

J.P Morgan Alternative Loan Trust 2006-S1

A Case Study on Asset Backed Securities

John Cyriac

john.e.cyriac@gmail.com

Version	Date	Author	Comments
1.0	31 Oct. 07	J Cyriac	
1.1	27 Nov. 07	J Cyriac	Draft
1.2	12 Dec. 07	J Cyriac	Final

1 Agenda

2	<u>ABSTRACT.....</u>	4
3	<u>BACKGROUND</u>	4
3.1	A BRIEF HISTORY	4
3.2	SCOPE AND STRUCTURE OF THIS CASE STUDY	5
4	<u>ANATOMY OF AN ABS TAKE-DOWN PROSPECTUS</u>	6
4.1	TRANSACTION FLOWCHART REPRESENTING THE TRANSACTION PARTIES, CASH FLOWS AND CONSIDERATION BETWEEN PARTIES	7
5	<u>TRANSACTION SUMMARY.....</u>	8
5.1	ANATOMY OF DISCLOSURES	8
5.2	TRANSACTION PARTIES.....	8
5.3	TRANSACTION AGREEMENTS.....	8
5.3.1	POOLING AND SERVICING AGREEMENT	8
5.3.1.1	Parties to this agreement	8
5.3.2	FLOW MORTGAGE LOAN PURCHASE, WARRANTIES AND SERVICING AGREEMENT	9
5.3.2.1	Parties to this agreement	9
5.3.3	ASSIGNMENT, ASSUMPTION AND RECOGNITION AGREEMENTS	9
5.3.3.1	Parties to this agreement	9
5.3.4	MORTGAGE LOAN SALE AND SERVICING AGREEMENT	10
5.3.4.1	Parties to this agreement	10
5.3.5	FLOW MORTGAGE LOAN INTERIM SERVICING AGREEMENT	10
5.3.5.1	Parties to this agreement	10
5.3.6	RATE COLLAR TRANSACTION AGREEMENT	11
5.3.6.1	Parties to this agreement	11
6	<u>ANALYSIS OF ABS INVESTOR'S RISK.....</u>	12
6.1	BANKRUPTCY RISK.....	14
6.1.1	BANKRUPTCY REMOTENESS AND TRUE SALE CONSIDERATIONS	15
6.1.2	SERVICER BANKRUPTCY RISK	17
6.2	CASH FLOW TIMING RISK.....	19
6.2.1	PREPAYMENT RISK	19
6.2.2	CLEAN-UP CALL	20
6.3	RISKS RELATED WITH LACK OF EASY TO USE INFORMATION	20
6.3.1	LEGAL RISK WHILE ACCEPTING AN ABS INVESTMENT OFFER	20
6.3.2	ONGOING INFORMATION ASYMMETRY	21
6.4	LIQUIDITY/MARKET RISK	22
6.5	RISKS RELATED WITH POOR CORPORATE GOVERNANCE AND OTHER OPERATIONAL RISKS	23
6.5.1	FRAUD RISK.....	23

6.5.2	TAX RISK	24
6.5.3	UNDERWRITER’S CONFLICTS OF INTEREST RISK	24
<u>7</u>	<u>CONCLUSION</u>	<u>25</u>
<u>8</u>	<u>ANNEXURE I</u>	<u>26</u>
<u>9</u>	<u>ANNEXURE II.....</u>	<u>27</u>
<u>10</u>	<u>ANNEXURE III</u>	<u>30</u>
<u>11</u>	<u>ANNEXURE IV</u>	<u>32</u>
<u>12</u>	<u>BIBLIOGRAPHY</u>	<u>34</u>

2 Abstract

This is a case study on Asset Backed Securities (ABS) from an investor's perspective. We will be considering the example of J.P Morgan Alternative Loan Trust 2006-S1, which is a Mortgage Backed Security (MBS), issued in the US. There are four major parts to this case study. The first part gives a historical overview of the ABS market and the importance of Mortgage Backed Securities (MBS) among them. The second part gives an overview of the ABS issue of J.P Morgan Alternative Loan Trust 2006-S1 and its overall compliance with Regulation AB. The third part identifies the disclosure items and transaction parties as per Regulation AB. The study ends with the fourth part, which gives an analysis of the major risks created because of securitization of the mortgage loans. The risk analysis is limited to the new risks created as a result of the securitization transaction without getting into details of the traditional risks of failure of obligors meeting their obligations.

3 Background

3.1 A brief history

“Asset Backed Securities (ABS) grew from a non-existent industry in the 1970s”¹ to an industry, which issues securities of over a trillion a year. Figure 1, gives a sense of proportion of the industry. ABS is beneficial to financial institutions as it gives less expensive capital and liquidity for otherwise non-liquid assets. It is beneficial to investors by giving them the level of risk exposure and returns and borrowers reduce their borrowing costs.

ABS issuance relates to a variety of underlying assets, like mortgages, home equity loans, student loans etc. The following are the major milestones in the history of the ABS market.

- Ginnie Mae issued first MBS (agency MBS²) – 1968.³
- 1977 Bank of America and Salomon Brothers (non-agency).⁴

¹ Cowan, C L.(2003) p.1

² There are two types of mortgage backed securities in the market today. One is backed by government Sponsored Entities (GSE) or agency type and the other is private label or non-agency type.

³ Taff, L.G.(2003) p.130

⁴ Peterson, C.L.(2007)

- Sperry Lease Finance created securities backed by its computer equipment leases – 1985 –the first kind of Asset Backed Securities which were not backed by mortgages.⁵

“A mortgage-backed security is an example of an ABS whose underlying collateral is residential mortgages.”⁶ Under the classification of ABS, Mortgage Backed Securities (MBS) have a long history and it constitutes the biggest chunk of the ABS market as evident from the following picture (Figure 1).

ABS ISSUANCE			
\$ Billions	% Change		
	2005	2006	% Change
Home Equity	453	375	-17.2
Credit Cards	59	60	1.7
Auto Loans	88	95	8.0
Student Loans	63	70	11.1
Other	64	36	-43.8
Total	727	636	-12.5

Source: Thomson Financial for 2005 numbers

MORTGAGE-RELATED ISSUANCE			
\$ Billions	% Change		
	2005	2006	% Change
Agency MBS	915	755	-17.5
Agency CMO	315	260	-17.5
Private-Label MBS	873	664	-23.9
Total	2,103	1,679	-20.2

Figure 1. Source: U.S. Credit Market Outlook (2006)⁷

3.2 Scope and structure of this case study

For the purpose of this study of ABS, we will be analyzing a non-agency type MBS (Private-Label MBS) issued in the US following the “Regulation AB”⁸ norms.

To analyze the nature of an ABS issue, we have selected J.P Morgan Alternative Loan Trust 2006-S1 as an example in this study.

⁵ Cowan, Cameron.L(2003)

⁶ Taff, L.G.(2003) p.127

⁷ The Bond Market Association (2006).

⁸ 17 CFR § 1100 - 1123

- J.P Morgan Alternative Loan Trust 2006-S1 is issuing an MBS worth \$969,830,245 of fully amortizing, fixed rate conventional mortgage loans secured by first liens on one- to four-family residential properties.
- There are thirty-five classes of senior certificates (including one interest-only and one principal-only class), two classes of mezzanine certificates, eight classes of subordinate certificates (five offered and three non-offered) and two additional classes of non-offered certificates.

Annexure I gives an overview of the major SEC filings for this specific example. We will be considering only the take-down prospectus in this study for the following purpose.

- A brief anatomy of the prospectus with respect to Regulation AB and its compliance thereof.
- A summary of disclosure items as per Item 1103 of Regulation AB.
- Analysis of major risk factors from an investor's point of view, limited to the risks created because of securitization.

4 Anatomy of an ABS take-down prospectus

In this section, we will consider the overall regulatory compliance of the takedown prospectus filed by J.P Morgan Alternative Loan Trust 2006-S1 as per Regulation AB and an overview of the transaction itself.

