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Fitch Upgrades SLS' U.S. Residential Primary and Special Servicer Ratings Ratings

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Fitch Ratings-New York-18 December 2009: Fitch Ratings takes the following rating actions on the U.S. residential primary servicer ratings for Specialized Loan Servicing, LLC (SLS):

- U.S. residential primary servicer rating for Alt-A product upgraded to 'RPS2-' from 'RPS3+';
- U.S. residential primary servicer rating for subprime product upgraded to 'RPS2-' from 'RPS3+';
- U.S. residential primary servicer rating for home equity line of credit (HELOC) upgraded to 'RPS2-' from 'RPS3+';
- U.S. residential special servicer rating upgraded to 'RSS2-' from 'RSS3+';
- U.S. residential primary specialty servicer rating for second lien product upgraded to 'RPS2-' from 'RPS3+'.

The recommended upgrade rating actions are based on SLS' seasoned management team, technology enhancements, and improvements within high volume areas such as customer service and default management, which have increased SLS' ability to proactively target problem accounts and effectively address issues. The special servicer rating reflects SLS' ability to liquidate nonperforming assets utilizing its focused default management expertise. The ratings further recognize SLS' efforts to attract, hire, and importantly, retain key employees within their Highlands Ranch, CO operation. Finally, the ratings reflect the financial condition of its parent, Shinsei Bank, Limited (Shinsei), rated 'BBB/F2' with a Negative Rating Outlook by Fitch, as financial condition is an important component of servicer ratings. In addition, the ratings were determined in accordance with Fitch's criteria 'Rating U.S. Residential Mortgage Servicers' and 'Global Rating Criteria for Structured Finance Servicers'.

Founded in December 2002, SLS is a primary and special servicer of residential mortgage loans, with a focus on sub-prime, Alt-A and second lien loans. SLS' parent, Shinsei, via its wholly owned subsidiary Lexia LLC, acquired a majority interest in SLS over a year ago in September 2008 from Terwin Advisors, LLC. As of Sept. 30, 2009, SLS serviced 116,993 loans with a UPB of over \$9.35 billion, up slightly from 107,954 loans with a UPB of \$9.1 billion as of year-end 2008. Approximately 2.3% of the portfolio is special servicing, consisting of 855 loans with a UPB of \$210.9 million. The total portfolio is 37% first lien, and 63% second lien product; and approximately 20% subprime, 28% closed end seconds, 8% HELOC, and 6% Alt-A product. SLS has been servicing Alt-A, subprime, closed end second liens, and special servicing loans for almost six years; it has been servicing HELOC loans for almost five years.

Fitch believes that SLS remains an effective servicer of Alt-A, subprime, closed-end second liens and HELOC products as well as a reliable special servicer. Fitch will continue to monitor SLS' ability to manage and maintain its servicing standards in the current high delinquency environment in a challenging market.

Fitch rates residential mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within some of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating. For more information on Fitch's residential servicer rating program, please see Fitch's report 'Rating U.S. Residential Mortgage Servicers', dated Nov. 29, 2006 and 'Global Rating Criteria for Structured Finance Servicers' dated Sept. 30, 2009, which are available on the Fitch Ratings web site at 'www.fitchratings.com'.

Contact: Shashi Srikantan +1-212-908-0393 or Mary Kelsch +1-212-908-0563, New York.

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

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