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THE ABS EQUIPMENT EXPO

August 2007

Fitch Ratings ABS Equipment Lease Group

Analysts
Du Trieu
Director
+1 312 368-2091
du.trieu@fitchratings.com

John H. Bella, Jr.
Managing Director
+1 212 908-2043
john..bella@fitchratings.com

Ravi R. Gupta
Senior Director
+1 312 368-2058
ravi.gupta@fitchratings.com

Performance Analytics
Peter Manofsky
Analyst
+1 312 368-2068
peter.manofsky@fitchratings.com

Fitch's Equipment ABS Delinquency Index

By Du Trieu

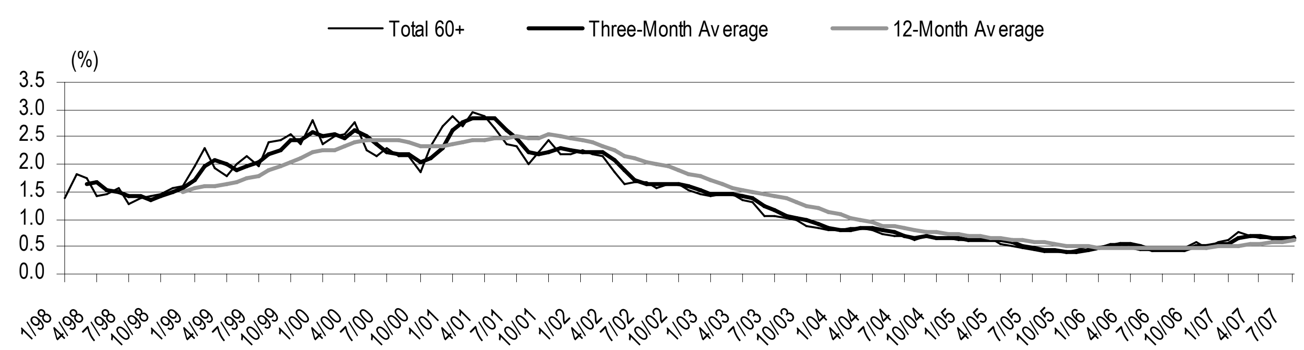
As tracked by Fitch Ratings' Equipment ABS Delinquency Index, delinquency rates through the July 2007 reporting period declined slightly from first-quarter 2007. Through second-quarter 2007, the delinquency index averaged 0.67%, which is slightly lower than the first-quarter 2007 rate of 0.69% but slightly higher than the 2006 second-quarter delinquency rate of 0.53%. The slight increase in 60+ day delinquencies during the first quarter follows similar seasonal patterns witnessed in prior years, during which first-quarter delinquencies reached an annual peak but subsequently declined over the course of the year. On a historical cumulative delinquency basis, the index remains well-below its March 2001 high of 2.95% and is slightly above the all-time low of 0.40% reached in October 2005. Please see the October 2006 edition of The ABS Equipment Expo for further commentary on the factors driving historical delinquency performance in the small/mid-ticket, agricultural (AG), construction (CE) and truck/transportation (TR) sectors of the equipment asset-backed securities (ABS) market.

INSIDE THIS ISSUE

August 2007 • Volume 7 • Issue 2

Fitch's Equipment ABS Delinquency Index reflects the delinquency performance of 45 issuers representing more than 150 transactions and over $76.6 billion of issuance since January 1998.

Fitch's Equipment ABS Delinquency Index
(Small/Mid-Ticket, Construction, Agricultural and Trucking/Transportation)



ABS – Asset-backed securities.

2007 ABS Equipment Update

Year to date, the 2007 equipment ABS issuance volume of $2.6 billion is a decline of 40% and 47% from 2006 and 2005 first-half issuance volume of $4.3 billion and $4.9 billion, respectively. A total of four equipment transactions closed during the first six months of 2007. Overall issuance volume was dominated by the AG/CE sector from annual issuers John Deere and CNH Capital, which totaled $2.2 billion in issuance. Small and middle-ticket sector issuance consisted of two transactions from two first-time issuers (LEAF Financial Corporation and Balboa Capital Corporation) totaling $376.9 million in issuance. Both transactions were structured with a financial guaranty insurance policy as credit support. The significant decline in 2007 issuance was primarily driven by the nonissuance from Caterpillar Financial Services (CAT) and CIT Group (CIT), which have historically tapped the securitization market during the first half of the year. During the first half of 2006, CAT and CIT closed two transactions totaling $2.0 billion in issuance. Fitch expects issuance volume during the second half of 2007 to increase, although total 2007 issuance will likely fall short of 2006 and 2005 issuance volume.

