Credit Card Movers & Shakers (U.S.)

SEPTEMBER 2009 PERFORMANCE

Contents

Fitch Ratings Credit Card ABS Group

Michael R. Dean
Managing Director
+1 212 908-0556
michael.dean@fitchratings.com

Cynthia Ullrich
Senior Director
+1 212 908-0609
cynthia.ullrich@fitchratings.com

Herman Poon
Director
+1 212 908-0847
herman.poon@fitchratings.com

Tracy Wan
Director
+1 212 908-9171
tracy.wan@fitchratings.com

Paritosh Merchant
Associate Director
+1 212 908-0321
paritosh.merchant@fitchratings.com

Industry Watch

Fitch Comments on ABS from FDIC Insured Banks Under New Rules

Upcoming changes to the FASB rules regarding off-balance-sheet securitizations have created some ABS market uncertainty regarding FDIC treatment of transfers of financial assets in the event of conservatorship or receivership of an FDIC-insured institution. A key concern is whether the changes introduced by the FASB could recharacterize existing transactions and how this issue would be addressed following implementation of the new accounting rules. Fitch Ratings has been in dialogue with the FDIC regarding these issues to seek clarity on how certain transfers and structures will be treated going forward.

While awaiting clarification, ratings higher than the origination entity may not be achievable on certain transactions, particularly master trust and other revolving structures absent mitigating factors. For static and discreet pool securitizations, where the ability of sponsors to lend support is more limited and there is greater clarity regarding true sale treatment, Fitch 'AAA' ratings are expected to remain achievable.

For all proposals pre- and post-implementation of the new FASB rules, Fitch will review the transaction structure, documents, and opinions to determine whether the securitization ratings for the senior tranche or tranches can be de-linked sufficiently from those of the seller or originating institution in order to achieve an 'AAA' level. Fitch expects to be able to continue to assign ratings for junior or mezzanine tranches since those ratings are more likely to be closer to the sponsoring bank's rating, limiting the magnitude of a rating change in the event of a recharacterization.

The comfort previously provided by the FDIC that it would not seek to recover financial assets transferred in connection with a securitization or participation is being jeopardized by SFAS 166, since the FDIC's Rule 360.6 (the Rule) regarding the treatment of the transfer of financial assets upon conservatorship or receivership contains a precondition that the transfer qualify as a sale under GAAP provisions.

In the unexpected event that existing transactions are recharacterized and the assets are no longer sufficiently remote from the FDIC's receivership or conservatorship powers, senior ratings would likely move to the senior unsecured rating of the sponsoring financial institution.

GE Shortens Accumulation Period for Certain Series

General Electric Co. (GE) shortened the accumulation period for series 2005-3 and series 2007-3 issued out of the GE Capital Credit Card Master Note Trust (GECCCMNT). The accumulation of principal, which was to commence on July 22, 2009, will instead begin on Dec. 22, 2009, reducing the window from a 10-month period to a five-month period. The accumulation periods for both GECCCMNT series are structured so that cash begins to accrue in the principal funding account 10 months prior to the notes' expected maturity date of June 15, 2010. Fitch has determined that this action will not have an impact on its existing ratings on the outstanding transactions. The transaction documents permit the trust to shorten the length of the accumulation period upon the satisfaction of certain conditions, among which are a payment rate test and a principal receivables sufficiency test. However, under no circumstance can the length of the controlled accumulation period be less than one month.

It is atypical of GE to shorten the accumulation period, unlike most other credit card issuers. However, using a protracted accumulation period also poses additional risk as principal accumulates over a longer period, especially during a low interest rate environment. If accumulation occurs over a longer period of time, the notes could potentially incur a larger negative carry since the cash can only be invested in highly rated short-term investments, which typically generate comparatively low yields relative to the transactions' funding costs.

While Fitch recognizes that shortening the accumulation period inherently increases the risk of missing the expected principal payment date, its ratings consider the full and timely payment of note principal balance by the legal maturity date. The window between the expected payment date and the legal final date is 36 months for GECCCMNT. Fitch has concluded that if early amortization were to occur just prior to the expected maturity date without any accumulation, the transactions would receive both timely interest payments and full repayment of principal by the legal final maturity date of June 17, 2013, under an 'AAA' stress scenario.