“The extent of investor protection in the structured product area has been primarily set by four legal regimes: Regulation AB, the new offering regulations, suitability requirements and the general antifraud provisions of the Securities Act of 1993 and Exchange Act of 1934.”⁹

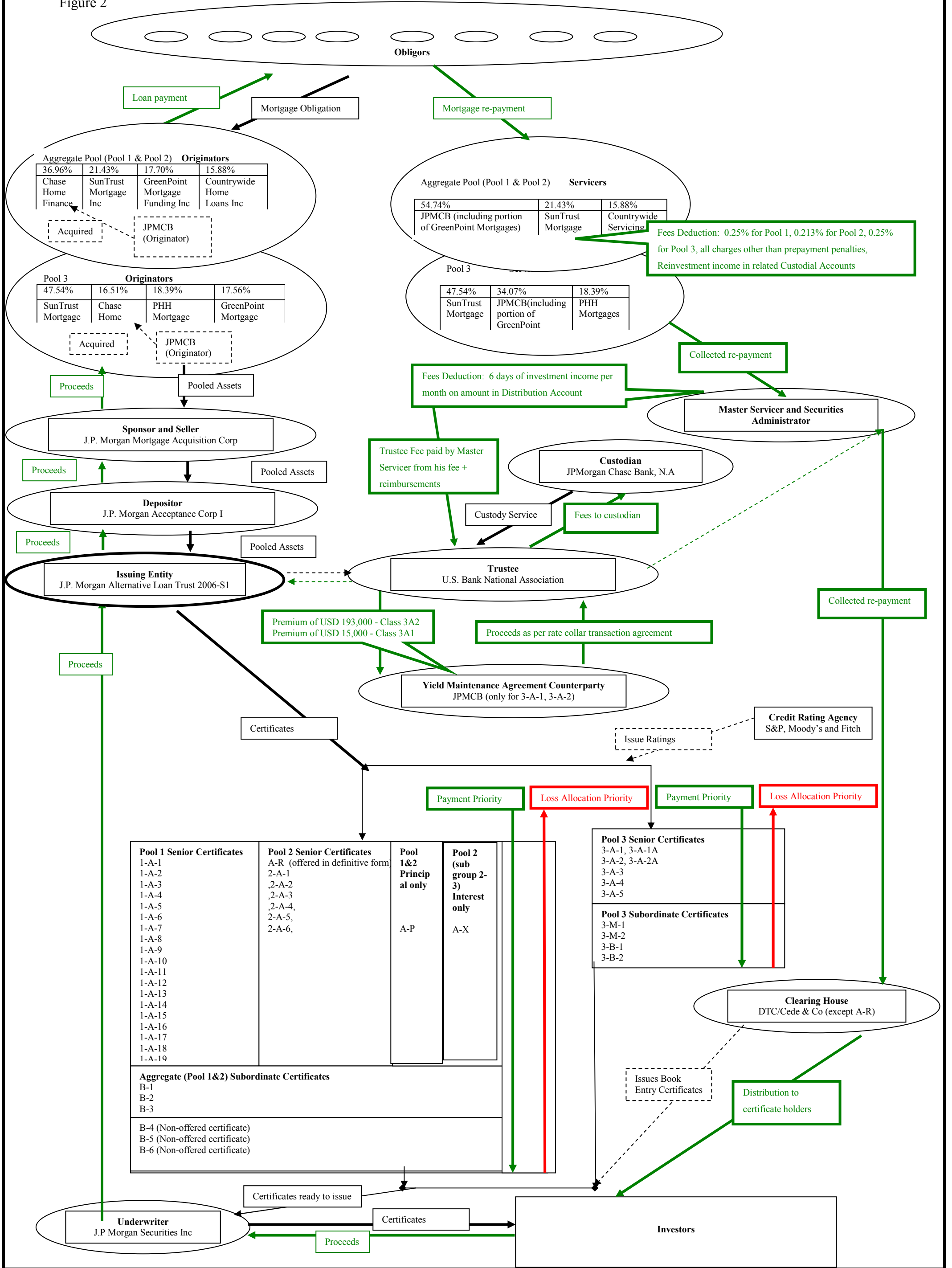
The takedown prospectus filed by J.P Morgan Alternative Loan Trust 2006-S1 has various sections and one can easily find a one to one correspondence to the requirements of Regulation AB. Refer to Annexure II for an overview of this regulatory audit for compliance.

Now in the next section, Figure 2 gives an overall view of the transaction by considering the relationship between parties of the transaction, flow of funds and payment priority of various certificates.

⁹ Bethel, J, Ferrell, A (2006)

4.1 Transaction flowchart representing the transaction parties, cash flows and consideration between parties

Figure 2



5 Transaction Summary

5.1 Anatomy of disclosures

The takedown prospectus filed by J.P Morgan Alternative Loan Trust 2006-S1 complies with the needs of 17 CFR §1103. Please refer to Annexure II for an overview of this regulatory audit for compliance.

5.2 Transaction Parties

Figure 2 in Section 4.1 gives a pictorial representation of the transaction parties and their relationships. Please refer to Annexure IV for a tabular list of the transaction parties.

5.3 Transaction Agreements

In this section, we will identify the major transaction agreements and the parties involved in the agreement.

5.3.1 Pooling and Servicing Agreement

This details the servicing and related disclosure requirements along with specifics of compliance of the trust with REMIC. It also details the allocation and distribution of loan proceeds and losses to the certificate holders.

Date of this Agreement: February 21, 2006

5.3.1.1 Parties to this agreement

- J.P. MORGAN ACCEPTANCE CORPORATION I, a Delaware corporation, as Depositor,
- U.S. BANK NATIONAL ASSOCIATION, as Trustee
- WELLS FARGO BANK, N.A., in its dual capacities as Master Servicer and Securities Administrator
- J.P. MORGAN MORTGAGE ACQUISITION CORP., a Delaware corporation, as Seller,
 - Provides warranty if any mortgage loan does not constitute a qualified mortgage¹⁰

¹⁰To comply with 860G(a)(3) of the [Internal Revenue] Code

- JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, a national banking association, as Custodian
 - Agrees to do 10K filing at own cost.¹¹
 - Agrees to do accountant attestation of the 10K filing at own cost.¹²
 - Agrees to indemnify other parties if there are material breaches to obligations

5.3.2 Flow mortgage loan purchase, warranties and servicing agreement

This agreement is for the sale of certain fixed rate, first lien Mortgage Loans, exclusive of the servicing rights associated with such Mortgage Loans. J.P Morgan Mortgage Acquisition Corp purchases the mortgages originated by Chase Manhattan Mortgage Corporation.

Date of this Agreement: May 1, 2004, amended on January 01, 2006 (accommodating Regulation AB)

5.3.2.1 Parties to this agreement

- J.P. Morgan Mortgage Acquisition Corp.
- Chase Manhattan Mortgage Corporation,(which became Chase Home Finance LLC by merger)

5.3.3 Assignment, assumption and recognition agreements

This agreement stipulates the terms for the Depositor to purchase the specified mortgage loans from the Sponsor and Seller (J.P. Morgan Mortgage Acquisition Corporation). It also sets out the agreement by the Trustee, on behalf of the Trust, to purchase the specified Mortgage loans from the Depositor.

Date of this Agreement: February 1, 2006

5.3.3.1 Parties to this agreement

Common Parties in all such agreements

- J.P. Morgan Acceptance Corporation I, as Depositor
- U.S. Bank National Association, as Trustee of J.P. Morgan Alternative Loan Trust 2006-S1 (the Trust),

¹¹ To comply with §240.15d-18(b)

¹² To comply with §240.15d-18(c)

- J.P. Morgan Mortgage Acquisition Corp., (Sponsor and Seller)
- Wells Fargo Bank, N.A., the Master Servicer.

