

RATING COMMITTEE MEMORANDUM

Date: August 29, 2006
Originator: 100% New Century
Lead Underwriter: Citigroup
Servicer: SQ1 or SQ2
Deal: CMLTI 2006-NC2

Final Capital Structure:

CMLTI 2006-NC2				OC Model Version 3.3.2				ARE		
				12/2/2005						
(assumptions in this model are based on article published in Dec05. All deals closing after 2/1/06 should be using this model)								Import Data		
Enter scenarios to run : 1 to 1								Export Data		
Enter 1) Spread Credit or 2) Rating Level Size : 2								Export Cashflows		
Solve with Fully Funded Initial OC : y										
	CE Level Check	FRM CE From Tranching Tool	Entered Req CE Size		Sub-ordination % plus Initial OC	Size	Cumul Advance Rate	Losses Incurred	Full Mtg Losses Realized	Entered Vs Calc Diff (SHOULD BE ZERO)
Aaa	OK	25.45%	25.45%	77.85%	22.15%	77.85%	77.85%	28.49%	No	-3.04%
Aa1	OK	21.95%	21.95%	4.15%	18.00%	4.15%	82.00%	24.60%	No	-2.65%
Aa2	OK	18.80%	18.80%	4.65%	13.35%	4.65%	86.65%	19.88%	No	-1.08%
Aa3	OK	16.90%	16.90%	1.50%	11.85%	1.50%	88.15%	18.37%	No	-1.47%
A1	OK	15.20%	15.20%	1.70%	10.15%	1.70%	89.85%	16.66%	No	-1.46%
A2	OK	13.55%	13.55%	1.75%	8.40%	1.75%	91.60%	14.82%	No	-1.27%
A3	OK	12.05%	12.05%	1.15%	7.25%	1.15%	92.75%	13.69%	No	-1.64%
A3	OK	12.05%	12.05%	1.05%	6.20%	1.05%	93.80%	12.56%	No	-0.51%
Baa1	OK	10.60%	10.60%	0.90%	5.30%	0.90%	94.70%	11.68%	No	-1.08%
Baa2	OK	9.35%	9.35%	1.25%	4.05%	1.25%	95.95%	10.31%	No	-0.96%
Baa3	OK	8.40%	8.40%	1.45%	2.60%	1.45%	97.40%	8.77%	No	-0.37%
Ba2	OK	6.65%	6.65%	1.15%	1.45%	1.15%	98.55%	7.53%	No	-0.88%
							0.00%			
NIM										
EL			5.05%			98.55%		Yield Tolerance (bps)		
	O/C							1		
Initial	1.45%	Because sizes were entered, Initial OC is ignored								
Target	1.45%									

Committee Votes and Comments:

1. Follow up from committee:
 - o Inform Navneet about M3 results vs. committee result.

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, August 30, 2006 11:32 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: M3 for subprime

Location of files
 E:\New Century\2006 Deals & Bids\CMLTI 2006-NC2\M3

Confidential Treatment Requested
 by Moody's Investors Service

MIS-OCIE-RMBS-0028611

Committee asked I inform you that the results from M3 subprime model, for deal on share drive under link above, were higher than what committee agreed on for the deal. In particular, we were curious to know to what extent the sate/loan balance distribution drove levels for portion D -- average balance was the only weakness of this deal's portion D vs. previous deals and M3 was much higher.

Thanks so much.

Moody's Investors Service

- Check that there is no 50-year collateral
 - Strats show no loans with amortization term longer than 40 years.
- Ask if New Century would be willing to do a rep for Alt-B; i.e. that x% of loans have reserves >2 months
 - Not opposed to it but would need to be market convention
- Confirm that for portions B and C the BQ grades were coded wrong but that really the loans are 0x30 in the last 12 months.
 - Based on lender's borrower quality grades for those sub-pools and banker's strats, largely all loans are 0x30 in the last 12 months.
- Confirm that balloon loans in portion E belong in portion D.
 - They do belong in D insetad. Joe reran the pool and levels were adjusted.

2. All in committee agreed with recommendation for portions B, C, E, F; one member voted for 19.50 and 3.375 for FRM due to small balance loans but others agreed. Final levels same as recommended levels.