Bank of America Extends Trust Discount Option

On Oct. 1, 2009, Bank of America (BA) extended its use of the discount option for the BA Master Credit Card Trust II until March 31, 2010. The discount option, which began on March 1, 2009, was scheduled to end on Sept. 30. BA will continue to designate 6.00% of new principal receivables as discount option receivables, and apply collections on those receivables as finance charge collections. BA has indicated that it may continue the discount option after the March 2010 due period through another extension. Fitch expects that the discount option designation will continue to have a beneficial effect on gross yield, as evident from recent performance.

Capital One Changes Required Subordination Calculation for its Credit Card Trust

On Oct. 15, 2009, Capital One Financial Corp. (Capital One) changed the required subordinated amount (RSA) percentage of Class B and Class C notes for Class A notes issued from Capital One Multi-asset Execution Note Trust (COMET). The total RSA for Class A notes is generally equal to the sum of the RSA of Class B notes, the RSA of Class C notes, and the RSA of Class D notes. COMET has a unique feature that allows it to change any of these subordinated percentages so long as the sum of those percentages for the Class A notes is equal to or greater than 20.4821%, provided that the change will not result in a shortfall in the available subordinated amount for any tranche of notes.

The capital structure for Class A notes will change slightly without reducing the available subordination. The Class B notes decreased from 9.00% to 8.50% of total capital structure, whereas the size of Class C notes increased from 7.00% to approximately 7.50%. Fitch views these changes as neutral for Class A, Class C, and Class D noteholders, and slightly positive for Class B noteholders.

Bank of America Extends Emerald CP Liquidity Program

On October 28, 2009, Bank of America, N.A. (BANA) renewed and extended the liquidity facility for its Emerald commercial paper (CP) program for approximately five months until March 31, 2010. On the effective date, BANA became the sole provider of liquidity in an amount of $2.29 billion, replacing Royal Bank of Scotland; Citibank, N.A.; and Barclays Capital.

The Class A (2001-Emerald), which is issued out of the BA Credit Card Trust, is an extendable note program that functions similar to asset-backed CP, whereby multiple series of short-term notes are issued on a discount basis and redeemed with proceeds of new issuance over time. Currently, there are $8.8 billion of notes outstanding in the program with the liquidity note purchase facility sized at 26.0%. Fitch currently rates the CP at 'F1'.

Fitch Ratings Prime Credit Performance Index Snapshot[a]

Prime Metrics	Current Month (%)	Month Over Month (bps)	Year Over Year (%)
Delinquencies	4.22	16	32.70
Chargeoffs	10.75	(77)	70.63
Yield	19.39	(27)	15.07
Payment Rate	17.98	(21)	0.50
Excess Spread[b]	5.75	50	(8.15)

[a]*http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm.*

[b]Three-month average.

Performance Watch

Prime Performance

U.S. credit card performance measures exhibited mixed results last month, with chargeoffs declining for the second time in three months while delinquencies resumed their upward trends, according to the latest Credit Card Index results from Fitch. The results come as consumers continue suffer from high unemployment rates and a lack of credit availability.

Despite the ongoing unfavorable trends, Fitch continues to expect current ratings of senior credit card ABS tranches to remain stable given available credit enhancement and structural protections afforded investors. The outlook for subordinate tranches remains negative. Fitch expects U.S. unemployment to peak at 10.3% in second-quarter 2010 and remain above 10% throughout 2010.

During the month, Fitch's Credit Card Chargeoff Index declined 77 basis points (bps) to 10.75%, marking just the third month-over-month improvement. Despite pulling back from last month's record high, the chargeoff index remains 71% above year-earlier levels.

Measured by Fitch's 60-day-plus delinquency index, late payments rose 16 bps to 4.22% after a 20-basis-point dip last month. Late-stage delinquencies are running 33% higher on a year-over-year comparison. Early-stage late payments increased for the month as well, with 30-day-plus delinquencies rising 13 bps.

The monthly payment rate (MPR) remains stronger than earlier this year at 17.98%. MPR is well above the historical average of 15.98% and remains above the 2009 average of 17.37%. MPR has remained consistent year-over-year, as current MPR is 9 bps higher than it was during October 2008.

During October gross yield decreased 27 bps to 19.39%. However, gross yield continues to be strong relative to historical data as a result of discount options and repricing initiatives in various trusts. Compared to last year, gross yield is up 254 bps, or 12%.