There are separate agreements with the above common parties to each of the following servicers where by the servicer agrees for certain warranties (items like the Mortgage Loans are qualified loans etc).

- SunTrust Mortgage, Inc.
- JPMorgan Chase Bank, National Association, Chase Home Finance LLC
- JPMorgan Chase Bank, National Association
- Countrywide Home Loans, Inc.
- PHH Mortgage Corporation

5.3.4 Mortgage loan sale and servicing agreement

As the name suggests, it is an agreement for mortgage loan sale and servicing between the parties.

Date of this Agreement: May 1, 2005

5.3.4.1 Parties to this agreement

- J.P. Morgan Mortgage Acquisition Corp., a Delaware corporation, as purchaser
- SunTrust Mortgage, Inc., a Virginia corporation, in its capacity as seller and in its capacity as servicer

5.3.5 Flow mortgage loan interim servicing agreement

This is a contract between the Depositor and the originator of mortgage loans where the originator is contracted to do the servicing of the loans during the interim period (between the closing date and transfer date).

Date of this Agreement: August 1, 2005

5.3.5.1 Parties to this agreement

- J.P. Morgan Mortgage Acquisition Corp., a Delaware corporation, as purchaser
- Greenpoint Mortgage Funding, Inc., Seller

5.3.6 Rate Collar Transaction Agreement

The Interest Rate Transaction specifies a strike rate and ceiling rate at different future periods.

Date of this Agreement: February 07, 2006

5.3.6.1 Parties to this agreement

- JPMorgan Chase Bank, N.A. is the provider of the facility
- U.S. Bank National Association not in its individual capacity, but solely as Trustee on behalf of J.P. Morgan Alternative Loan Trust 2006-S1 (the "Counterparty")

Notes:

- The counterparty pays a premium of USD 193,000 to JPMorgan for the facility relates to the Class 3A2 Certificates.
- The counterparty pays a premium of USD 15,000 to JPMorgan for the facility relates to the Class 3A1 Certificates.

6 Analysis of ABS investor's risk

Investors in the ABS market have expressed concern on various areas of risk. Figure 3 shows the general perception from investors across investor types and product classes.

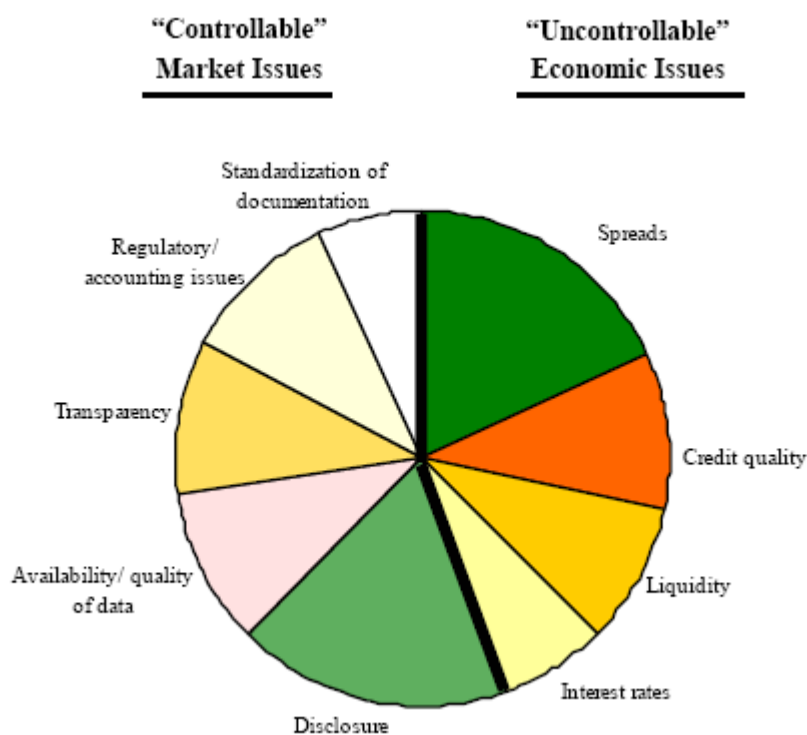


Figure 3. Source: American Securitization Forum¹³

- Price discovery, disclosure and reporting, and legal/regulatory issues are the largest problem areas among investors.
- Issues exist to a lesser degree with industry practices and procedures, new issue allocation and syndication processes, liquidity and spreads, transaction control processes and procedures, and accounting issues.
- On a broad level, multiple issues are intertwined and problems/concerns exist due to a lack of information, understanding, transparency, and standardization within the structured finance market.
- Many Residential MBS and Mortgage-Related ABS investors complain that information flow is lacking, late, not provided in a standardized format, difficult to access, and not available in a centralized location.

Table 1. Major areas of risks cited by ABS investors¹⁴

¹³ American Securitization Forum(2005)

¹⁴ *ibid*

In a securitization transaction, the originators are transferring their risks to the investors for a specified return. Risks faced by the originating bank before securitization can be described under four categories. They are as follows;

- Credit risk – change in the ability of the obligor to perform as agreed on a payment obligation.
- Market risk – potential drop in value of collateral due to changes in market situations
- Liquidity risk- inability to liquidate the mortgage assets
- Operational risk – “risk of business process disruption caused by failure or losses involving the performance of people, relationships, systems, physical assets or losses from external sources”.¹⁵

For J.P Morgan Alternative Loan Trust 2006-S1 (being a non-agency MBS), “credit risk is the major issue and there are several ways in which credit problems on the underlying mortgage loans could affect investors”.¹⁶ However, the investors in a securitization transaction should consider the above-mentioned types of transferred risk from the originator and the additional risks created by the process of securitization itself.

In this section we will discuss mainly the types of risk created by securitization. So it is imperative for the investor to consider the facts provided on the security as per the regulations and analyze the assumptions behind it and the factors which can undermine those assumptions. In the following discussion, we will discuss a selected number of such major risk factors.

This section of risk analysis is presented by discussing facts, assumptions and risks. We will look at the *facts* or details as outlined in J.P Morgan Alternative Loan Trust 2006-S1 take down prospectus or Pooling and Servicing agreement, possible *assumptions* of a typical investor and the possible *risk factors* which can change the NPV (Net Present Value) of the certificates.

¹⁵ Basel Committee on Banking Supervision (Sept, 2001)

¹⁶ Fabozzi, F(1997) p.6

6.1 Bankruptcy risk

Most of the published papers on Bankruptcy in the context of securitization talks about Originator bankruptcy. However, one could categorize bankruptcy susceptible parties in a securitization transaction into two. One set of entities play a major part in the creation and issue of the ABS and the other set is involved in the processing or servicing of underlying assets. The bankruptcy of the former set of transaction parties can challenge the legal structure of securitization and the bankruptcy of the latter can possibly disrupt the regular transactional processing. In this section, we will limit our discussion to the bankruptcy risk of the Sponsor/Depositor that represents the former type of transaction parties and the Servicer that represents the latter.

Four major codes are of interest in this discussion, they are outlined as follows.¹⁷ Automatic stay as per 11 U.S.C §362 (a)(3) says “any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate”. “Automatic stay is exactly what the name implies--'automatic'--it operates without the necessity for judicial intervention.”¹⁸ As per Collier on Bankruptcy ¶362.03 [5], the above is applicable even if the property is owned by a third party. Also as per 11 U.S.C §362 (a)(6), “any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title”. As per 11 U.S.C §506 (c), “The trustee may recover from property securing an allowed secured claim the reasonable, necessary costs and expenses of preserving, or disposing of, such property to the extent of any benefit to the holder of such claim, including the payment of all *ad valorem* property taxes with respect to the property.” Also, as per 11 U.S.C §365 (a), “the trustee, subject to the court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.”

¹⁷ Summary of quote by Mitchell Thomas C. (2005)

¹⁸ Quoted by Mitchell Thomas C. (2005) in footnotes as *Sunshine Dev., Inc. v. FDIC*, 33 F.3d 106, 113 (1st Cir. 1994).

