structured finance classes, including RMBS, CMBS, Structured Credit, and Asset-Backed Securities. Some examples of situations where our RES analyses have been used are described below.

New RMBS Pool With Credit Enhancement

A large bank planned to acquire a new portfolio of first lien residential mortgage loans, originated by a number of banks. Before determining the capital structure, the bank wanted to determine the different levels of credit enhancement that would be required, based on alternative collateral pools.

We applied a two-step process, where the client received the initial WAFF/WALS (weighted-average foreclosure frequency/weighted-average loss severity) analysis on the proposed loan pools, followed by the RES feedback on the client's subsequent capital structures.

New ABS Issuer

A specialty finance company was considering a rated securitization backed by an asset class that is not prevalent in the market. Prior to completing its transaction, the company wanted to gain a better understanding of how we would view the credit quality of a hypothetical pool and what the indicative ratings would be, based on different levels of credit enhancements.

We provided indicative ratings and feedback related to our view of the credit quality of the pool, including expected losses, assumptions, and the rating impact based on various levels of credit enhancement.

NEW CMBS Transaction

A commercial mortgage bank needed an initial review of the credit quality of individual loans. It also hoped to gain insight into its options around three proposed levels of subordination for a new CMBS structure, before deciding on a final structure and issuing CMBS notes.

We first evaluated the attachment point of the loans, and then provided RES feedback based on the client's hypothetical securitization scenarios.

New Single-Tranche CLO Structure

A fund manager, who faced increasing requirements for regulatory capital allocations against portfolio assets, planned to draw up an arbitrage structure to ensure optimal capital relief for balance sheet investments. The client expected to ultimately request a rating on the final structure, which might include a CLO with an equity tranche and single debt tranche, and was looking for information about the credit impact on the overall structure.

We were able to provide a RES analysis on the attachment points of specific assets held in the hypothetical portfolio, as well as give feedback on the overall arbitrage structure.

Restructuring Of An Outstanding Note

A bank was considering restructuring one of its outstanding structured finance notes by removing the current swap and leaving all other aspects of the transaction the same. Before taking action, the bank wanted to see what the potential impact of the proposed change might be on the note's existing rating.

Our RES analysis gave the client our feedback on how the note's existing rating might be affected if the swap were to be removed, based on our analysis of the hypothetical cash flows.

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