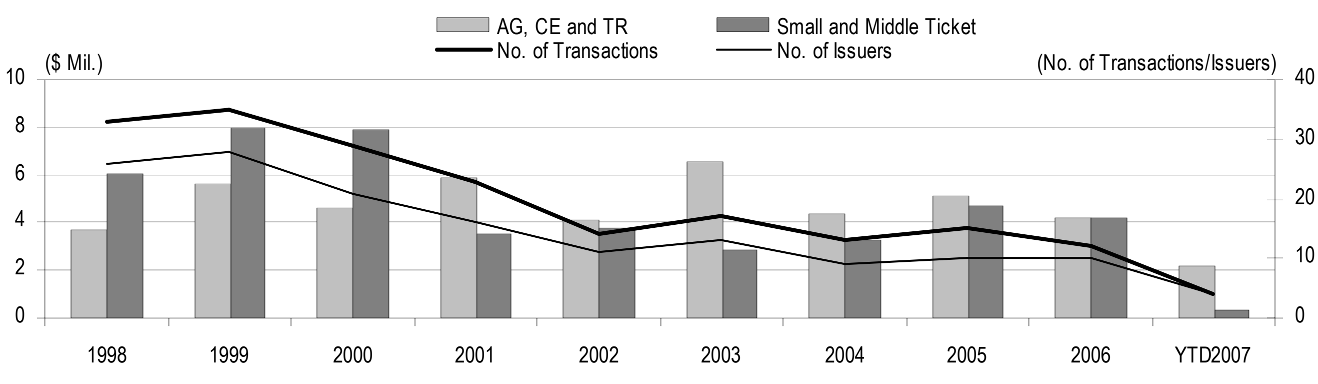
From a ratings perspective, in the first half of 2007, Fitch issued 17 upgrades and five downgrades and seven classes were withdrawn, compared with a total of 17 upgrades and no downgrades in 2006. The increase in downgrades reflects transactions that have been experiencing deteriorating performance over the past several years, ultimately driving credit-enhancement levels below initial expectations. Fitch does not anticipate any significant increase in downgrades for the remainder of 2007, as the remaining portfolio is performing within expectations. Furthermore, Fitch remains optimistic that the positive business dynamics and spending patterns experienced in 2006 will persist through 2007, further benefiting collateral performance and credit-enhancement levels.

Since 1998 (please see chart below), there has been approximately $90.9 billion of equipment ABS issuance in the form of 195 public and privately placed transactions. Of that issuance, $46.3 billion (51%) is backed predominantly by leases and loans on equipment such as CE, AG and TR. The remaining $44.6 billion (49%) is backed predominantly by leases and loans on what has traditionally been classified as small- and middle-ticket equipment. It should be noted that the TR classification does not include securitizations backed by aircraft, rail cars or shipping/marine containers. ■

Small/Mid-Ticket Equipment ABS Delinquency Index

Fitch's Small/Mid-Ticket Equipment ABS Delinquency Index reflects the delinquency performance of 38 issuers representing 105 transactions and more than $40.1 billion in original issuance since January 1998. Predominant equipment types in these transactions are office equipment, medical equipment, communications equipment, computers and machine tools.

ABS Equipment Issuance by Equipment Type — 1999–2Q07



ABS – Asset-backed securities. AG – Agricultural. CE – Construction. TR – Trucks and transportation (excluding air, rail and shipping/marine containers). YTD – Year to date. Source: Company reports.

