



Announcement: Moody's confirms Aaa ratings directly linked to US Government bond rating; outlook changed to negative

Global Credit Research - 02 Aug 2011

New York, August 02, 2011 -- Moody's Investors Service confirmed the Aaa ratings of financial institutions directly linked to the US government: Fannie Mae, Freddie Mac, the Federal Home Loan Banks, and the Federal Farm Credit Banks. We have also confirmed the Aaa ratings of securities either guaranteed by, backed by collateral securities issued by, or otherwise directly linked to the US government or the affected financial institutions. These actions follow the confirmation of the Aaa rating assigned to the US government. In conjunction with the revision of the US government outlook to negative, the rating outlook for these directly linked issuers has also been revised to negative.

In addition to the Aaa ratings of financial institutions directly linked to the US government, we have also confirmed the Aa2 subordinated debt ratings of Fannie Mae and Freddie Mac and the Aa2 Issuer ratings of the Farm Credit Bank of Texas and U.S. AgBank FCB.

Moody's has confirmed the ratings assigned to pre-refunded municipal bonds (which are invested in government or related securities). These bonds do not carry outlooks.

Moody's also has confirmed ratings assigned to certain housing bonds that are supported or guaranteed by the US government, and other municipal ratings that are directly linked to the rating of the US government. If applicable, the outlook for these bonds is negative. However, 21 public housing authority capital fund financings remain on review for possible downgrade, pending further evaluation of their fundamental credit profile, including risks related to future federal appropriations that are their primary source of repayment.

Structured finance securities that hold government-linked debt as their primary collateral have also been confirmed. These include transactions defeased by US Treasury strips, transactions backed by FFELP government guaranteed student loans, and US RMBS backed by government agency mortgages. These bonds do not carry outlooks. There are 158 FFELP ABS tranches which were on review prior to the July 13, US sovereign rating action. Those tranches remain on review for possible downgrade because of either operational risk or performance reasons.

Further information on ratings indirectly linked to the US government that are under review for possible downgrade will be communicated to the market in the coming days.

FURTHER INFORMATION

Moody's previously discussed the review of the US government's rating and directly related credits in multiple documents that can be found on: www.moodys.com/USRatingActions

For the press release on the US government rating, a complete list of affected securities and additional analysis, please visit: www.moodys.com/USRatingActions.

REGULATORY DISCLOSURES

Please see the rating methodologies tab on the Credit Policy page on moodys.com for the relevant methodology for each action.

Please see the ratings tab on the issuer / entity page on moodys.com for the last Credit Rating Action and the rating history.

New York
Brian L. Harris
Senior Vice President
Financial Institutions Group
Moody's Investors Service, Inc.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Anne Van Praagh
Managing Director
Credit Policy
Moody's Investors Service, Inc.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653



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