Loss Coverage Recommendation:

	B	C	D	E	F	AGG	FINAL
\$ Amount	\$ 83,733,688	\$ 172,981,237	\$ 69,959,541	\$ 641,526,127	\$ 50,919,035	\$ 1,019,119,628	
% of Pool	8%	17%	7%	63%	5%	100%	
<u>Base Levels</u>							
Aaa	10.17	10.46	19.00	25.50	42.21	22.08	
B2	1.93	2.00	3.25	4.88	11.10	4.34	
<u>UG Hit</u>							
Aaa	3.05	5.23					
B2	0.58	1.00					
<u>IQ Hit</u>							
Aaa				0.97			
B2				0.19			
<u>Teaser Hit</u>							
Aaa	0.39	0.46		1.36			
B2	0.10	0.11		0.34			
<u>40-Year Hit</u>							
Aaa				0.66			
B2				0.13			
<u>SS Hit</u>							
Aaa	0.63	1.01		0.06			
B2	0.11	0.22		0.02			
<u>All-In</u>							
Aaa	14.24	17.16	19.00	28.55	42.21	25.47	25.45
B2	2.72	3.33	3.25	5.55	11.10	5.06	5.05

Confidential Treatment Requested
by Moody's Investors Service

MIS-OCIE-RMBS-0028612

Structures communicated to banker: [REDACTED] on 08/30/06

Aggregate pool:

CMLTI 2006-NC2		OC Model Version 3.3.2							ARE		
		12/2/2005									
									Import Data		
									Export Data		
									Export Cashflows		
(assumptions in this model are based on article published in Dec05. All deals closing after 2/1/06 should be using this model)											
Enter scenarios to run :		1		to		1					
Enter 1) Spread Credit or 2) Rating Level Size :				2							
Solve with Fully Funded Initial OC :				y							
	CE Level Check	FRM CE From Tranching Tool	Entered Req CE	Size	Sub-ordination % plus Initial OC	Size	Cumul Advance Rate	Lossess Incurred	Full Mtg Losses Realized	Entered Vs Calc Diff (SHOULD BE ZERO)	
Aaa	OK	25.45%	25.45%	79.95%	20.05%	79.95%	79.95%	25.47%	No	-0.02%	
Aa1	OK	21.95%	21.95%	3.55%	16.50%	3.55%	83.50%	21.95%	No	0.00%	
Aa2	OK	18.80%	18.80%	3.10%	13.40%	3.10%	86.60%	18.82%	No	-0.02%	
Aa3	OK	16.90%	16.90%	1.85%	11.55%	1.85%	88.45%	16.92%	No	-0.02%	
A1	OK	15.20%	15.20%	1.70%	9.85%	1.70%	90.15%	15.22%	No	-0.02%	
A2	OK	13.55%	13.55%	1.65%	8.20%	1.65%	91.80%	13.55%	No	0.00%	
A3	OK	12.05%	12.05%	1.50%	6.70%	1.50%	93.30%	12.06%	No	-0.01%	
Baa1	OK	10.60%	10.60%	1.50%	5.20%	1.50%	94.80%	10.56%	No	0.04%	
Baa2	OK	9.35%	9.35%	1.05%	4.15%	1.05%	95.85%	9.53%	No	-0.18%	
Baa3	OK	8.40%	8.40%	1.00%	3.15%	1.00%	96.85%	8.53%	No	-0.13%	
Ba1	OK	7.45%	7.45%	1.00%	2.15%	1.00%	97.85%	7.43%	No	0.02%	
							0.00%				
							0.00%				
NIM											
EL			5.05%			97.85%		Yield Tolerance (bps)			
	O/C							1			
Initial	2.15%	Because sizes were entered, Initial OC is ignored									
Target	2.15%										

First liens only pool:

Confidential Treatment Requested
by Moody's Investors Service

MIS-OCIE-RMBS-0028613

Sample		OC Model Version 3.3.2							ARE		
		12/2/2005									
									Import Data		
									Export Data		
									Export Cashflows		
(assumptions in this model are based on article published in Dec05. All deals closing after 2/1/06 should be using this model)											
Enter scenarios to run :		1		to		1					
Enter 1) Spread Credit or 2) Rating Level Size :						2					
Solve with Fully Funded Initial OC :						y					
	CE Level Check	FRM CE From Tranching Tool	Entered Req CE	Size	Sub-ordination n % plus Initial OC	Size	Cumul Advance Rate	Losses Incurred	Full Mtg Losses Realized	Entered Vs Calc Diff (SHOULD BE ZERO)	
Aaa	OK	24.60%	24.60%	80.80%	19.20%	80.80%	80.80%	24.61%	No	-0.01%	
Aa1	OK	21.15%	21.15%	3.50%	15.70%	3.50%	84.30%	21.15%	No	0.00%	
Aa2	OK	18.05%	18.05%	3.05%	12.65%	3.05%	87.35%	18.08%	No	-0.03%	
Aa3	OK	16.15%	16.15%	1.85%	10.80%	1.85%	89.20%	16.17%	No	-0.02%	
A1	OK	14.50%	14.50%	1.65%	9.15%	1.65%	90.85%	14.52%	No	-0.02%	
A2	OK	12.90%	12.90%	1.60%	7.55%	1.60%	92.45%	12.92%	No	-0.02%	
A3	OK	11.40%	11.40%	1.55%	6.00%	1.55%	94.00%	11.37%	No	0.03%	
Baa1	OK	10.05%	10.05%	1.35%	4.65%	1.35%	95.35%	10.04%	No	0.01%	
Baa2	OK	8.80%	8.80%	1.05%	3.60%	1.05%	96.40%	9.04%	No	-0.24%	
Baa3	OK	7.90%	7.90%	0.80%	2.80%	0.80%	97.20%	8.16%	No	-0.26%	
Ba1	OK	7.00%	7.00%	1.00%	1.80%	1.00%	98.20%	7.00%	No	0.00%	
						0.00%					
						0.00%					
NIM											
EL			4.75%			98.20%			Yield Tolerance (bps)	1	
Initial	1.80%	Because sizes were entered, Initial OC is ignored									
Target	1.80%										