Three-month average excess spread increased 50 bps this month to 5.75%, its highest level since the February 2009 period. This increase was driven by the monthly excess spread of 5.99%. The increase in three-month average excess spread has allowed some trusts to release either all or a part of the funds that were trapped in their respective spread accounts.

Retail Performance

The Retail Credit Card Chargeoffs Index declined 106 bps to 11.75% from its all-time high of 12.85% last month. Despite the improvement, chargeoffs are still 31% above last year. The 60-day-plus delinquency index, however, increased 16 bps to 5.18% after falling 7 bps last month. As such, delinquencies seemed to be stabilizing, and this could be positive for future chargeoffs.

Gross yield fell 109 bps to 25.18%, reversing the gains made by chargeoffs. However, excess spread improved by 57 bps to 8.04%. Excess spread for the October reporting period was 18% below last year.

MPR as of the October reporting period fell again by 10 bps to 12.75%, but year-over-year MPR was lower by only 3.3%.

Fitch Ratings Retail Credit Performance Index Snapshot[a]

Prime Metrics	Current Month (%)	Month Over Month (bps)	Year Over Year (%)
Delinquencies	5.18	16	16.67
Chargeoffs	11.75	(106)	30.99
Yield	25.18	(109)	3.49
Payment Rate	12.75	(10)	(3.34)
Excess Spread[b]	8.04	57	(17.96)

[a]*http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm.*

[b]Three-month average.

Current Spread Account Trapping

(Distribution Date: October 2009)

	Series	Trapping Currently?	First Trapping Trigger (%)	Current Three-Month Average (%)	Amount Trapped	Target Amount ($ Mil.)	% Trapped	Target %	No. Months Trapping
1st Financial Credit Card Master Note Trust	2007-1	Yes	Various[a]	12.52	4.50	4.50	4.50	4.50	4
BA Master Credit Card Trust II	2000-E	Yes	4.50	4.49	6.41	5.90	1.09	1.00	6
Capital One Multi-Asset Execution Trust	2001-D1	Yes	7.00	6.47	256.90	256.90	0.75	0.75	7
Chase Issuance Trust	CHASEseries	Yes	4.50	5.55	1,220.00	1,220.00	1.50[b]	1.50[b]	6
Chase Credit Card Master Trust	2003-4	Yes	4.50	3.03	21.75	21.75	3.00	3.00	6
First National Master Note Trust	2009-3	Yes	4.00	3.93	14.62	18.99	2.12	2.75	7

[a]In addition to the excess spread trigger, the 1st Financial Credit Card Master Note Trust also includes triggers that are tied to payment rate, net charge-off rate, delinquency rate, and 1st Financial Bank, USA's financial strength. [b]This represents the floor for Chase Issuance Trust, this amount will not be released.

Consumer Watch

Due to the current negative economic environment, Fitch expects unemployment to exceed 10% by first-quarter 2010. Despite a higher unemployment outlook, Fitch expects the ratings for senior tranches of U.S. credit card ABS to remain stable as issuers have taken actions to increase credit enhancement and augment structural protections of the transactions. However, the outlook for subordinate tranches remains negative, particularly given recent delinquency and personal bankruptcy filing trends. While the pace of decline in the economy has slowed, it is unclear whether this trend will continue and how it may affect ABS collateral and ratings performance in the coming months.

Relevant economic indicators include the following.

- **Unemployment Rates:** Unemployment worsened to 9.8% in September from 9.7% in the previous month as job losses declined by 263,000 compared to 201,000 in August. The real unemployment rate, which includes persons working part-time for economic reasons and discouraged workers, also trended upwards to 17.0% from 16.8% a month earlier.
- **Consumer Confidence:** As measured by The Conference Board, the Consumer Confidence Index fell to 47.4 (1985 = 100) from 53.4 in September. The University of Michigan's Consumer Sentiment Index also decreased to 70.5 from 73.5 in September. While the pace of job losses is slowing, overall unemployment is still on the rise, weighing on consumer confidence.
- **Retail Sales:** An advance estimated of retail sales for September showed a decrease of 1.5% from the previous month and 5.3% below September 2008. Sales declined last month coincident with the end of the government's "Cash for Clunkers" program.
- Debt Service Levels: The personal savings rate in August fell for the third month to 3.0% from 4.2% in July, as personal incomes have risen by a tepid 0.2% for two consecutive months. Consumer spending, which accounts for more than 70% of U.S. economic activity, rose 1.3%, cutting into the savings rate. Total debt service for the second quarter of 2009, as measured by the Financial Obligations Ratio, fell slightly to 18.5%.
- **Bankruptcy:** There were 124,790 bankruptcy filings in September 2009. Year-to-date filings totalled 1.05 million, which is a 35% increase over the same period last year. The weekly average for July filings reached 31,198, which is within the long-term historical average of about 30,000–35,000 filings. Filings are expected to continue rising throughout the year as the unemployment condition deteriorates and consumer credit is hard to come by.