6.1.1 Bankruptcy remoteness and true sale considerations

Fact:

- “It is believed that the transfer of the mortgage loans from the seller to the depositor and from the depositor to the issuing entity will each be treated as a sale rather than a secured financing for purposes of federal and state law.”¹⁹
- “Counsel for the seller and the depositor will render an opinion on the closing date that in the event of the bankruptcy of either the seller or the depositor, the mortgage loans and other assets of the issuing entity would not be considered part of the seller’s or depositor’s bankruptcy estates and, thus, would not be available to their creditors”.²⁰

Assumption:

- The Issuing entity is Bankruptcy remote.
- Transfer of pool assets to the issuing entity is a true sale.

Risk:

“The prototypical securitization structure has no purpose, and no significant effect, other than to circumvent the burdens that the Bankruptcy Code places on the lender of a simple secured loan to an Originator who has gone bankrupt”.²¹ The basis of an ABS transaction is the “true sale” of assets to the Special Purpose Vehicle (SPV), which is the Issuing entity, and its “bankruptcy remoteness”. “There is a greater time lag between the introduction of a bankruptcy-driven product and the occasion for the legal decision maker to determine its validity compared to a tax-driven product, since the IRS has a strong incentive to pursue enforcement against the product once it is detected.”²² Given that context, it is important to consider the LTV Steel opinion, which was an occasion when a legal decision maker made a decision on a bankruptcy-driven product. “Other examples of the manifestation of this risk are Buckhead America and Kingston Square.”²³

¹⁹ JP Morgan Alternative Loan Trust 2006-S1 **424B** S24

²⁰ *ibid* S24

²¹ Kettering, K.C (2007)

²² *ibid*

²³ Kothari, Vinod(2006) p.642

A summary of LTV Steel ABS Opinion:

The following figure (Figure 4) gives an overview of the LTV Steel transaction

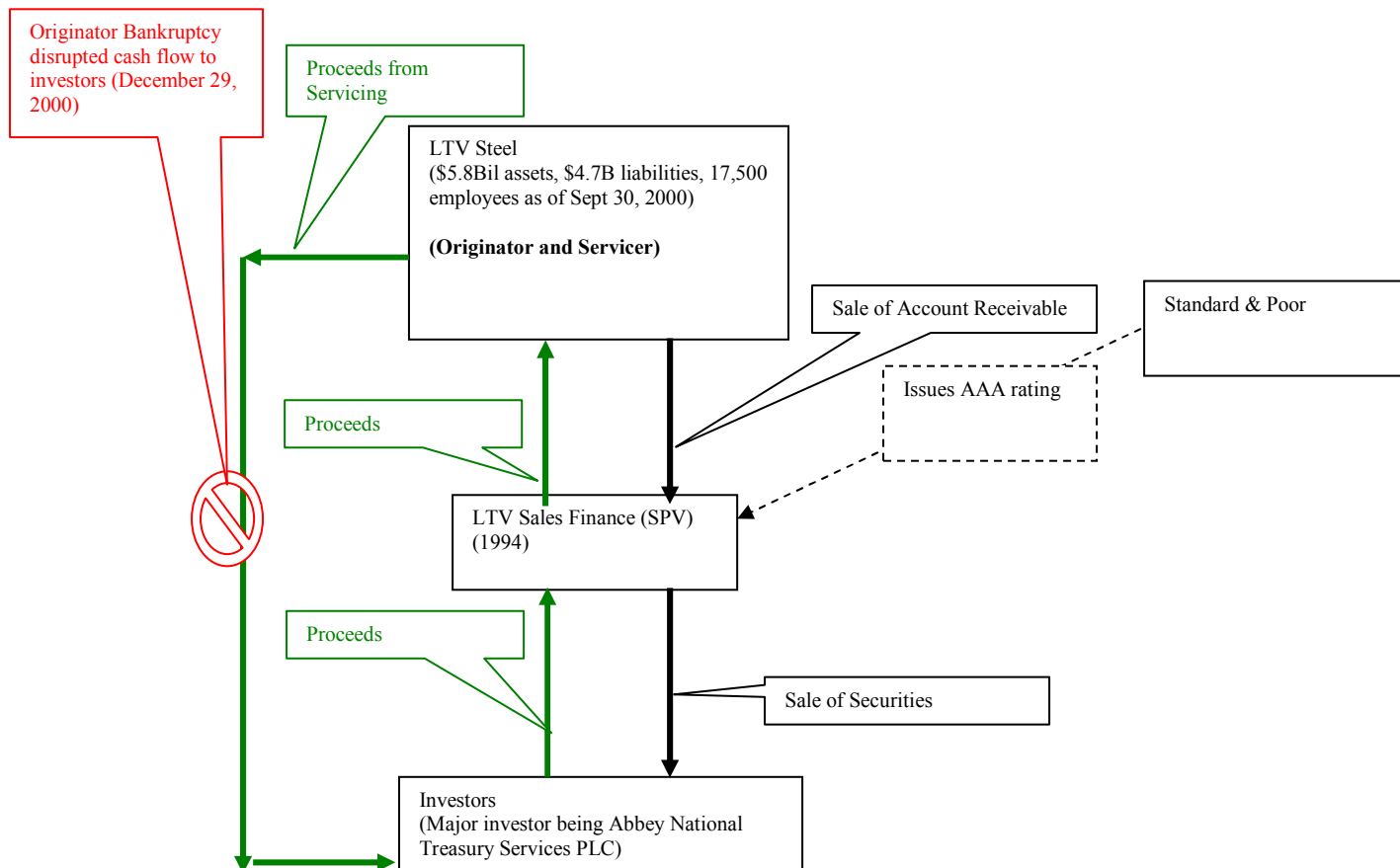


Table 2. A brief outline of events in LTV Steel Opinion²⁴

LTV Sales Finance	LTV Steel Products	Filing Chapter 11	Emergency Motion	Abbey National petition	Bankruptcy Court Decision
1994, LTV Sales Finance was created. (Ref Figure 4)	1998, LTV Steel Products was created. Asset transferred was the inventory for Steel production. Received a BBB rating from Fitch	LTV faced liquidity problem. Two ABS arrangements created the situation that LTV no longer "owned" its receivables and inventory. Dec,2000, LTV filed Chapter 11	LTV filed emergency motion to use accounts receivables and inventory as cash collateral. Bankruptcy court approved the motion invalidating the "true sale" of assets to the SPVs in ABS deals.	Abbey National as major investor argued that the Bankruptcy court lacked jurisdiction over the property of SPVs.	Bankruptcy court rejected Abbey National's argument.

²⁴ Adapted from Stark, Robert (2002)

As summarized in the above table, the court ruling treats the SPV and the originator as a single entity. “The very essence of securitization, it may be noted, is to decompose the company, break and take away its assets into a separate entity that has legal rights of its own over the properties transferred to it”.²⁵ But in this example of LTV Steel, the court has consolidated the assets of the SPV and the originator and the process of securitization is nullified.

6.1.2 Servicer Bankruptcy risk

Fact:

- Master Servicer can step in as back-up servicer as per Pooling and Servicing Agreement.²⁶

Assumption:

- Existing servicers are reputed.
- Master Servicer can step in if the servicer becomes bankrupt.

Risk:

A servicer can go bankrupt in the following ways.

- Voluntary filing for bankruptcy under Bankruptcy Code²⁷
- A bankruptcy petition by a third party²⁸

“Bankruptcy of the servicer can bring 1) Automatic Stay provision 2) Executory contracts 3) Commingling of assets 4) Surcharging the securitization assets.”²⁹ Following table discusses the effect of this on the ABS investor.

