



AH Mortgage Advance Company, Ltd., Series 2012-1 and 2012-2; AH Mortgage Servicer Advance Revolving Trust 3, Series 2012-OS

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Ratings

Series 2012-1

Debt	Rating	Rating Action	Size (\$mm)	Coupon
Class 1A-1 Term Notes	AAA (sf)	Final Rating	249.0	2.98%
Class 1A-2 Term Notes	AAA (sf)	Final Rating	250.0	3.72%
Class 1B Term Notes	AA (sf)	Final Rating	18.6	4.21%
Class 1C Term Notes	A (sf)	Final Rating	16.1	6.17%
Class 1D Term Notes	BBB (sf)	Final Rating	14.5	7.04%

Series 2012-2 & Series 2012-OS

Debt	Rating	Rating Action	Max Size (\$mm)	Coupon
Class A VFN	AAA (sf)	Final Rating	237.6	LIBOR + 3.00%
Class B VFN	AA (sf)	Final Rating	12.5	LIBOR + 4.25%
Class C VFN	A (sf)	Final Rating	11.8	LIBOR + 5.50%
Class D VFN	BBB (sf)	Final Rating	13.1	LIBOR + 6.75%

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Transaction Parties and Related Information

Seller and Servicer:	American Home Mortgage Servicing, Inc.
Depositor:	AH Mortgage Advance Corporation III
Issuers:	AH Mortgage Advance Company, LTD; AH Mortgage Servicer Advance Revolving Trust 3
Indenture Trustee:	Wells Fargo Bank, National Association (DBRS Rating: 'AA (high) /R-1 (high)')
Primary Assets of the Issuers:	Revolving pool of receivables which represent the right to be reimbursed for advances made by the servicer and servicing fees owed to the servicer in respect of mortgage loans serviced pursuant to the related servicing agreements.
Number of Servicing Agreements:	136
Revolving Period:	13 months for Class 1A-1 25 months for all other classes.
Reserve Account:	The required reserve amount will be greater of (i) 2.0% of the note balance and (ii) 8 times interest and expense coverage amount.
Initial Payment Date:	March 2012
Final Maturity Date:	March 2043 – For Class 1-A1 March 2044 – For all other classes
Interest Rate Cap Provider:	The Bank of New York Mellon (DBRS Rating: 'AA/R-1 (high)')



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Executive Summary

DBRS, Inc. has assigned ratings to the term notes and variable funding notes (VFN) issued by AH Mortgage Advance Company, LTD and AH Mortgage Servicer Advance Revolving Trust 3 are listed on page 1. The collateral for this transaction is a revolving pool of receivables which represent the right to be reimbursed for advances made by the servicer in respect of mortgage loans serviced pursuant to the related servicing agreements. These advances include scheduled principal and interest payments (P&I), tax and insurance premiums (escrow) and costs and expenses associated with foreclosing on and liquidating mortgage collateral (corporate). The collateral may also include servicing fees earned and accrued by the servicer but not yet reimbursed for certain RMBS trusts.

The advance rates for this transaction are listed in the table below. A reserve account with 8 months of interest and fee coverage is also in place. In addition, the transaction benefits from a structural mechanism that reduces advance rates if performance deteriorates. The ratings for the notes address timely payments of interest and ultimate payments of principal by the final maturity date. The ratings do not address the payment of any unrated amortization period fee amounts.

Advance Rates Summary Series 2012-1

Servicer Advance Type	Class A Advance Rates (%)	Class B Advance Rates (%)	Class C Advance Rates (%)	Class D Advance Rates (%)
Pool Level P&I	90.25	92.00	94.00	95.50
Loan Level P&I Judicial (incl. servicing fees)	75.75	80.25	83.75	86.75
Loan Level P&I Non-Judicial (incl. servicing fees)	81.25	85.00	88.00	90.50
Loan Level Escrow Judicial	73.50	78.25	82.00	85.50
Loan Level Escrow Non-Judicial	78.75	83.25	86.50	88.75
Loan Level Corporate Judicial	73.25	78.00	81.50	85.25
Loan Level Corp Non-Judicial	78.00	82.50	85.25	88.00