October 2009 Issuance Overview

Name	Coupon	Ratings	Expected Maturity	TALF-Eligible Amount ($ 000)	Total Deal Amount ($ 000)[a]	Issuance Date	TALF
BA Credit Card Trust, Class B (2009-B2)	1M LIBOR + 2.50%	AAA	10/15/10	—	300,000,000	10/13/09	N
TALF Eligible Issuance	—	—	—	—	—	—	—
Non-TALF Issuance	—	—	—	—	300,000,000	—	—
Total Issuance					**300,000,000**	—	—

[a]Total deal amount only includes the note principal balances. LIBOR – London Interbank Offered Rate.

Checklist of Trusts Where Spread Account Trapping has Occurred in 2009

Trust	January	February	March	April	May	June	July	August	September	October	Trust Total
1st Financial Credit Card Master Note Trust							x	x	x	x	**4**
American Express Issuance Trust											
BA Credit Card Trust							x				**1**
BA Master Credit Card Trust II	x	x	x		x	x	x	x	x	x	**9**
Cabela's Credit Card Master Note Trust											
Capital One Master Trust											
Capital One Multi-asset Execution Trust				x	x	x	x	x	x	x	**7**
Chase Credit Card Master Trust					x	x	x	x	x	x	**6**
Chase Issuance Trust					x	x	x	x	x	x	**6**
Citibank Credit Card Issuance Trust		x									**1**
Citibank Credit Card Master Trust I											
Citibank Omni Master Trust											
Discover Card Master Trust I											
Discover Card Execution Note Trust											
First National Master Note Trust		x	x	x		x	x	x		x	**7**
GE Capital Credit Card Master Note Trust											
HSBC Credit Card Master Note Trust											
HSBC Private Label Credit Card Master Note Trust											
National City Credit Card Master Note Trust	x	x	x	x	x	x	x	x	x		**9**
Washington Mutual Master Note Trust				x	x	x	x				**4**
World Financial Network Credit Card Master Note Trust											
Monthly Total	**2**	**4**	**3**	**4**	**6**	**7**	**9**	**7**	**6**	**6**	

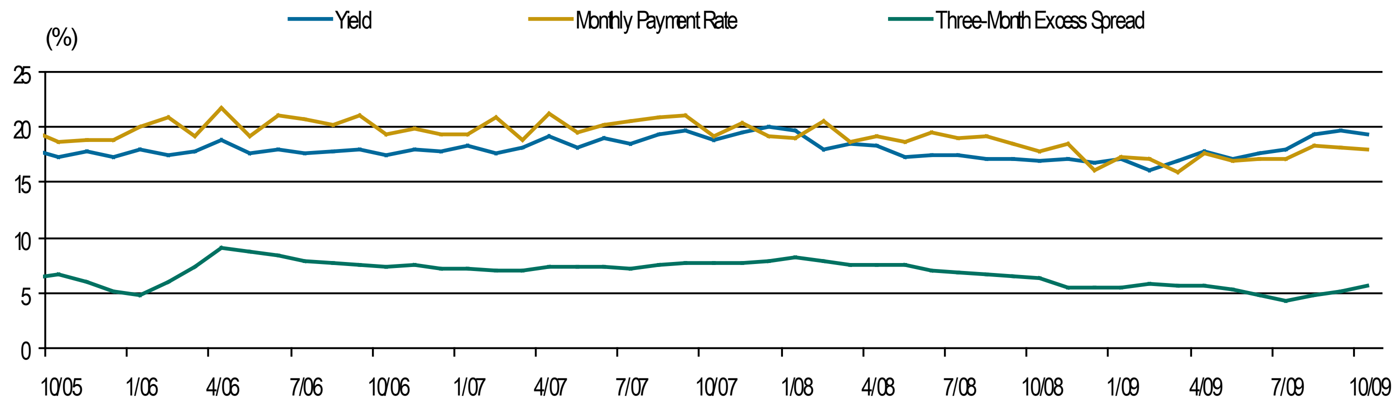
Fitch Ratings: Health of the Consumer Monitor