²⁵ Kothari, Vinod(2006) p.641

²⁶ Refer J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1(February 21, 2006) **Pooling and Servicing Agreement.**

²⁷As per 11 U.S.C §109

²⁸ As per 11 U.S.C §303

²⁹ Mitchell Thomas C. (2005) **Legal Risks of Servicer Bankruptcy or Insolvency in Securitization Transactions**

Code	Effect on the Investor
11 U.S.C §362 (a)(3)	<p>1) Difficult for the investors/other transaction parties to get hold of the assets which are being serviced by the servicer without the approval of the bankruptcy court.</p> <p>2) A successor servicer may find it difficult to get hold of the servicing files related to the assets.</p> <p>3) It is possible that the court may decide the current collections on the securitized assets being part of the servicer's estate.</p>
11 U.S.C §362 (a)(6)	Prohibits the litigation against the servicer to enforce the terms of the securitization agreements.
11 U.S.C §506 (c)	Investors can be charged an additional fee related to processing of the assets held by servicer, before considering whether to reject or assume the servicing agreement as discussed below.
11 U.S.C §365 (a)	The option to discontinue the performance as per the servicing agreement gives a bargaining tool for the servicer to increase the servicing fee. This can seriously affect the returns for an investor and there by the net present value of the asset. Other option for the investor is to allow the servicer to discontinue the performance, but it brings more uncertainty as per 11 U.S.C §362 (a)(3), discussed above. Also the cost of transition of servicing and the ability for a new servicer to service an unfamiliar set of assets can only increase the operational risk element.

Table 3. Effect of servicer bankruptcy³⁰

³⁰ Adapted from Mitchell Thomas C. (2005)

6.2 Cash flow Timing Risk

“Cash flow timing risk is described as the duration drift or average life variability.”³¹

6.2.1 Prepayment Risk

Fact:

- “All of the pool 1, pool 3 mortgage loans, and approximately 99.02% of the pool 2 mortgage loans may be prepaid in whole or in part at any time without payment of a prepayment penalty.”³²
- “In the normal course of its securitization program, JPMAC acquires mortgage loans from third party originators and through its affiliates.”³³

Assumption:

- Investors are aware of prepayment risk and it is already factored into the price of the security.
- Models to calculate prepayment risk gives a good estimate.
- There is no conflict of interest at origination level. (originators also dislike refinancing by obligors)

Risk:

- Although an expected prepayment is factored into the price of the security, an unexpected interest rate decrease can cause obligors to refinance their mortgages.
- Prepayment models are based on historical data. “To keep the models up to date, one might weigh the data by the passage of time; this will introduce statistical noise as the number of observations with significant weight becomes fewer. Model error will produce duration error, which will hurt those practicing duration-matching techniques or index performance-based investment strategies.”³⁴
- Third party originators are rewarded on each origination, so they are more likely motivated to encourage a refinancing scenario.

³¹ Fabozzi Frank J **Trends in Commercial Mortgage-Backed Securities** p.100

³² JP Morgan Alternative Loan Trust 2006-S1424B5 S15

³³ *ibid* S70

³⁴ Taff,L (2003) **Investing in Mortgage Securities** p.146

6.2.2 Clean-up call

Fact:

“Equal to or less than 5% of total principal balance for the aggregate pool, equal or less than 10% of total principal balance for pool 3 and is an option of the Master Servicer.”³⁵

Assumption:

“As the available pool is *de minimis*, it is unlikely that the Master Servicer will go through the laborious exercise (involving detailed loan-level analysis and other paperwork).”³⁶

Risk:

- Master Servicer may accumulate sizeable amount of exercisable calls from other sources and exercise a clean-up call or sell the rights for clean up calls.
- “If the underlying collateral is worth more than par plus execution (owing to interest rate changes) or if the credit performance is comparatively good, then the chances of clean-up increases.”³⁷

6.3 Risks related with lack of easy to use information

6.3.1 Legal risk while accepting an ABS investment offer

Fact:

“You should be certain to review the information in this prospectus supplement for a description of the specific terms of your certificates and the prospectus for additional information concerning your certificates.”³⁸

Assumption:

Investor will have all details needed to make an informed investment decision in one central location.

Risk:

A typical ABS issuance starts its marketing activities well before a final prospectus filing. Therefore, there is a possibility for an investor to get into an obligation to purchase a security

³⁵ JP Morgan Alternative Loan Trust 2006-S1 **424B5** S66

³⁶ Fabozzi F.(2006) p.998

³⁷ Fabozzi, F(2006) p.102-103

³⁸ JP Morgan Alternative Loan Trust 2006-S1 **424B5** p.ii

without knowing all the facts. Flexibility available for the issuer in the manner in which material aspects of a security is conveyed is a possible legal risk for the investor. The solution available for the investor is to record all information conveyed during the offering stage and make an informed decision.

Section 14 of the 1933 Securities Act protects the investor by voiding any contractual obligation that waives any investor right under federal laws. “Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this title or of the rules and regulations of the Commission shall be void”.³⁹

However, the Offering Reform, published in June 2005 gives more flexibility for issuers. It “allows the seller to convey information to a purchaser after the time of a contract of sale that had not been conveyed before that time”⁴⁰

The way in which issuers can convey material changes is described around “facts and circumstances determination”⁴¹. This gives a good level of flexibility to the issuers and a certain level of uncertainty for the investors.

6.3.2 Ongoing Information asymmetry⁴²

Fact:

Form 15-15D is filed on January 29, 2007. So, further reporting of monthly performance is not available for the investors.

Assumption:

- 1) Monthly pool performance remains the same as before.
- 2) “Regulation FD technically does not apply to an ABS issuer after it suspends Exchange Act reporting”⁴³, so the investors can request specific information if they need.

Risk:

³⁹ Securities Act of 1933, Section 14

⁴⁰ Securities Offering Reform July 19, 2005, SEC Release No.33-8591 pp 182 available at www.sec.gov/rules/final/33-8591.pdf

⁴¹ Footnote 411 of the Offering Reform

⁴² Akerlof G (1970)

⁴³ Kudenholdt S, Ornstein S (2007) **Disclosure of loan-level information to investors: securities and privacy law concerns.**

In a securitization transaction, the sponsor effectively transfers the credit risk of the obligors to the investors. However, the level of information available for the ABS investors about the obligors is limited. During the offering period and beyond, investors receive pool performance reports on periodic Form 10-D filing. However, the investors have limited visibility of the credit situation of individual obligors and the privacy laws prohibit that visibility. This gives rise to an information asymmetry where the investors lack full information on the underlying assets.

“Requests for additional information by ABS investors may raise issues under the two federal privacy laws – the Gramm-Leach-Bliley Act (15 USCA Sections 6801 and following), and/or the Fair Credit Reporting Act (15 USCA Sections 1681).”⁴⁴

“The purpose of a trustee in structured finance is to provide only one master for the servicer. But trustees are often reluctant or ill equipped to answer certificate holder “after-issue” questions about the status of the whole portfolio. So certificate holders increasingly find themselves in the position of being able to get answers from no one.”⁴⁵

6.4 Liquidity/Market Risk

Fact:

“The Underwriter intends to make a secondary market in the Offered Certificates, but has no obligation to do so.”⁴⁶

Most of the offered certificates are rated AAA or investment grade by three credit rating agencies as per the takedown prospectus.

Assumption:

Investment grade certificates will always find buyers in the market.

Risk:

There is a likelihood that the certificates cannot be sold quickly or to a price close to the purchase price or cannot sell at all. There are no legal remedies for these situations.