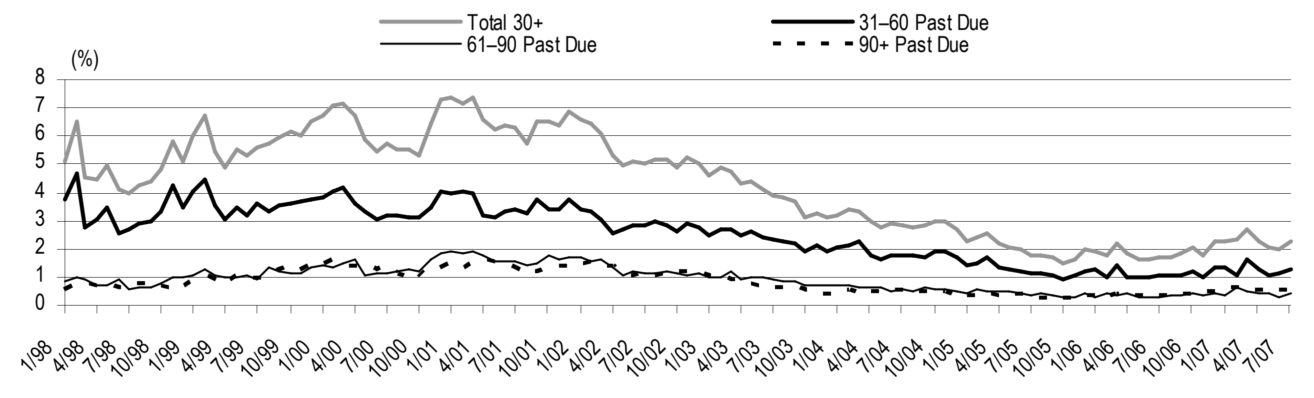
Small/Mid-Ticket Equipment ABS Delinquency Index

Continued from page 2

Since January 2003, delinquency rates have steadily dropped and averaged 2.93% before reaching a historical portfolio low of 1.53% in October 2005. Since October 2005, the total delinquency rate has averaged 1.98% and was at 2.26% as of July 2007. The decline in total delinquencies since 2003 is primarily driven by the strengthening economy, as well as a tiering of issuers. As a result of this tiering, only those companies that are relatively more financially stable with stronger and consistent delinquency performance histories have been able to utilize securitization effectively.

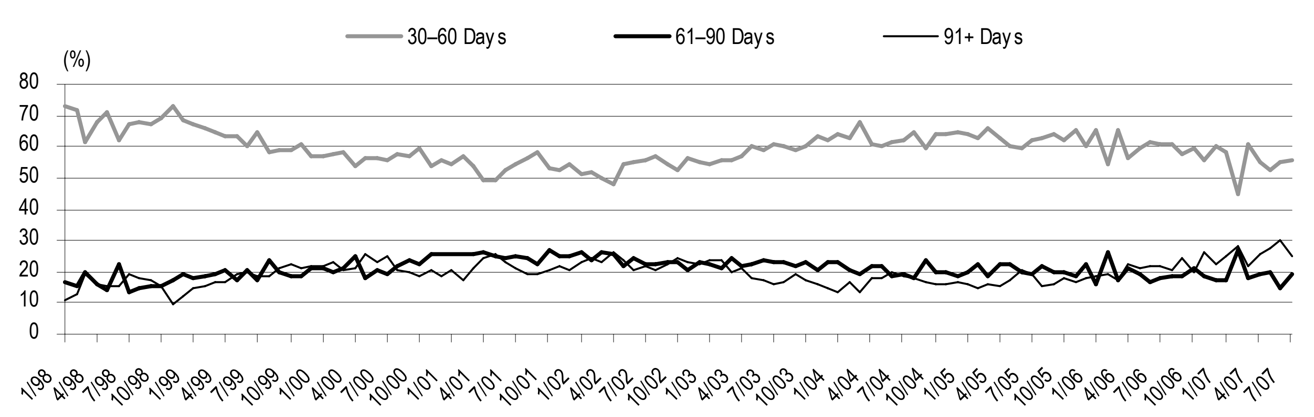
Similar to Fitch's combined index, the recent uptick in 60+ day delinquencies for the small/mid-ticket index during first quarter 2007 and subsequent downward trend beginning in second quarter 2007 follow similar seasonal patterns witnessed in prior years. March 2007 60+ day delinquencies totaled 1.05% with a three-month average of 1.09%, compared with 0.77% and 0.74% for March 2006 and the 2006 three-month average, respectively. However, similar to 2006 performance, 60+ day delinquencies began trending downward in second-quarter 2007. As of second-quarter 2007, 60+ day delinquencies totaled 1.00%, the three-month average was 0.96% and the year-to-date average was 1.02%. The 60+ day delinquencies, the three-month average and year-to-date average in 2006 were 0.63%, 0.69% and 0.71%, respectively.