(% Change from Preceding Period)[a]

	3Q08	4Q08	1Q09	2Q09	April	May	June	July	August	September	October
Output and Spending											
Real GDP (QoQ, % Change SAAR)	(2.7)	(5.4)	(6.4)	(0.7)	—	—	—	—	—	—	—
Real GDP (YoY, % Change SAAR)	0.0	(1.9)	(3.3)	(3.9)	—	—	—	—	—	—	—
Personal Consumption (QoQ % Change SAAR) (MoM % Change SAAR, Chained)	(3.5)	(3.1)	0.6	(1.2)	(1.9)	(1.8)	(1.5)	(0.7)	0.3	—	—
Retail Sales (YoY % Change SAAR)	(1.5)	(10.6)	(9.5)	(8.9)	(10.0)	(9.8)	(8.9)	(8.5)	(5.7)	(6.0)	—
Retail Sales – Excluding Autos (YoY % Change SAAR)	3.2	(7.1)	(6.2)	(7.8)	(7.5)	(7.8)	(7.6)	(8.6)	(6.2)	—	—
Consumer Indicators Wealth and Debt Consumer Debt:											
— Revolving (QoQ % Change SAAR)	3.2	(6.5)	(8.9)	(8.2)	(11.7)	(6.3)	(6.4)	(3.1)	(13.1)	—	—
— Non Revolving (QoQ % Change SAAR)	(0.6)	(1.2)	(0.4)	(3.5)	(6.2)	(0.4)	(8.0)	(12.6)	(1.6)	—	—
— Mortgage (QoQ % Change SAAR)	(2.4)	(1.7)	0.0	0.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Financial Obligations Ratio	19.0	19.0	18.5	0.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Personal Savings Rate	2.2	3.8	3.7	5.0	4.5	6.0	4.5	4.2	0.0	0.0	0.0
Labor Market											
Unemployment Rate (% Labor Force) (Period End)	6.2	7.2	8.5	9.5	8.9	9.4	9.5	9.4	9.7	9.8	—
Non-farm Payrolls (SA Monthly Change, 000)	(208.0)	(552.7)	(707.0)	(422.0)	(519.0)	(303.0)	(463.0)	(304.0)	(201.0)	(263.0)	—
Housing Home Price Indices:											
— Existing Home Sales (YoY % Change)[a, b]	(0.6)	(4.8)	(7.5)	(0.2)	(3.9)	(4.6)	(0.2)	5.0	—	—	—
— FHFA HPI (YoY % Change)	(6.5)	(8.3)	(7.0)	(6.0)	(7.1)	(5.9)	(5.3)	(4.2)	—	—	—
— S&P Case Shiller (Period Ended)	(17.4)	(18.6)	(18.7)	(16.9)	(18.1)	(17.1)	(15.4)	(13.3)	(11.3)	—	—
Inflation											
Consumer Price Index (CPI)[a] (YoY % Change)	4.9	(0.1)	(0.4)	(1.2)	(0.6)	(1.0)	(1.2)	(1.9)	(1.4)	(1.3)	—
Outlook											
Index of Leading Indicators	100.6	98.9	97.9	97.9	98.9	100.2	101.0	101.9	102.5	—	—
Consumer Confidence Surveys:											
— Conference Board	61.4	38.6	26.9	49.3	40.8	54.9	49.3	47.4	54.5	53.4	47.7
— University of Michigan	70.3	60.1	57.3	70.8	65.1	68.7	70.8	66.0	65.7	73.5	65.7
Dow Jones Industrial Average (Period End)	10,850.7	8,776.4	8,776.4	8,447.0	8,168.1	8,500.3	8,447.0	9,171.6	9,496.3	9,712.3	9,712.7
Three-Month LIBOR (%)	4.1	1.4	1.2	0.8	1.0	0.7	0.6	0.5	0.4	0.3	0.3
Bankruptcy Filings	279,200.0	291,117.0	308,530.0	366,821.0	125,618.0	124,838.0	116,365.0	126,434.0	119,874.0	124,790.0	—