Recommendation Rational:

- To determine loss coverage, I will mostly rely on the most recent securitization of New Century collateral by conduit issuers or peers of CMLTI, including most recent includes securitization of this issuer: CMLTI 2006-NC2.
- The issuer provided additional data in order to allow for our examination of the collateral using the Alt-B methodology (outlined below). The data was provided by the originator loan level and thus loan level adjustments above the model for portions B and C of 30% and 50% are recommended, respectively.
- On the aggregate level, the multi family and investor concentrations are non-concerning even though in some subpools they might be. I have not obtained multiple loans to the same borrower statistics from the issuer since the concentrations are immaterial in my opinion.
 - 7% investor properties
 - 3% 2nd home properties
 - 7% multi-family properties

Pool B (ID: 120443):

This collateral is slightly stronger than issuer's last deal in this series, but it is in line and levels come out very much similar to the CARR 2006-NC2 deal (ID: 115076). Relative to that deal, this collateral is very similar (with slight variations along several credit attributes but the negatives and positives wash each other out) and the model results come out in the same range. The main differences, all picked up by the model include more loans >80 LTV but less silent seconds to offset that as well as similar or stronger FICOs

in those LTV buckets; more investor properties and less AAA borrower grades, but less reduced documentation loans and stronger FICO distribution. This pool also has more large balance loans – but it is only x3 loans, at 1.0mm to 1.5 million with relatively strong credit characteristics; none of these loans end up in riskiest loan category.

Recommendation: 10.17 at Aaa and 1.93 at B2 (for base with 30% adjustment)

Pool C (ID: 120442):

This collateral is slightly stronger than issuer's last deal in this series, but it is in line and levels come out very much similar to the CARR 2006-NC2 deal (ID: 115076). Relative to that deal, this collateral is slightly weaker but similar (with slight variations along several credit attributes but the negatives and positives wash each other out) and the model results come out in the same range. The main differences, all picked up by the model include weaker FICO distribution but less silent seconds. This pool also has more large balance loans– but it is only x4 loans, at 1.0mm to 1.25 million with relatively strong credit characteristics; one of the loans ends up in the riskiest loan category.

Recommendation: 10.46 at Aaa and 2.00 at B2 (for base with 50% adjustment)

Pool D (ID 120727):

Relative to CMLTI 2006-NC1 (ID: 110378) this collateral is substantially of the same credit risk. I recommend the same levels.

Recommendation: 19.00 at Aaa and 3.25 at B2

Pool E (ID 120726):

Relative to CMLTI 2006-NC1 (ID: 110378) this collateral is substantially of the same credit risk. I recommend the same levels.

Recommendation: 25.50 at Aaa and 4.875 at B2

Pool F (ID 120728):

Relative to CARR 2006-NC1 (ID: 110380) this collateral is of similar credit profile and the grid levels come out in the same range. We generally follow the standard CES grid for New Century's CES collateral and that is what I am recommending.

Recommendation: 42.21 at Aaa and 11.10 at B2

General Guidelines							
Aaa Base Level				Aaa / E(L) Pairings			
FICO	90 LTV	95 LTV	100 LTV	Aaa	E(L)	Increase E(L) by this amount	Baa Multiple
620	40.00	46.00	52.00				
630	36.50	42.50	48.50	16	2.50	0.375	2.10
640	33.00	39.00	45.50	28.00	7.00	0.25	1.80
650	29.50	35.50	42.50	40.00	10.00	0.50	1.75
660	26.50	32.00	39.50	42.00			1.70
670	23.50	29.00	36.50				
680	21.00	26.50	33.50				
690	19.00	24.50	31.00				
700	17.50	23.00	29.00				
710	16.50	21.50	27.50				
720	16.00	20.00	26.00				

