



Rating Action - Servicer: **Moody's re-assigns LoanCare's SQ3+ to FNF Servicing, Inc as a Prime Servicer and Assigns SQ3- as a Special Servicer**

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Referenced Entities

[FNF Servicing, Inc.](#)

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US Residential Mortgage Servicer Rating Actions

New York, May 25, 2010 – Moody's Investors Service has assigned FNF Servicing, Inc ("FNF Servicing") Servicer Quality (SQ) ratings of SQ3+ as a Primary Servicer of prime/Alt-A residential mortgage loans and SQ3- as a Special Servicer. Moody's Primary Servicer rating is based on above average collection abilities, above average loss mitigation results, average foreclosure and REO timeline management, and average servicer stability. The Special Servicer rating is based on average loss mitigation results, average foreclosure and REO timeline management, and average servicer stability.

Effective November 16, 2009, the legal corporate name for LoanCare Servicing Center, Inc. was changed to FNF Servicing, Inc. a wholly-owned subsidiary of Fidelity National Financial, Inc, which is rated Baa3 for senior unsecured debt. The Primary Servicer of Prime/Alt-A residential mortgage loans SQ rating previously issued to LoanCare Servicing Center, Inc. has been affirmed and has been reassigned from LoanCare to FNF Servicing following the above-referenced name change. The Special Servicer rating has been newly assigned to FNF Servicing. Moody's ratings do not apply to FNF Servicing Inc.'s ServiceLink division, which is responsible for component servicing.

Moody's views servicing stability for FNF Servicing to be average. The rating is based on the Company's history of consistent profitability and the recent increase in viable flow loan contracts. As of March 31, 2010, FNF's servicing portfolio totaled 113,967 loans for an unpaid principal balance of approximately \$17.1 billion, a 20% increase from 95,102 loans in May 31, 2009. The assessment is balanced by the doubling in loans allocation per associate levels during the review period.

Moody's views the collection and loss mitigation assessments for the primary servicing operation as above average. During the review period, FNF Servicing continued to enhance its solid technology and demonstrated roll rate metrics in line with other servicers assessed above average by Moody's. However, the company demonstrated call center spikes. Moody's will positively view proactive monitoring of staffing levels as a means to mitigate service level variances.

The loss mitigation and timeline management assessment of the special servicing operation is average. The assessment takes into account the limited track record FNF Servicing has in the role of a special servicer, as well as the competitive position of special servicers in the present market environment. Furthermore, Moody's timeline assessment is constrained due to the small number of REO dispositions that both the primary and special servicing organization company completed to date.

Moody's SQ ratings represent its view of a servicer's ability to prevent or mitigate asset pool losses across changing markets. The rating scale ranges from SQ1 (strong) to SQ5 (weak). Where appropriate, a "+" or "-" modifier will be appended to the relevant rating to indicate a servicer's relative servicing quality within a particular category. Moody's servicer ratings are differentiated in the marketplace by focusing on performance management. SQ ratings for U.S. residential mortgage servicers incorporate assessments of delinquency transition rates, foreclosure timeline management, loan cure rates, recoveries, loan resolution outcomes, and REO management -- all critical indicators of a servicer's ability to maximize returns from mortgage portfolios.

Moody's servicer ratings also consider the company's ability to maintain its focus on high quality servicing in an economic downturn. Servicing operations can be stressed by increasing the number of delinquent loans while at the same time increasing the need for liquidity. The SQ rating reflects our expectation of the impact that the servicing will have on the on-going credit performance of the portfolio. For this reason, Moody's monitors SQ ratings based on periodic information provided by servicers and conducts a formal re-evaluation of its servicer ratings annually.

Moody's analyzes and monitors FNF Servicing using the rating methodology described in "Moody's Approach to Rating Residential Mortgage Servicers" (January 2001) and "Updated Moody's Servicer Quality Rating Scale and Definitions" (May 2005). A detailed description of the methodologies can be found on Moody's website: www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website. In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moody.com/SFQuickCheck.

New York
Linda Stesney
Managing Director
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Aleksandra Simanovsky
Associate Analyst
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653