Series 2012-2 & Series 2012-OS

Servicer Advance Type	Class A Advance Rates (%)	Class B Advance Rates (%)	Class C Advance Rates (%)	Class D Advance Rates (%)
Pool Level P&I	86.25	89.25	91.75	95.00
Loan Level P&I Judicial (incl. servicing fees)	68.00	73.25	79.00	85.00
Loan Level P&I Non-Judicial (incl. servicing fees)	74.00	79.00	84.00	88.75
Loan Level Escrow Judicial	67.00	72.25	77.50	83.00
Loan Level Escrow Non-Judicial	71.50	77.00	81.75	87.00
Loan Level Corporate Judicial	65.75	71.50	77.50	82.75
Loan Level Corp Non-Judicial	69.50	74.50	80.25	85.75

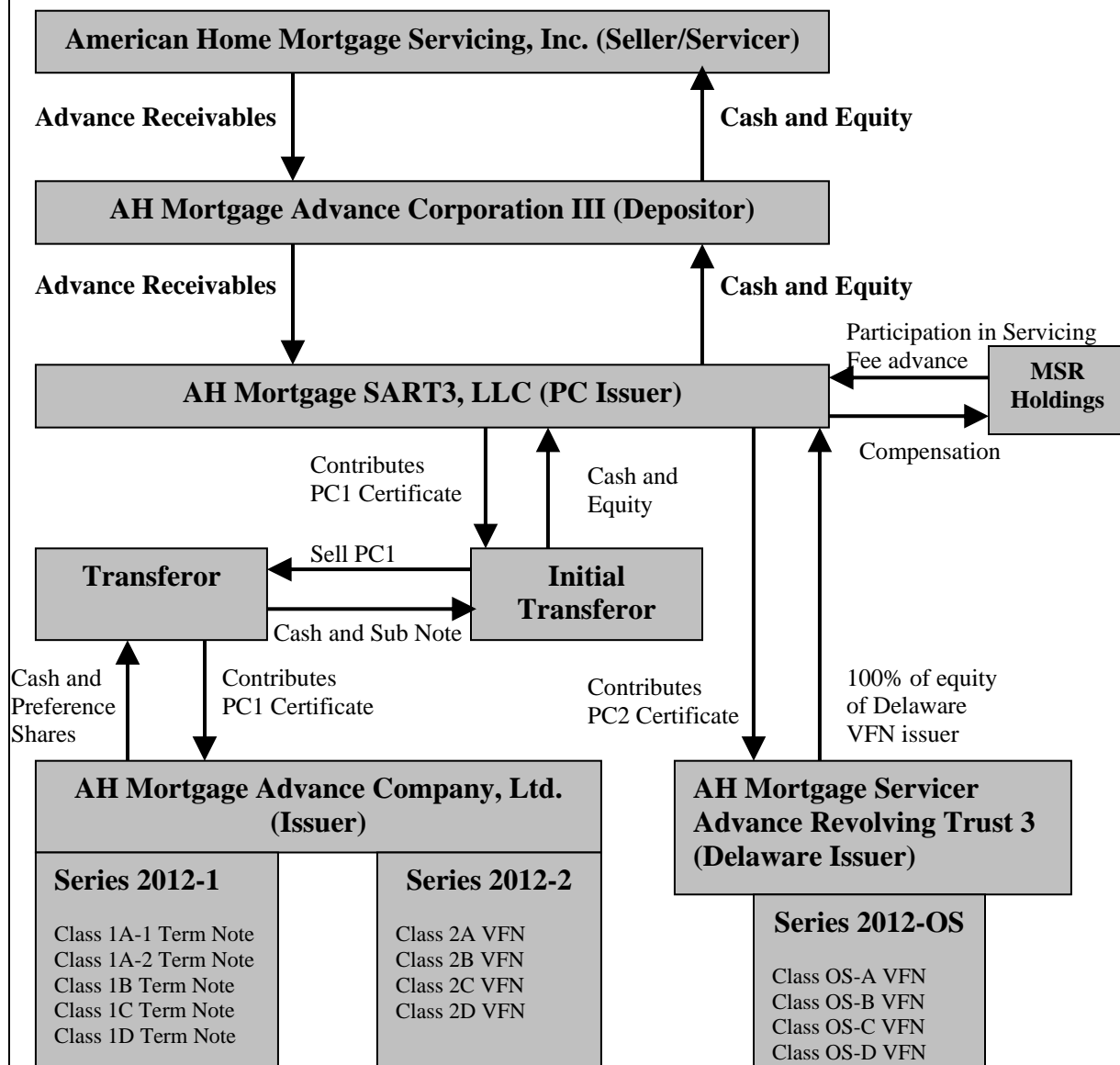
The servicing advance receivables are related to residential mortgage backed securitizations (RMBS) that generally grant the servicer first priority in the receipt of any insurance or liquidation proceeds from a loan, and if those proceeds are insufficient, grant the servicer a first priority to the general collections of the related securitization. The related servicing agreement to every trust gives the servicer the right to assign, transfer or pledge its rights to be reimbursed, and provides that all advances are reimbursed on a "first-in first-out" (FIFO) basis.