Fitch's Small/Mid-Ticket Equipment ABS Delinquency Index



ABS – Asset-backed securities.

Buckets' Share of Total Delinquencies — Small/Mid-Ticket



Small/Mid-Ticket Equipment ABS Delinquency Index

Continued from page 3

Buckets' Share of Total Delinquencies — Small/Mid-Ticket

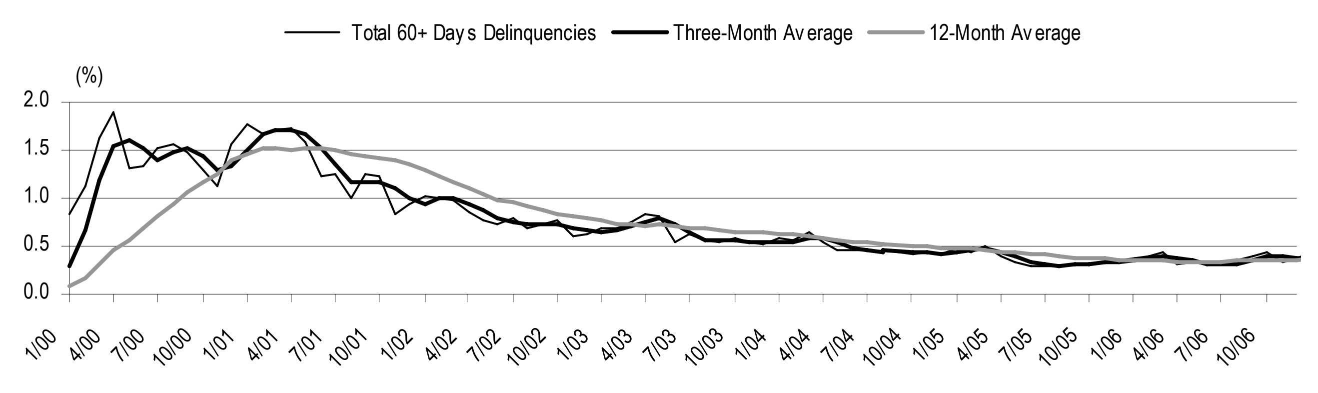
The chart at the bottom of page 3 shows that each delinquency bucket's share of total delinquencies further reflects the deterioration and subsequent improvement of delinquency performance over the presented period. As the industry and collateral performance deteriorated over the 1999–2002 period, the 31–60 day bucket accounted for a lower percentage of total delinquencies. Likewise, later stage delinquency buckets accounted for a higher percentage of total delinquencies during this time. Many of these late-stage delinquencies ultimately defaulted, resulting in rating downgrades as available credit enhancement deteriorated. More recently, as the industry stabilized, the 31–60 day bucket has come back to represent a larger share (61% on average since January 2003) of total delinquencies, and the later stage delinquency buckets represent a smaller share of total delinquencies. Since 2003, the 91+ day delinquency bucket has declined and remained fairly stable, averaging 19.30% and reflecting improved collateral performance. Aside from February 2007, where the 30–60 day and 60–90 day buckets experienced a one-month uptick, year-to-date 2007 delinquency bucket composition is comparable to historical averages dating back to 2003. The primary driver for this one-month volatility was the rollover of early-stage delinquencies from the GE EST 2005-2 transaction. The 30–60 day bucket experienced a $3.76 million decline from January 2007, which rolled into the 60–90 day bucket and ultimately became current the following month. As of July 2007, the 30–60 day, 61–90 day and 91+ day delinquency bucket averages were 55.87%, 19.07% and 25.06%, respectively.■

Heavy Metal Equipment ABS Delinquency Index

Fitch's Heavy Metal Equipment ABS Delinquency Index reflects 60+ day delinquency performance of seven issuers in the AG, CE and TR sectors from 52 transactions, representing more than $36.5 billion in term ABS issuance over the 2000–2007 period. The predominant equipment types in these transactions are agricultural related (tractors, combines, cotton pickers, soil management, planting and seeding equipment, and hay and forage equipment); construction related (excavators, backhoes, wheel loaders, skid steer loaders, tractor loaders, trenchers, forklifts, compaction equipment and cranes); and transportation related (medium-duty trucks, heavy-duty trucks, truck chassis, buses and trailers). It is of note that this index tracks only 60+ delinquency rates, as most issuers in this segment report only this delinquency rate.

