

## First Flexible (No. 7) Class B And C Ratings Lowered; Class A Rating Affirmed After Application Of U.K. RMBS Criteria

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### OVERVIEW

- We have applied our 2011 U.K. RMBS criteria to First Flexible (No. 7).
- As a result, we have lowered our ratings on First Flexible (No. 7)'s class B and C notes, and removed them from CreditWatch negative.
- We have also affirmed and removed from CreditWatch negative our 'AAA (sf)' rating on First Flexible (No. 7)'s class A notes.
- First Flexible (No. 7) is a U.K. RMBS transaction that securitizes mortgages originated by Mortgages Trust.

LONDON (Standard & Poor's) June 7, 2012--Standard & Poor's Ratings Services today lowered its ratings on the class B and C notes issued by First Flexible (No. 7) PLC to 'B- (sf)' from 'AA (sf)' and 'A (sf)', respectively. At the same time, we affirmed our 'AAA (sf)' rating on First Flexible (No. 7)'s class A notes. In addition, we removed all the ratings from CreditWatch negative, where we placed them on Dec. 12, 2011 (see list below).

Today's rating actions follow the application of our 2011 U.K. residential mortgage-backed securities (RMBS) criteria to First Flexible (No. 7). Our updated credit adjustments give rise to a higher weighted-average foreclosure frequency and a higher weighted-average loss severity. This leads to an overall increase in the required credit enhancement.

The lowering of our ratings on the class B and C notes reflects that the notes are not able to pass our updated cash flow stresses at their previous rating

levels. This is due to the insufficient credit enhancement levels for these notes, which are unable to meet the minimum required credit enhancement levels stipulated by our new criteria. Furthermore, 75% of the collateral pool consists of standard variable rate loans, for which we assume a zero margin under our criteria.

The affirmation of our rating on the class A notes reflects sufficient credit enhancement to offset the increase in required credit enhancement. Additionally, this class of notes benefits from more support than the class B and C subordinated notes because principal can be used to pay interest on the class A notes.

In our opinion, the collateral pool has exhibited stable performance recently, with 90+ day delinquencies currently at 5.24%, according to the most recent investor report for March 2012. Cumulative losses currently stand at 0.01%.

Our credit stability analysis indicates that the maximum projected deterioration that we would expect at each rating level for time horizons of one year and three years under moderate stress conditions, are in line with our credit stability criteria.

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#### STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Reports included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>

#### RELATED CRITERIA AND RESEARCH

- Counterparty Risk Framework Methodology And Assumptions, May 31, 2012
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Ratings On 305 Tranches In 120 European RMBS Transactions Placed On CreditWatch Negative After Bank Rating Actions, Dec. 21, 2011
- Ratings On 764 Tranches In 119 U.K. RMBS Transactions Placed On CreditWatch Negative After U.K. RMBS Criteria Update, Dec. 12, 2011
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

- Credit Stability Criteria, May 3, 2010

RATINGS LIST

Class	To	Rating	From
First Flexible (No. 7) PLC £268.6 Million Mortgage-Backed Floating-Rate Notes			
Ratings Lowered And Removed From CreditWatch Negative			
B	B- (sf)		AA (sf)/Watch Neg
C	B- (sf)		A (sf)/Watch Neg
Rating Affirmed And Removed From CreditWatch Negative			
A	AAA (sf)		AAA (sf)/Watch Neg

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