The ratings are based on the operational expertise and financial condition of the servicer, historical advance recovery rates of the servicer, collateral credit quality and the financial and legal structure of the transaction.

The applicable methodology is Rating U.S. RMBS Servicing Advance Transactions, which can be found on the DBRS website under Methodologies.

Transaction Structure

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Rating Rationale

The ratings are based upon a review by DBRS of the following analytical considerations:

- Transaction capital structure, proposed ratings and form and sufficiency of available credit enhancement. The credit enhancement for this transaction includes the cushion available from the application of advance rates to the servicing advances as well as a reserve account with 8 months of interest and fee coverage. A structural mechanism is also in place to reduce advance rates if performance deteriorates. The advance rates may be reduced for an underlying RMBS trust due to i) the extension of liquidation timelines past certain defined thresholds and ii) foreclosure moratoriums. In addition, the VFN holders will receive the benefits of an interest rate cap agreement at a strike rate of 4.5%.
- The ability of the transaction to withstand stresses applied to the delay in advance recovery and the amount of such recovery. The assumptions are discussed in more detail on page 8 of this report. For this transaction, the rating addresses the payment of timely interest on a monthly basis and principal by the final maturity date. The ratings do not address the payment of any unrated amortization period fee amounts.
- The operational procedures and financial condition of the servicer.
DBRS conducted an operational risk review update with American Home Mortgage Servicing Inc. (AHMSI) in January 2012 and believes the servicer has the appropriate staff, technology, policies and procedures in place to effectively monitor the advance and reimbursement of funds from the servicing advance facility. DBRS also reviewed AHMSI's financial condition to assess the likelihood of servicing transfers or other potential interruption in cash flows. DBRS deems the transaction credit enhancement and the 8 months of interest coverage reserve account to be adequate to cover for potential delays in the reimbursement of advances in the event of a servicing termination or an automatic stay during bankruptcy proceedings.
- Collateral credit quality and conditions for funding new collateral.
The collateral for this transaction will be the servicer's right to reimbursements for advances made on 136 RMBS trusts. The RMBS trusts are collateralized by mostly subprime quality non-agency mortgages. The reimbursement of advances has a super senior priority in the RMBS trust payment waterfall. Funding new advances would generally require each of the RMBS trusts to have i) a market value ratio (funded advances divided by market value of the properties backing the mortgages) of less than 20% ii) a UPB ratio (funded advances divided by unpaid principal balance of the mortgages) of less than 20%. Additionally, new advances cannot be funded for a RMBS trust if the existing funded advances for a particular trust exceed 12.5% of the total funded advances in the facility.
- The legal structure and presence of legal opinions addressing the absolute transfer of the assets to the respective issuer, each of which will be structured as a bankruptcy remote special purpose vehicle (SPV); the non-consolidation and related separateness of each SPV and its applicable affiliates with its operating parent, in the case of an insolvency of the parent; and the consistency of the transaction to the DBRS Legal Criteria for U.S. Structured Finance Transactions methodology.