From 2005 through second-quarter 2007, the delinquency rate has remained stable with an average of 0.39%, which is a decline from the 1.39% average in 2000. This improvement reflects not only a rebound of the truck market

Fitch's Heavy Metal (AG/CE/TR) Equipment ABS Delinquency Index



AG – Agricultural. CE – Construction. TR – Trucks and transportation. ABS – Asset-backet securities.

Heavy Metal Equipment ABS Delinquency Index

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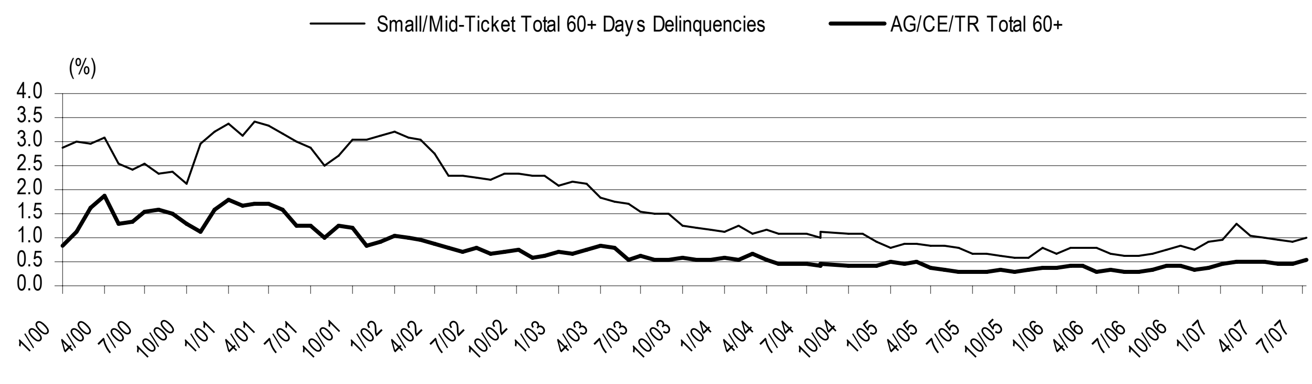
Total 60+ Delinquency — Small/Mid-Ticket Versus AG/CE/TR



AG – Agricultural. CE – Construction. TR – Trucks and transportation.

but the strengthening economy, which also drove increased demand for construction-related equipment. Additionally, recent securitizations in this segment have specifically excluded receivables from borrowers in the forestry/timber industry, which experienced higher than expected delinquencies and defaults during 2000 and 2001 (please refer to The ABS Expo issued on Jan. 30, 2007). Year-to-date 2007 performance has exhibited a slightly higher level of delinquencies than 2006 levels, albeit with less divergence than the small/mid-ticket index but following a similar seasonal pattern. Total delinquencies stood at 0.51% as of March 2007, which was the highest single month dating back to April 2004 (0.55%). However, the first-quarter 2007 three-month average (0.49%) was comparable with 2006 and 2005, which were 0.40% and 0.47%, respectively. As prior seasonal patterns suggested, the ensuing three months saw delinquencies decline slightly to 0.47% as of June 2007 and a three-month average of 0.48%.

Total 60+ Delinquency — Small/Mid-Ticket Equipment Versus Heavy Metal (AG/CE/TR) Equipment

The chart above compares total 60+ day delinquencies for small/mid-ticket equipment securitizations and AG/CE/TR equipment securitizations. Both types of equipment securitizations reflect similar delinquency performance trends over the past several years, which have been periods of relatively higher and more volatile delinquency rates followed by declines and stabilization at historically low levels. Since 2003, 60+ day average delinquencies for the small/mid-ticket and AG/CE/TR are 1.05% and 0.47%, with the small/mid-ticket portfolio continually tracking higher. While the cause of the high rates and volatility differ for each segment (please see prior discussions), the declines and subsequent stabilization of delinquency rates were driven primarily by the strengthening economy and a tiering of issuers in the ABS equipment market. As a result of this tiering, only those companies that are relatively more financially stable with stronger and consistent delinquency and loss performance histories have been able to utilize term securitization effectively.■