⁴⁴ Kudenholdt S, Ornstein S (2007) **Disclosure of loan-level information to investors: securities and privacy law concerns.**

⁴⁵ Pfeifer, Michael R (1995)

⁴⁶ JP Morgan Alternative Loan Trust 2006-S1 **424B5** S94

- Market events can adversely affect investor's appetite for risk and may find it difficult to dispose the certificates for an acceptable price.
- Any events or press coverage, which affects the reputation of the issuer or any, related parties or even the asset class could adversely affect the market conditions and the liquidity of the certificates. For example, recent events in the market which affected ABS backed by sub-prime mortgages has affected the reputation of the ABS market itself. This is a serious issue to consider while investing in financial instruments. As an example, one of the newspapers quoted that "the reputation of asset-backed securities has taken a battering since financial products backed by sub-prime mortgage loans blew up in investors' faces."⁴⁷

6.5 Risks related with poor corporate governance and other operational risks

6.5.1 Fraud Risk

Fact:

In securitization transactions, there is no one single entity that is in charge of the entire transaction and each party has specific responsibility stipulated by the various agency agreements.

Assumption:

Contractual obligations between the parties in a securitization transaction are enough to maintain performance.

Risks:

This is an ideal situation for a fraudster to get away with his actions. "National Century Financial Enterprises (NCFE) filed for bankruptcy in November 2002 and brought to the fore some unique risks of mishandling securitization funds. NCFE specialized in healthcare funding and used to buy healthcare receivables from several healthcare centers in the US. These receivables were securitized. Shortly before bankruptcy filing, it was revealed that the company was misusing the funds collected on behalf of its securitization clients. Investigations revealed frauds by the company's top bosses, resulting into filing of the bankruptcy petition. Approximately USD 3.5 billion worth of asset-backed securities defaulted. Some of the classes were rated AAA by more than one rating agency. Investors

⁴⁷ South China Morning Post (November 10, 2007)

have sued the trustees as well as the placement agencies. The SEC has sued the former principal executives of the company”.⁴⁸

6.5.2 Tax Risk

Fact:

“As provided herein, the Securities Administrator shall elect that the Trust Fund (exclusive of the Yield Maintenance Agreement and the Reserve Fund (collectively, the “Excluded Trust Assets”)) be treated for federal income tax purposes as comprising three real estate mortgage investment conduits (each, a “REMIC”).”⁴⁹

Assumption:

“A REMIC is not subject to an entity-level tax”.⁵⁰

Risk:

“Tax uncertainties may sometimes affect the investors. If the SPV is liable to entity-level taxes and the payments to investors are treated as payment to equity holders, the entire cash flows in the transaction may be subjected to unprecedented taxes. Sometimes, the underlying cash flows may be subjected to a withholding tax requirement. These are risks that concern investors and they need to study these risks carefully.”⁵¹

6.5.3 Underwriter’s conflicts of interest risk

Fact:

“J.P Morgan Mortgage Acquisition Corp (Sponsor and Seller) and J.P Morgan Securities Inc (Underwriter) are both wholly owned subsidiaries of JP Morgan Chase.”⁵²

Assumption:

“Investors expect the Underwriters to take reasonable care and due diligence as per Section 11 or Section 12(a)(2) of the Securities Act of 1933, 15 U.S.C §77k(b)(3).”⁵³

⁴⁸ Kothari, Vinod (2006) p.727

⁴⁹ JP Morgan Alternative Loan Trust 2006-S1 **Pooling and Servicing Agreement** p.10

⁵⁰ Fabozzi, Frank J.(1998) **Trends in Commercial Mortgage-Backed Securities** p.218

⁵¹ Kothari, Vinod(2006) p.936

⁵² JP Morgan Alternative Loan Trust 2006-S1 **424B5** S70

⁵³ Markel, G.A et.al (2006)

Risk:

“In the face of the stock market crash of 1929, banks that had large unsold stock portfolios became insolvent as a result. The remedy to this situation was a more highly regulated banking environment. The Glass-Steagall Act (Banking Act of 1933) prohibited commercial banks from underwriting most securities. Under 1956 Bank Holding Company Act, bank holding companies (BHC) were permitted to own investment-banking subsidiaries”.⁵⁴ Although it is a permitted practice, since the issuer in this case of JP Morgan Alternative Loan Trust 2006-S1 used an affiliated company, investors face the following risks.

- There is a possible lack of care to check all the details as diligently as if the parties were not affiliated at all.
- There is a possible failure of “Chinese Wall”⁵⁵ between the affiliated entities. Recent "Administrative Complaint filed in the matter of Bear Stearns Asset Management Inc”⁵⁶ is a good example of such conflicts of interest.
- There is a possible failure to successfully claim against the Underwriter even if the investors find material misstatements or omissions. “The due-diligence defence may provide underwriters and other non-issuer defendants the opportunity to escape liability even where there is a material misstatement or omission in the offering materials and even where the issuer is liable.”⁵⁷

7 Conclusion

We have seen the example of J.P Morgan Alternative Loan Trust 2006-S1 and its overall compliance with Regulation AB. Most importantly, we have seen that there are new risks created because of the securitization transaction other than the traditional risks of failure of obligors meeting their obligations. To conclude, every other factor remaining the same, to sustain a successful market for ABS, the perceived effect of these extra risk factors on the investor should be reduced to the minimum.

⁵⁴ Fabozzi,F(2001) **Accessing Capital Markets through Securitization** p.19

⁵⁵ Brewer, David F.C and Nash, Michael J. (1989). **The Chinese Wall Security Policy.**

⁵⁶ The Commonwealth of Massachusetts Office of the Secretary of the Commonwealth Securities Division (November 14, 2007) **Administrative Complaint Docket No. E-2007-0064**

⁵⁷ Markel, G.A et.al (2006)

8 Annexure I

Timeline of SEC filings for J.P Morgan Alternative Loan Trust 2006-S1						
Date	August 25, 2005	February 3, 2006	March 06 through to Jan 07	March 15, 2006	April 02, 2007	January 29, 2007
Filing⁵⁸	Form S-3	Form 424B5	Form 10D	Form 8-K	Form 10K	Form 15-15D
Comments	Red Herring or Base Prospectus As of Oct 22, 1992, the availability of Form S-3, the short-form registration statement under the Securities Act, has been expanded to additional issuers and classes of transactions. Shelf registration is the registration of a new issue, which can be prepared up to two years in advance.	Final or take-down prospectus	Monthly distribution and pool performance reports.	Current Event Report	Annual Report	Suspension of reporting
Scope of coverage in this study.	Not covered	Brief overview from a regulatory perspective and a discussion of selected risk factors from an investor's perspective.	Not covered	Not covered (Used the Pooling and servicing agreement for creating the transaction flow)	Not covered	Not covered

⁵⁸ Please refer to the bibliography for the web links for the relevant filing documents.

9 Annexure II

This table gives an anatomy of the takedown prospectus of J.P Morgan Alternative Loan Trust 2006-S1 in relation to the 24 items in Regulation AB.

Item No.	Brief Description	Related Section in the take down Prospectus
1101 Defini tions	ABS is “primarily serviced by the cash flows of discrete pool of receivables or other financial assets”, permits 50% pre-funding, 65% for automobile leases, does not include “synthetic ABS”. Also defines other key terms.	Clarifies the context of using the MBS issue using regulation AB.
1102 Pros Cover	Describes the information needed on the front cover.	Cover Page
1103 Prosp ectus Summ ary	Describes the information needed in the “summary” and “risk factors” section.	S1 to S24
1104 Spons ors	Sponsor’s securitization experience especially to the type of issue, roles of sponsors and its affiliates in the securitization program.	S70
1105 Static Pool Infor matio n	Specifies disclosure needs for amortizing asset pools and for revolving pools. Amortizing asset pools need 5 years of static pool data covering cumulative losses, delinquencies and prepayments. Revolving pools need data covering delinquencies, cumulative losses, prepayments, payment rate, yield and standardized credit scores.	Not provided in the prospectus ⁵⁹ .
1106 Depos itors	Disclosures about the depositor, if the depositor is different from the sponsor.	S69
1107 Issuin g Entitie s	Disclosure of details about the Issuing entity.	S67
1108 Servic ers	Disclosure of servicer’s servicing experience, with focus on servicing similar assets in the deal, any changes to the servicer’s policies over the past three years. If there are more than one servicer, disclosures on each of them if they service 10% or more of assets.	S71 to S74
1109 Truste es	Disclosure needs of a trustees. If there are multiple trustees, explain roles of each one.	S67