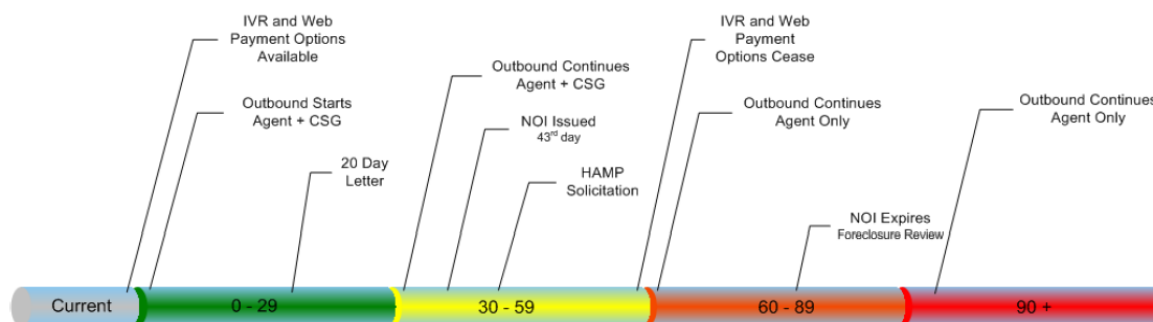
Servicer Review

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American Home Mortgage Servicing Inc. (AHMSI) is the thirteenth largest servicer in the U.S and as of 09/30/2011 services approximately 380,000 mortgage loans totaling \$71 billion. They are also the second largest servicer of non-prime mortgages with approximately 85% of the portfolio being non-prime products. The Company currently has approximately 3,000 employees dedicated to its servicing business throughout six locations: Dallas, TX; Addison, TX; Jacksonville, FL; Pune, India; Noida, India and Guadalajara, Mexico. AHMSI currently services for over 450 different investors and related entities, covering a wide variety of both whole loan and securitization deal structures acting as primary, master, sub or special servicer.

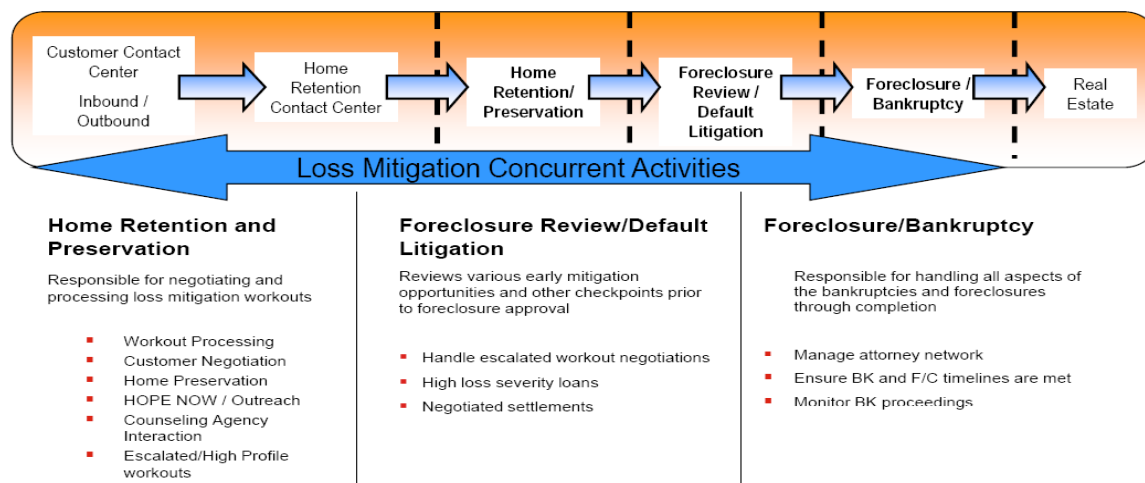
The Company has seasoned management averaging more than 20+ years of industry experience that handles its four primary businesses: core servicing, special servicing, sub servicing and master servicing. In 2011, AHMSI handled about 3million inbound collection calls, liquidated 17,000 properties (short sales, deeds-in-lieu, third party sales, full payoffs etc.) and managed an inventory of approximately 51,000 foreclosures and 16,000 bankruptcies. The Company aggressively uses modifications as a loss mitigation tool with approximately 34,000 of the eligible loans in their servicing portfolio getting modified in 2011.