Equipment ABS Outlooks

Small/Mid-Ticket Equipment ABS Outlook
Asset Performance — Stable
Rating Outlook — Stable

Fitch's outlook for the U.S. equipment lease sector for the second half of 2007 is positive in spite of the current volatile economic conditions. Business investment and spending on new equipment is expected to remain fairly stable. Overall equipment financing activity during first-quarter 2007 was strong, with total new business volume exceeding first-quarter 2006 total business volume. Fitch expects new origination volume to continue to increase through the remainder of 2007.

In addition, performance has been supported by the reliable underwriting and servicing of portfolios. Since the end of 2001, there has been acceleration in spending

Equipment ABS Outlooks
Continued from page 5

on equipment and software, as well as increased investment in nonresidential structures. In general, capital investment has been broadbased across equipment types, such as medical and electrical equipment and computers.

Heavy Metal (AG/CE/TR) Equipment ABS Outlook

Asset Performance — Stable
Rating Outlook — Stable

Fitch's stable outlook for the AG/CE/TR equipment ABS sector is based on current stable trends in business investment in equipment. Over the past several years, there has been accelerated investment in "heavy metal" equipment, particularly for construction equipment as the economy has grown, and for heavy-duty trucks, including Class 8 vehicles. However, with the current decline in new housing starts, demand for construction equipment may decline. As a result, delinquency performance within securitizations collateralized by construction equipment may experience slight increases, albeit at levels that are not expected to dramatically affect overall transaction-specific performance. Fitch will continue to monitor our construction-related transactions diligently for any significant portfolio deterioration.

Agricultural equipment has also benefited from stable commodity prices, a trend that is expected to continue. While gas prices rose to record levels in 2006 and into first-quarter 2007, they have since declined, and no noticeable uptick in TR-specific delinquency rates has been noted to date. Fitch is optimistic that these stable trends will persist for the remainder of 2007 but is concerned about a slowing economy, rising interest rates, fallout within the subprime mortgage sector and natural disasters such as flooding, which may affect domestic agricultural production. ■

Year-to-Date 2007 Fitch Equipment ABS Rating Upgrades
(As of July 31, 2007)

Transaction Name	Class	Closing Date	Original Rating	Previous Rating	Date of Upgrade	New Rating
CNH Equipment Trust 2004-VA	B	12/20/04	'A'	'A'	1/16/07	'AA'
CNH Equipment Trust 2005-A	B	3/16/05	'A'	'A'	1/16/07	'AA'
CIT Equipment Collateral 2004-EF1	C	6/24/04	'A'	'AA'	4/30/07	'AAA'
	D	—	'BBB'	'BBB'	4/30/07	'A'
CIT Equipment Collateral 2005-VT1	B	3/23/05	'AA'	'AA'	4/30/07	'AAA'
	C	—	'A'	'A'	4/30/07	'AA'
	D	—	'BBB'	'BBB'	4/30/07	'A'
GreatAmerica Leasing Receivables 2004-1, LLC	B	10/7/04	'AA'	'AA'	6/5/07	'AAA'
	C	—	'A'	'A'	6/5/07	'A+'
CNH Equipment Trust 2004-A	B	9/24/04	'A'	'AA'	6/8/07	'AAA'
GE Commercial Equipment Financing LLC 2004-1	B	11/16/04	'A'	'AA'	6/8/07	'AAA'
	C	—	'BBB'	'A'	6/8/07	'AA'
GE Commercial Equipment Financing LLC 2004-A	B	12/16/04	'A'	'A'	6/8/07	'AA'
CNH Equipment Trust 2004-VA	B	12/20/04	'A'	'AA'	7/5/07	'AAA'
CIT Equipment Collateral 2005-EF1	B	8/24/05	'AA'	'AA'	7/5/07	'AAA'
	C	—	'A'	'A'	7/5/07	'AA'
	D		'BBB'	'BBB'	7/5/07	'BBB+'

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