Enter FICO and % for each bucket level							
Bucket	90 LTV	95 LTV	100 LTV	Calculated Levels			
%	0.01	0.01	0.98	Aaa	E(L)	Baa Multiple	
FICO	620	647	653				
Aaa Level	40.00	36.55	41.68	41.61	10.81	1.75	

Extra Hits		Apply hit to % in excess of		Enter Base Level		41.61
Two - Four Family	1.4	x Aaa Level	5%	Enter % 2-4, but not investor		8%
Investor	1.4	x Aaa Level	5%	Enter % Investor, but not 2-4		0%
Investor and 2-4	1.7	x Aaa Level	Applies to entire amount	Enter % which is both 2-4 and investor		0%
Bal > 250k	1.5	x Aaa Level	2%	Enter % of pool > 250k		0%
					Final Level	42.21

Other Important considerations	
FICO Tails	If the FICO Distribution is uneven, it may make more sense to calc base levels for the each of the buckets
Documentation:	Some research indicated that poor documentation is a sign of adverse credit selection
Purchase Percentage	Our revised levels are based on the premise that these 2nds are used for purchase
If you find that your pool is refi/ cashout perhaps the older assumptions should be used.	

Alt-B Methodology:

Moody's current Alt-B approach is summarized below. Based on additional data points, further credit is estimated for an originator's loans. The credit can be derived at loan level or on pool level. The more granular the data provided, the more credit a pool of loans can receive via the process.

I. Additional Data Requirements:

- Cash reserves: Measured in months PITI, definitions as per the originators practices
- Payhistory grade:

Code	Description
A+	0x30 over 24 months
A	0x30 over 12 months
B1A	1x30 over 12 months and 0x60 over 24 months
B1B	1x30 over 12 months
B2	2x30 over 12 months
B3	3x30 over 12 months

- Months BK: Measured in terms of time from disposition; 99 Indicated none in the file; blank is unknown.
- Months FC: Measured in terms of time from disposition; 99 Indicated none in the file; blank is unknown.

Confidential Treatment Requested
by Moody's Investors Service

MIS-OCIE-RMBS-0028616

- Others (not required):
 - Escrow
 - First Time Homebuyer – Used to indicate whether pay-history grade is based on months of verified rental history
 - Prepay Penalty Term
 - Prepay Penalty Type
 - Disposable Income – What ever definition the originator has been using

II. Pool Filter

User (SA) must indicate if pool is treated as “A” collateral, which is run unadjusted through M3. Else, the model applies a filter where Grades B-F are assigned loan-level based on loan characteristics detailed in table below:

Loan	FICO	DTI	Pay Hist grade	Reserves	Months BK	Months FC	DOC
B	>620	<41	B1A or better	2 or More	>36	>36	C7 or better
C	>590	<51	B1B or better	2 or More	>24	>24	C7 or better
else							
D	1st lien FRM						
E	1st lien ARM						
F	2nd lien						

III. Documentation Coding for M3

If no remapping was done for originator’s collateral to current M3 alt-a/jumbo documentation guidelines then use LBL coding (Codes from 1 to 5) and re-assign as:

- Current code 1 = C3
- Current code 2 = C4
- Current code 3 = C6
- Current code 4 = C7
- Current code 5 = C9

Note, Doc types C8 and C9 or 5 and 6 are not eligible for B or C treatment.

IV. Treatment of each Sub-Pool in Loss Coverage Estimates

Base Level	Aaa/ B2 from the LTV Column of M3 Results for Category A,B and C, For cat D = M3 LTV result*2.5
Committee Base Aaa	From Analyst / Committee
Committee Base B2	From Analyst / Committee
Underwriting Adjustment	A=0, B=.3* Base Level Aaa for Loan Specific info or .4* Base for guideline info C=.5* Base Level Aaa for Loan Specific info or .6* Base for guideline info, D = 1 * Base
SS Hit	=Diff in levels from M3(CLTV value - LTV value), for D = Max(CLTV-LTV-5)*.25,0)
Teaser Hit	= Formula given elsewhere based off B2; for B and C collateral = Formula Result * .5; No Teaser Hit for C
IO Hit	= for D = IO% * Aaa Base Level * .2, for all other categories = 0
Aaa CE	=Sum Committee Base Aaa + Underwriting adjustment + SS Hit + Teaser + IO Hit
B2 CE	= Committee Base B2 +Teaser Hit/4 + (Committee Base Aaa + SS Hit + IO Hit) / Committee Base Aaa

Confidential Treatment Requested
by Moody's Investors Service

MIS-OCIE-RMBS-0028617