COLLECTION TIMELINE:



Source: AHMSI

DEFAULT ADMINISTRATION TIMELINE:



Source: AHMSI

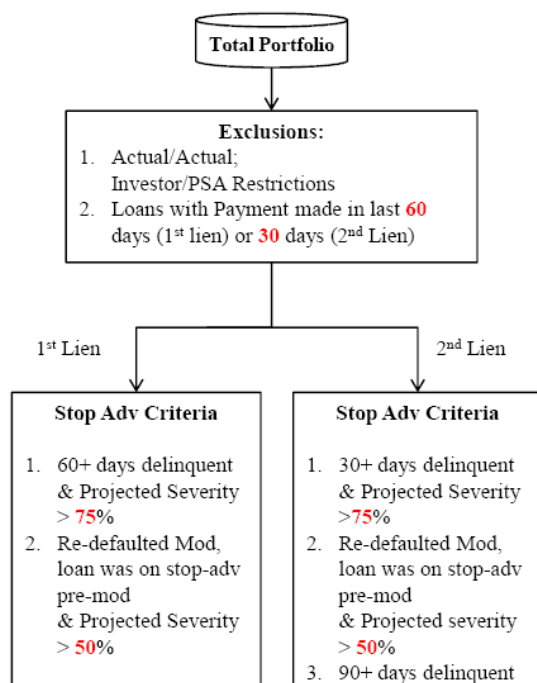
DBRS conducted an operational risk review update with AHMSI in January 2012 and believes the servicer has the appropriate staff, technology, policies and procedures in place to effectively monitor the advance and

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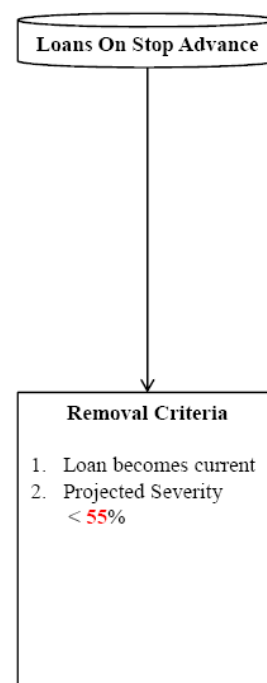
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reimbursement of funds from the servicing advance facility. The Company uses a proprietary model for determining when it considers further principal and interest advances to be non-recoverable with respect to a particular property. The model is based upon (1) the projected market value of the property at the time of liquidation or REO sale, (2) the projected period of time until such sale, and (3) the projected additional costs through the time of sale. In general, AHMSI's policy is to stop making P&I advances on delinquent first lien loans when the loan is more than 90 days delinquent (MBA) and the projected loss severity reaches 75%. With respect to second lien mortgage loans, AHMSI's policy is to stop making such advances when the loan is 60 days delinquent (MBA) and the projected loss severity reaches 75% or if the loan is more than 90 days delinquent regardless of projected loss severity. For re-defaulting modified loans that were on stop advance prior to the modification, their policy is to stop advancing when the loan reaches 90 days delinquent (MBA) and the loss severity threshold is 50%. The diagram below outlines their non-recoverable stop advance process.

Additions



Removals



Source: AHMSI

DBRS conducted an internal review of AHMSI's financial condition to assess the likelihood of servicing transfers or other potential interruption in cash flows. For this transaction the following risks may be present: i) Servicer terminations on the underlying RMBS trusts may require a servicing transfer that may result in temporary interruptions, ii) Reimbursements for advances may be subject to an automatic stay during bankruptcy proceedings until recognition of the true sale nature of the transaction. In the event of a servicing transfer, the recovery of advance reimbursement amounts may be dependent on a successor servicer or trustee's adherence to the FIFO allocation for repayment of outstanding unreimbursed advances. Additionally if the successor servicer does not purchase the outstanding servicing advances, a transfer of servicing with minimum disruption needs to take place to ensure that there are no delays in reimbursement of advances.

Factors that mitigate potential delays in reimbursements are: i) a reserve account that is funded at closing with 8 times the interest and fee coverage which would cover for an extended period of cash flow interruptions, ii) the underlying pooling and servicing agreements provide for servicing advance facilities and



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provide that advances will be reimbursed on a FIFO basis and a successor servicer and the RMBS trustee should be bound by such provisions.