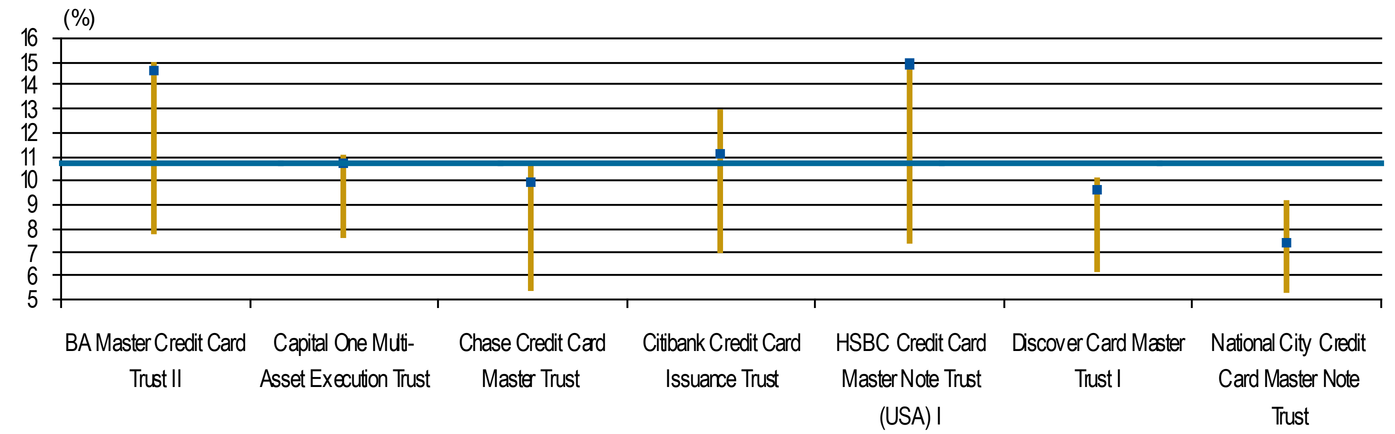
[a]Change over same period a year earlier (%). [b]Federal Housing Finance Agency's (FHFA) seasonally adjusted purchase-only price index (HPI). SA – Seasonally adjusted. QoQ – Quarter-over-quarter. MoM – Month-over-month. YoY – Year-over-year. SAAR – Seasonally adjusted annual rate. N.A. – Not available. Source: Fitch, Bureau of Economic Analysis, National Association of Realtors (NAR), Datastream.

Fitch Ratings Prime Credit Card Performance[a]



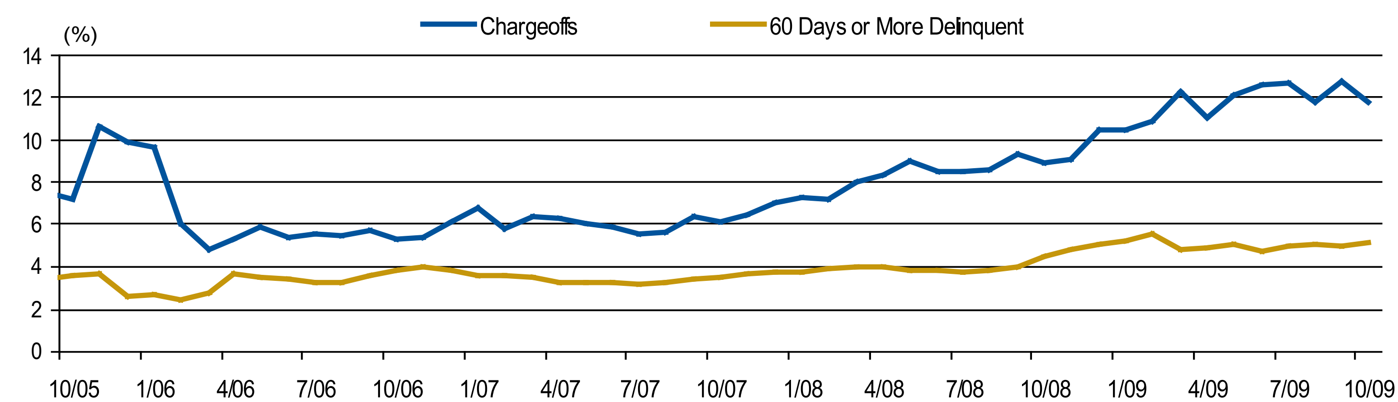
[a]http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/rcc_index.cfm.

