
Surveillance

After completion of the initial rating process, continuous rating surveillance will be conducted. The purpose of surveillance is to monitor whether the transaction is performing in accordance with that of the initial rating expectations, as well as to identify emerging risks in the transaction. To the extent that the transaction's performance deviates substantially from that of the initial rating stresses or assumptions, Standard & Poor's reserves the right to take appropriate rating action.

Accordingly, analysts will request information, known as servicer reports, to be provided by the issuer or servicer on a monthly or quarterly basis. This information, along with any other available data, will be used to monitor the ongoing performance of the transaction. The information provided in the servicer's report should contain data relating to both the asset and liability performance of the transaction. The asset information should include the following:

- Current lease revenue,
- Current appraised value of the portfolio,
- Current level of arrears,
- Maintenance inflows and outflows,
- Income derived from sales or other sources,
- All activity relating to the re-leasing of aircraft,
- Current concentrations (airline, aircraft type, geographical), and
- Any other notable servicing information relating to the portfolio.

The liability information should include the following (which should be broken out at each tranche level):

- Principle notes outstanding,
- Principle redemption of notes,
- Actual interest payments versus scheduled interest payments,
- Drawings from transaction accounts,
- Drawings from liquidity reserve,
- Current credit enhancement levels, and
- Current loan to value ratios.

Furthermore, Standard & Poor's reserves the right to request periodic management meetings with the servicer to insure that its abilities have not deteriorated in such a manner that would have an adverse impact on asset performance. The surveillance team also tracks the credit quality of those entities that are a supporting rating to the transaction as well as regulator issues which have the potential to impact a transaction negatively. At any time during the surveillance process, a rating change may be necessary. In this circumstance, a press release will be disseminated for all public issues.

Conclusion

Many changes have occurred since Standard & Poor's initially rated aircraft transactions. It is expected that the criteria presented here, which have been developed over the past few years, will continue to reflect ongoing changes. Thus, Standard & Poor's is open to examining transaction proposals containing new structural mechanisms and will consider each proposal on a case-by-case basis.