To monitor servicing quality, an independent third-party verification agent will conduct ongoing audits to validate that the servicer is in compliance with its responsibilities related to the disbursement and reimbursement of servicing advances. Additionally the facility has early amortization triggers that would provide an early warning to declines in servicing quality. A breach of a trigger would result in a full amortization mode. The triggers include: i) the servicer ceasing to be an approved servicer for Fannie or Freddie and ii) the monthly reimbursement rates falling below certain defined thresholds. More details on the early amortization triggers may be found on page 10.

Collateral Description

The collateral for this transaction includes a revolving pool of receivables which represent the right to be reimbursed for advances made by the servicer in respect of mortgage loans serviced pursuant to the related servicing agreements. These advances include scheduled principal and interest payments (P&I), tax and insurance premiums (escrow) and costs and expenses associated with foreclosing on and liquidating mortgage collateral (corporate). The collateral may also include servicing fees earned and accrued by the servicer but not yet reimbursed for certain RMBS trusts.

More details on the eligible collateral may be found on page 11.

DBRS Stresses and Analysis

Evaluating the proposed advance rates involves the following steps: (i) applying stresses to the servicer's actual advance recovery rates to account for the credit risks incorporating the potential scenario of a servicing transfer, (ii) undertaking a cash flow analysis using the stressed recoveries to account for liquidity risks stemming from the mismatch between the receivables cash flow and security debt service obligations.

DBRS applied the following haircuts and assumptions to actual historical advance recoveries to achieve a stressed recovery rate.

- Step 1. Calculated stressed recovery rates using historical recovery rates from the servicer. AHMSI had provided historical reimbursement recovery rates for the underlying RMBS transactions. Assumed a beta distribution of the actual AHMSI historical cumulative recovery rates and applied confidence levels to achieve a stressed recovery rate.
- Step 2. Calculated stressed recovery rates using weighted historical data.
We applied a heavier weighting on advances made in the recent past and repeated the same stress described in Step 1.
- Step 3. Utilization of the more conservative results from Step 1 and Step 2.
We utilized the more conservative stressed cumulative recovery rates in each period from the weighted and non-weighted data set stresses described above.
- Step 4. Capping the stressed recoveries.
We capped the stressed cumulative recovery rates derived from Step 3 to account for non-recoverable and unrecoverable advances. The cumulative recovery rates were capped for each advance type and rating category as specified in the below table.

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Stressed Recovery Cap

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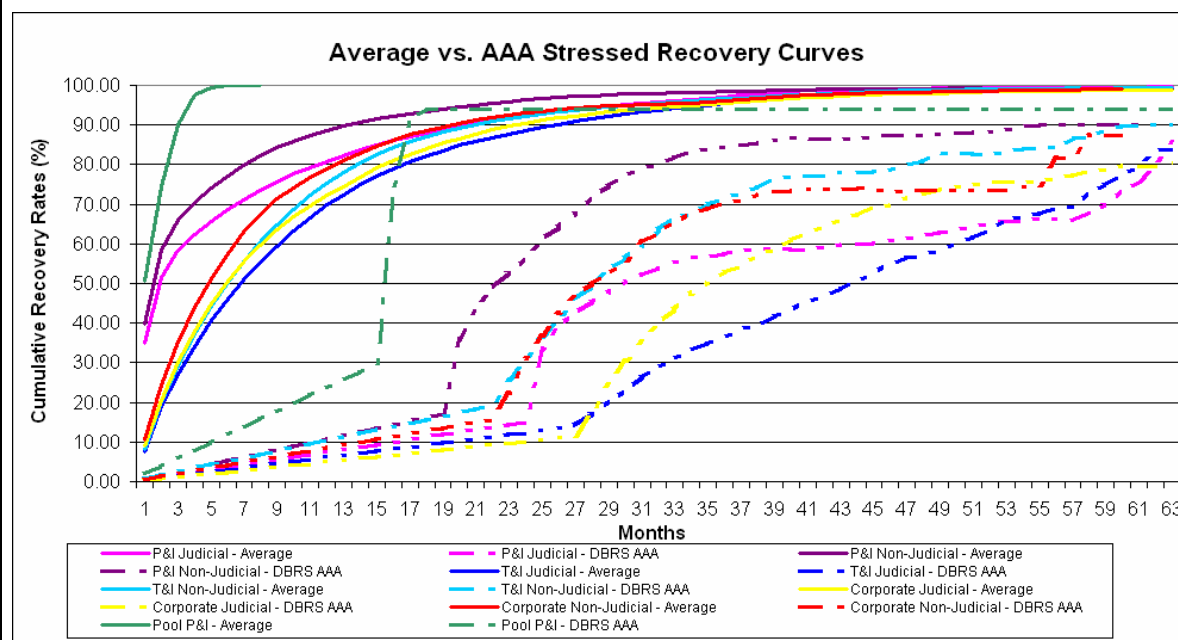
Servicer Advance Type	AAA	AA	'A'	BBB
Pool Level - P&I	94.00%	95.00%	96.00%	97.00%
Loan Level - P&I Judicial (incl. servicing fee)	90.00%	92.00%	93.75%	95.25%
Loan Level - P&I Non-Judicial (incl. servicing fee)	90.00%	92.00%	93.75%	95.25%
Loan Level - T&I Judicial	90.00%	92.00%	93.75%	95.25%
Loan Level - T&I Non-Judicial	90.00%	92.00%	93.75%	95.25%
Loan Level - Corporate Judicial	87.50%	90.00%	92.00%	94.00%
Loan Level - Corporate Non-Judicial	87.50%	90.00%	92.00%	94.00%