Chargeoffs



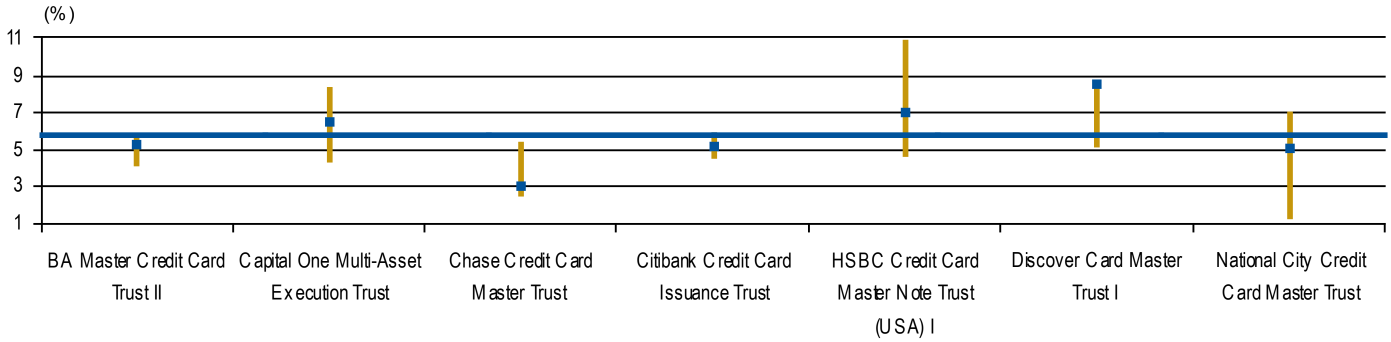
Note: The chart above shows the chargeoff highs and lows for each trust within the past 12 months. = Fitch Ratings Index: 10.75%.

Fitch Ratings Prime Credit Card Chargeoff Index[a]



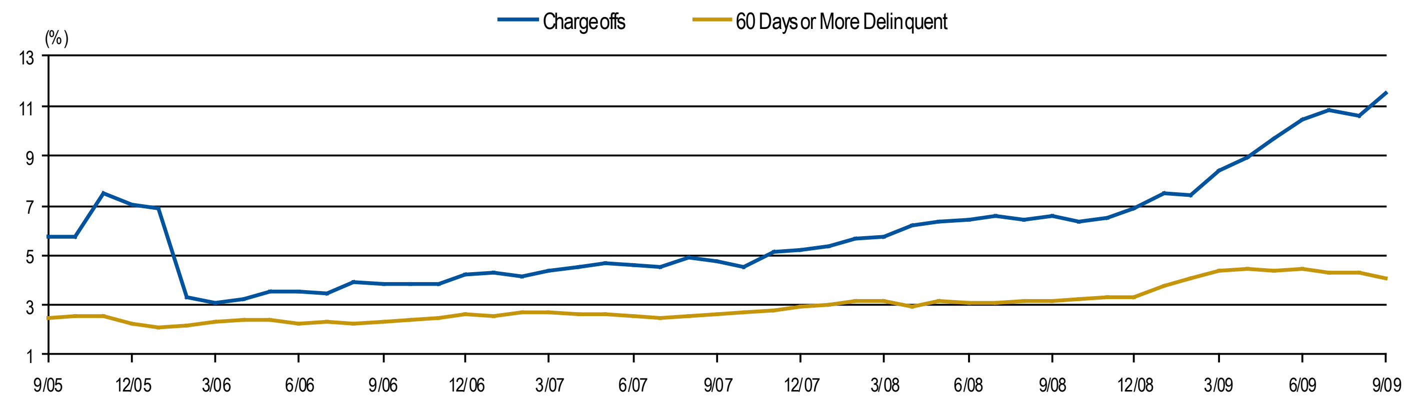
[a]http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm.