⁵⁹ Static pool information is provided as a web link. Refer <http://jpmorgan.com/staticpool/mbs/JPALT2006-S1>

1110 Originators	Disclosure for any originator with 10% or more of origination of pool assets and detailed disclosure if they originated 20% or more. Detailed disclosure needs “information material to an analysis of the performance of the pool assets, such as the originator’s credit-granting or underwriting criteria for the asset types being securitized”.	S37 to S41
1111P Pool Assets	Disclosure about assets in the specific issue, including details like loan size, interest rate, amortization period and loan-to-value ratio. Item 1111 specifies different details of disclosure for different asset classes.	S24 to S36
1112 Significant Obligors	Disclosures about significant obligors who have 10% or more of deal’s pool assets. If they have 20% or more, it will require a full financial disclosure.	None specified
1113 Transaction Structure	Disclosures including the terms, distributions, cash-flows, credit enhancement, voting rights, ownership of residual interest etc.	S42 to S67 (includes disclosure as per Section 220 of Regulation S-K ⁶⁰)
1114 Credit Enhancement	Disclosures about internal and external credit enhancements. If the credit enhancement is for 10% or more of the deal, selected financial data of the provider and full disclosure if it is 20% or more.	S10 to S11
1115 Derivatives	Disclosures about interest rate swaps, currency swaps which are used for exposure limitation rather than credit enhancement.	S9
1116 Tax	Disclosures on the tax treatment of ABS.	S88 to S91
1117 Legal Proceedings	Disclosure of legal proceedings against the sponsor, depositor, trustee, issuing entity, servicer or originator.	None specified
1118 Reports	Information on reporting	S69
1119 Affiliations	Disclosure about affiliation among parties in the transaction during the past 2 years.	S-75
1120 Ratings	Disclosure of credit ratings, disclosure whether the rating will be monitored over the lifetime of the ABS.	S94

⁶⁰ 17 CFR 229.202 *et seq.*

1121 Distri bution & Pool perfor mance Info	Detail of information needed in monthly reports.	S37
1122 Servic ing Comp liance	Reporting details of servicers compliance/non-compliance with their servicing criteria.	S78
1123 State ment of Servic ing Comp liance	Requirement of a certification by an authorized officer on the servicing compliance/non-compliance of each servicer.	S78

10 Annexure III

This table gives an anatomy of the disclosure items in takedown prospectus of J.P Morgan Alternative Loan Trust 2006-S1 in relation to 17 CFR §1103.

Item 1103	Description	Compliance/Section in the takedown prospectus
(a)	Prospectus summary <i>Optional</i> Info regarding classes in tables Diagrams to illustrate the relationships	 S1,S2 No diagrams are provided
(1)	Identify the participants (sponsor, depositor, issuing entity, trustee and servicers) and their respective roles. Identify any originator and any significant obligor.	 S6, S7
(2)	Identify the pool assets and summarize briefly the size and material characteristics of the asset pool. Identify the cut-off date or similar date for establishing the composition of the asset pool, if applicable.	 S11,S12,S13
(3)	State briefly the basic terms of each class of securities	S1,S2
(i)	Identify the classes offered & not offered	S1,S2
(ii)	State the interest rate or rate of return	S1,S2
(iii)	State the expected final maturity or principal distribution dates	S3,S4
(iv)	Identify the denominations in which the securities may be issued.	S3,S4
(v)	Identify the distribution frequency on the securities	S3,S4
(vi)	Summarize the flow of funds.	S8,S9
(vii)	Identify any events in the transaction agreements that can trigger liquidation or amortization of the asset pool or other performance triggers that would alter the transaction structure or the flow of funds.	S9
(viii)	Identify any optional or mandatory redemption or termination features.	S9
(ix)	Identify any credit enhancement Summarize how losses not covered by credit enhancement or support will be allocated to the securities.	S10,S11
(4)	Identify any outstanding series or classes of securities that are backed by the same asset pool or otherwise have claims on the pool assets. State if additional series or classes of securities may be issued that are backed by the same asset pool and briefly identify the circumstances under which those additional securities may be issued. Specify if security holder approval is	 Not provided

	necessary for such issuances and if security holders will receive notice of such issuances.	
(5)	If the transaction will include prefunding or revolving periods, indicate:	Not applicable
(i)	The term or duration of the prefunding or revolving period.	Not applicable
(ii)	For prefunding periods, the amount of proceeds to be deposited in the prefunding account.	Not applicable
(iii)	For revolving periods, the maximum amount of additional assets that may be acquired during the revolving period, if applicable.	Not applicable
(iv)	The percentage of the asset represented by the prefunding account or the revolving period, if applicable.	Not applicable
(v)	Any limitation on the ability to add pool assets.	S11
(vi)	The requirements for assets that may be added to the pool.	S11
(6)	If pool assets can otherwise be added, removed or substituted (for example, in the event of a breach in representations or warranties regarding pool assets), summarize briefly the circumstances under which such actions can occur.	S11
(7)	Summarize the amount or formula for calculating the fee that the servicer will receive for performing its duties, and identify from what source those fees will be paid and the distribution priority of those fees.	S14
(8)	Summarize the federal income tax issues material to investors of each class of securities offered.	S14
(9)	Indicate whether the issuance or sale of any class of offered securities is conditioned on the assignment of a rating by one or more rating agencies. If so, identify each rating agency and the minimum rating that must be assigned.	S14
(b)	Identify the risk factors as per required by Item 503(c) of Regulation S-K (§ 229.503(c)),	S15 to S24

11 Annexure IV

Transaction Party Type	Name of Entity	Transaction Limitation if any
Issuing Entity	J.P Morgan Alternative Loan Trust 2006-S1	
The Trustee	U.S Bank National Association	
The Originators	<p>Chase Home Finance LLC or JP Morgan Chase Bank, NA</p> <p>Sun Trust Mortgage Inc</p> <p>Green Point Mortgage Funding</p> <p>Countrywide Home Loans Inc</p> <p>Sun Trust Mortgage Inc</p> <p>Chase Home Finance LLC or JP Morgan Chase Bank, NA</p> <p>PHH Mortgage Corporation</p> <p>GreenPoint Mortgage Funding</p>	<p>36.96% of aggregate pool mortgage loans</p> <p>21.43% of aggregate pool mortgage loans</p> <p>17.70% of aggregate pool mortgage loans</p> <p>15.88% of aggregate pool mortgage loans</p> <p>47.54% of pool 3 mortgage loans</p> <p>16.51% of pool 3 mortgage loans</p> <p>18.39% of pool 3 mortgage loans</p> <p>17.56% of pool 3 mortgage loans</p>
The Sponsor and Seller	J.P. Morgan Mortgage Acquisition Corp	

The Depositor	J.P Morgan Acceptance Corporation I	
The Custodian	JPMorgan Chase Bank, National Association	
Master Servicer and Securities Administrator	Wells Fargo Bank, N.A	
The Servicers	JP Morgan Chase Bank, N.A, SunTrust Mortgage Inc, PHH Mortgage Corporation, Countrywide Home Loans Servicing LP JP Morgan Chase Bank, N.A, Chase Home Finance LLC	Each Servicer will service mortgage loans originated or acquired by it. Mortgage loans acquired by GreenPoint Mortgage Funding
The Yield Maintenance Agreement Counterparty	JP Morgan Chase Bank, National Association	

12 Bibliography

1. American Securitization Forum(2005). **Survey of Securitization Market Investors**. Available at:
http://americansecuritization.com/uploadedFiles/Investor_Survey_Presentation.pdf as of November 5, 2007.
2. Akerlof, G. (1970) **The market for ‘Lemons’: qualitative uncertainty and the market mechanism**. Quarterly Journal of Economics, Vol. 89 pp.488-500.
3. Bethel, Jennifer and Ferrel, Allen (2006) **Policy Issues Raised by Structured Products**. Available at: http://law.harvard.edu/programs/olin_center/ as of October 20,2005.
4. BIS (2006) **Enhancing corporate governance for banking organisations**. Available at: <http://www.bis.org/publ/bcbs117.pdf?noframes=1> as of October 20, 2005.
5. BIS (2007) **Turbulence in credit markets – causes, effects, and lessons to be learned**. Available at: <http://www.bis.org/review/r070928c.pdf> as of October 20, 2007.
6. Brewer, David F.C and Nash, Michael J. (1989). **The Chinese Wall Security Policy**. Gamma Secure Systems Limited. Available at:
http://www.cs.purdue.edu/homes/ninghui/readings/AccessControl/brewer_nash_89.pdf as of November 27, 2007.
7. Cowan, Cameron L.(2003) **Hearing on Protecting Homeowners: Preventing Abusive Lending While Preserving Access to Credit**. Available at:
<http://financialservices.house.gov/media/pdf/110503cc.pdf> as of November 13, 2007.
8. Fabozzi, Frank J. (2006) **The Handbook of Mortgage-Backed Securities** McGraw-Hill.
9. Fabozzi, Frank J. (1997) **The Handbook of Nonagency Mortgage-Backed Securities** Frank J. Fabozzi Associates.
10. Fan, G.Z., Ong, S.E., Sing, T.F. (2003) **Asset backed securitization: an alternative solution to moral hazard?** Department of Real Estate, National University of Singapore.

11. Gang-Zhi Fan, Tien Foo Sing, Seow Eng Ong, C.F. Sirmans (2004) **Governance and optimal financing for asset-backed securitization**. Journal of Property Investment & Finance, Vol: 22 Issue: 5 pp: 414 – 434.
12. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (April 02, 2007). **10K**
Available
at:<http://www.sec.gov/Archives/edgar/data/1354921/000112528206001395/0001125282-06-001395-index.htm>.
13. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (January 29, 2007). **15-15D** Available
at:<http://www.sec.gov/Archives/edgar/data/1354921/000112528206001395/0001125282-06-001395-index.htm>.
14. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 24, 2006). **424B5** Available
at:<http://www.sec.gov/Archives/edgar/data/1354921/000112528206001395/0001125282-06-001395-index.htm>.
15. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (March 15, 2006). **8K**
Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/jpalt2006s1form8kforpsa.htm>.
16. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1(February 21, 2006)
Pooling and Servicing Agreement. Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f41.htm>.
17. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 24,2006) **Rate Collar Transaction Agreement** (for 3A2 Certificates). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9915.htm>.
18. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 24,2006) **Rate Collar Transaction Agreement** (for 3A1 Certificates). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9914.htm>.
19. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (for JPMorgan Chase Bank, National Association (“JPMCBNA”), Chase Home Finance LLC (“CHF”)).

Available at:

<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9913.htm>.

20. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (J.P. Morgan Mortgage Acquisition Corp. (“JPMorgan Acquisition”), SunTrust Mortgage, Inc., as the servicer (in such capacity, the “Servicer”)). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9911.htm>.
21. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (JPMorgan Chase Bank, National Association (“JPMCBNA”)). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f998.htm>.
22. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (JPMorgan Chase Bank, National Association (“JPMCBNA”) JPMorgan Acquisition and M&T Mortgage Corporation (“M&T”) entered into a certain Master Mortgage Loan Purchase and Servicing Agreement, dated as of December 1, 2005 (the “Purchase Agreement”) pursuant to which JPMorgan Acquisition has acquired certain mortgage loans). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f997.htm>.
23. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (Countrywide Home Loans, Inc. (“Countrywide”)). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f995.htm>.
24. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006)
Assignment, assumption and recognition agreement (PHH Mortgage Corporation (PHH)). Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f992.htm>.
25. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (February 1,2006) **Flow mortgage loan purchase, warranties and servicing agreement**. Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9912.htm>

26. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (August 1,2005) **Flow mortgage loan interim servicing agreement..** Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f999.htm>
27. J.P. MORGAN ALTERNATIVE LOAN TRUST 2006-S1 (May 1,2005) **Mortgage loan sale and servicing agreement..** Available at:
<http://www.sec.gov/Archives/edgar/data/1354921/000116231806000281/f9910.htm>
28. Kettering, Kenneth C.(2007) **Securitization and Its Discontents: The Dynamics of Financial Product Development.** Cardozo Law Review, Available at
<http://ssrn.com/abstract=1012937> as of November 02, 2007.
29. Kothari, Vinod (2006) **Securitization: The financial instrument of the future** John Wiley & Sons(Asia) Pte Ltd.
30. Kudenholdt Stephen S, Ornstein Stephen FJ (2007) **Disclosure of loan-level information to investors: securities and privacy law concerns** Global Securitisation and Structured Finance,2007. Available at:
<http://www.tpw.com/publications.cfm?id=988> as of November 18, 2007.
31. Mallin, C.A. (2004) **Corporate Governance.** Oxford. Oxford University Press.
32. Markel, Gregory A. & Ballard, Gregory G (2006) **Defending Claims Against Underwriters of Asset-Backed Securities: The Due-Diligence Defence** Securities Litigation & Regulation Vol. 12, Issue 17/December 27,2006.
33. Mitchell Thomas C. (2005) **Legal Risks of Servicer Bankruptcy or Insolvency in Securitization Transactions** The Journal of Structured Finance, Summer 2005 Issue. Available at:
http://content.epnet.com/pdf17_20/pdf/2005/179K/01Jul05/20475140.pdf?T=P&P=AN&K=20475140&EbscoContent=dGJyMNLr40SeprQ4zOX0OLCmrk%2Bep7VSsK64Sa6WxWXS&ContentCustomer=dGJyMPGntE6vrrdLuePfgeyx9X3g&D=bth as of November 18, 2007.
34. Pfeifer,Michael R(1995) **Sharing Secrets** Mortgage Banking, December 1995, Vol.56 Issue 3, p67.
35. Riddiough, Timothy J., 1997, **Optimal Design and Governance of Asset-Backed Securities,** Journal of Financial Intermediation 6, 121-152.

36. Riddiough, Timothy J (August 2001) **INTERMEDIATION, STANDARDIZATION AND LEARNING IN FINANCIAL MARKETS: SOME EVIDENCE AND IMPLICATIONS** available at http://www.bus.wisc.edu/realestate/pdf/pdf/Intermediation_Finmks_8-01.pdf as of October 18, 2007.
37. SEC(2005) **Securities Offering Reform** July 19, 2005, SEC Release No.33-8591 pp 182 available at www.sec.gov/rules/final/33-8591.pdf.
38. Sing, T.F., Ong, S.E., Sirmans, C.F. (2003) **Asset-backed securitization in Singapore: value of embedded buy-back options** Journal of Real Estate Finance and Economics, Vol. 27 No.2, pp.173-89.
39. South China Morning Post (November 10, 2007) Available at: <http://www.scmp.com/vgn-ext-templating/v/index.jsp?vnextoid=291bc19841286110VgnVCM100000360a0a0aRCRD&s=business&ss=companies> as of November 15, 2007
40. Stark, Robert (2002) **Viewing the LTV Steel ABS Opinion in its Proper Context.** Journal of Corporation Law, Vol. 27, Winter 2002.
41. Taff, Laurence. G.(2003) **Investing in Mortgage Securities** CRC Press LLC.
42. The Bond Market Association (2006). **U.S. Credit Market Outlook** Available at: <http://www.sifma.org/research/pdf/usMktOutlook0106.pdf> as of November 13, 2007.
43. The Commonwealth of Massachusetts Office of the Secretary of the Commonwealth Securities Division (November 14, 2007) **Administrative Complaint Docket No. E-2007-0064.**