• Step 5. Delay the stressed recoveries.

We delayed the stressed recovery rates during the beginning periods post-advance by the number of months specified in the table below. We assumed a low amount of recoveries to occur during these periods. The delayed stresses, in the table below, were designed to cover for risks that include extension of foreclosure and liquidation timelines, reduction in the future loan-level modifications and possible delays during any servicing transfer.

Recovery Stresses for Reimbursements

Servicer Advance Type	Delay (AAA)	Delay (AA)	Delay ('A')	Delay (BBB)
Pool Level - P&I	12 months	10 months	8 months	6 months
Loan Level - P&I Judicial (incl. servicing fee)	23 months	21 months	19 months	17 months
Loan Level - P&I Non-Judicial (incl. servicing fee)	18 months	16 months	14 months	13 months
Loan Level - T&I Judicial	23 months	21 months	19 months	17 months
Loan Level - T&I Non-Judicial	18 months	16 months	14 months	13 months
Loan Level - Corporate Judicial	23 months	21 months	19 months	17 months
Loan Level - Corporate Non-Judicial	18 months	16 months	14 months	13 months



Source: AHMSI & DBRS

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Cash Flow Analysis

DBRS undertook a detailed cash flow analysis to ensure monthly debt service coverage for the notes. To evaluate advance rates for each advance type, we analyzed debt service coverage assuming (i) collateral receipts equal those after applying the credit stresses listed above and (ii) monthly payments reflect the actual amount and order of debt service, incorporating interest rate stresses for the VFN, the reserve account, interest cap agreement as well as expenses and fees outlined in the trust documents.

Structural Highlights

Flow of Funds:

The trustee shall allocate to each series of notes such series' allocation percentage of available funds that will be applied as below:

- Fees to the various parties.
- Accrued and unpaid interest to class A note holders.
- Accrued and unpaid interest to class B note holders.
- Accrued and unpaid interest to class C note holders.
- Accrued and unpaid interest to class D note holders.
- To the reserve account until amount on deposit equals the required reserve amount.

During the amortization period, in the following order of priority:

- If no early amortization event has occurred, then principal, pro-rata, to note holders until principal balances are reduced to zero.
- If an early amortization event has occurred, then principal, sequentially, to the class A, B, C and D notes respectively until their balances are reduced to zero.
- Unrated amortization period fee to the note holders.

Early Amortization Events

- The occurrence of any Event of Default.
- The monthly reimbursement rate is less than 8% for 3 consecutive months.
- AHMSI ceases to be an approved servicer of residential mortgage loans for Fannie Mae or Freddie Mac.
- Reserve required account amount is not met.
- