CORRECTION - FITCH AFFIRMS FIRST FLEXIBLE 4 & 7

Fitch Ratings-London-13 October 2009: This comment corrects the version released earlier today. The Outlook on First Flexible 7's class C notes is Stable and not Positive as previously stated. This version also clarifies that the Loss Severity ratings are assigned.

Fitch Ratings, London, 13 October 2009: Fitch Ratings has today affirmed First Flexible 4, which contains loans originated by Mortgage Trust Limited, and First Flexible 7, which contains loans originated by Mortgage Trust Limited, Mortgage Trust Services Plc and Paragon Mortgages Limited. All note classes have also been assigned Loss Severity (LS) ratings. Both originators are now part of the Paragon Group. The rating actions are as follow:

First Flexible 4:
Class A (ISIN XS0132692384) affirmed at 'AAA'; Outlook Stable; Loss Severity Rating 'LS-1'
Class M (ISIN XS0132692897) affirmed at 'AAA'; Outlook Stable; Loss Severity Rating 'LS-1'
Class B (ISIN XS0132693192) affirmed at 'AA-'; Outlook Positive; Loss Severity Rating 'LS-2'

First Flexible 7:
Class A (ISIN XS0282470797) affirmed at 'AAA'; Outlook Stable; Loss Severity Rating 'LS-1'
Class B (ISIN XS0282471092) affirmed at 'AA'; Outlook Stable; Loss Severity Rating 'LS-3'
Class C (ISIN XS0282471175) affirmed at 'A'; Outlook Stable; Loss Severity Rating 'LS-3'

Fitch used its EMEA RMBS surveillance criteria, employing its credit cover multiple methodology in reviewing the deals to assess the level of credit support available to each class of notes.

The rating actions on First Flexible 4 have mainly been driven by the good performance of the underlying pool and the strong credit support available to the notes.

As of September 2009 interest payment date (IPD) loans in arrears by more than 3 months stood at 0.38% of the current outstanding pool balance and cumulative losses remained as low as 0.01% of the initial pool balance.

Furthermore, the transaction has a fully funded non-amortising reserve fund of GBP7.5m, which has enabled the credit enhancement (CE) of the tranches to grow faster than if the reserve fund was amortising. As of September 2009 IPD Class A CE was 49.42% (compared to 9.5% at issuance), class M reached 13.18% (2.5%) and class B stood at 7.91% (1.5%).

Since July 2008 there has been a noticeable decrease in available monthly excess spread, which has been caused by the step-up of the margin on the notes. This led to the affirmation of the notes despite the significant increase in credit support available to the class C notes.

First Flexible 7 rating actions, on the other hand, have been driven primarily by the high excess spread available, as well as the high seasoning of the pool (14.64 years as of today) and low weighted average loan-to-value of the pool (WA LTV 55.61%).

According to the latest available investor report, September 2009 IPD, the annualised net excess spread generated by the cash flow was 0.99% of the pool balance of the previous IPD The cumulative net losses incurred by the pool until today were as low as 0.03% of the initial pool balance, leaving the transaction with enough positive margin.

In September 2009, the trigger defining the repayment of the notes has been met which means that as of the next IPD the notes will switch to pro-rata redemption from the current sequential pay-down. This will slow the CE growth of the notes. Considering the good performance of the pool, in Fitch's view the pro-rata repayment on the notes is not a cause for concern.

Fitch notes the UK economy is still trying to recover and risks of deterioration in the underlying collateral have been taken into consideration.

Further commentary and performance data on the transaction are available on the agency's public website, www.fitchratings.com.

Applicable criteria, 'EMEA RMBS Surveillance Criteria,' dated April 9, 2009 and 'Global Structured Finance Rating Criteria', dated 30 September 2009, are available on www.fitchratings.com.

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