Fitch Ratings Prime Credit Card Excess Spread Index[a]



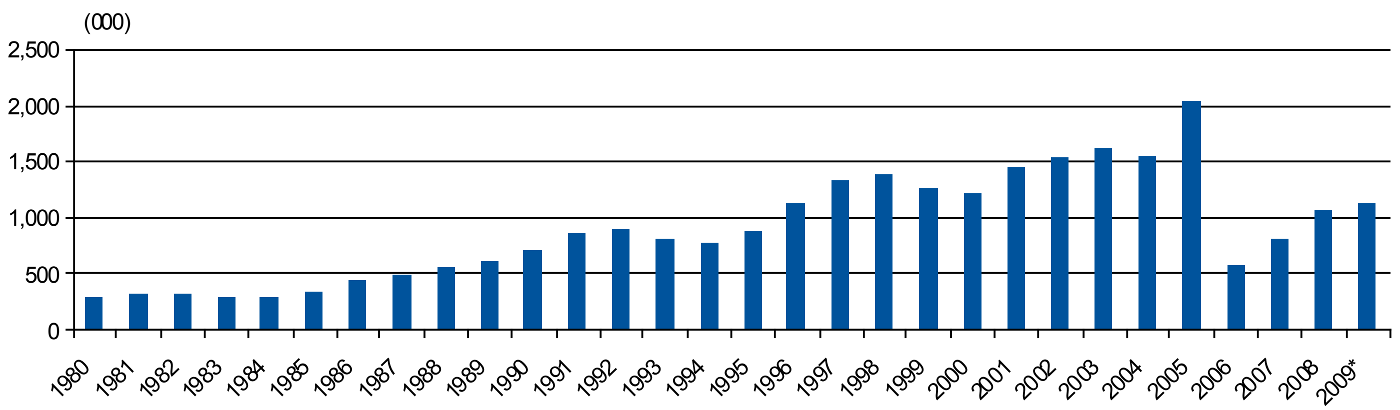
[a]*http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/cc_index.cfm.* Note: The chart above shows the excess spread highs and lows for each trust within the past 12 months. The dot indicates the current excess spread percentage. Fitch Ratings Index: 5.75%.

Fitch Ratings Retail Credit Card Performance Index[a]



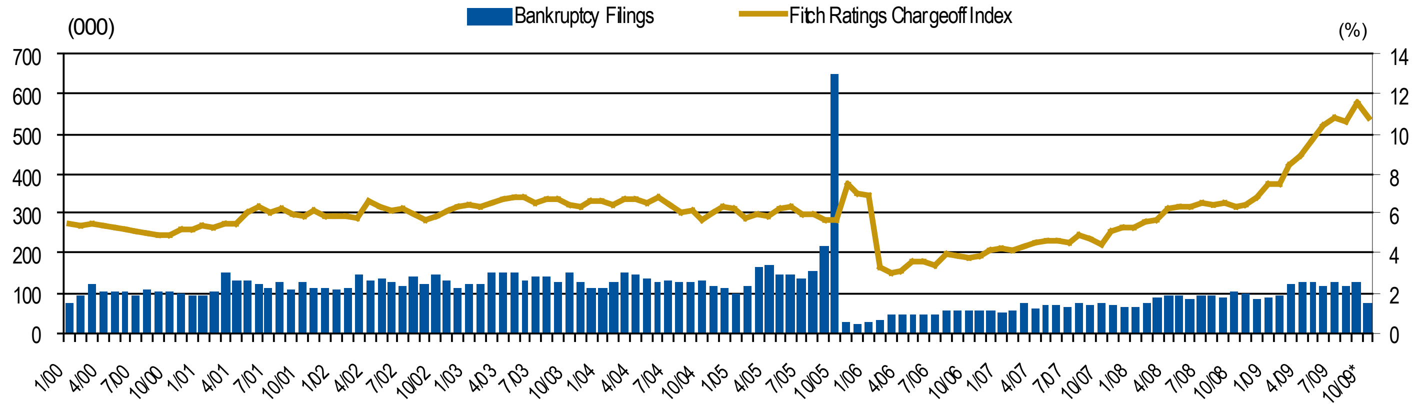
[a]*http://www.fitchratings.com/creditdesk/sectors/surveillance/asset_backed/credit_card_index/rcc_index.cfm.*

Annual Bankruptcy Filings



*Through Oct. 17, 2009.
Source: Lundquist Consulting, Inc.

Monthly Bankruptcy Filings



*Through Oct. 17, 2009.
Source: Lundquist Consulting, Inc.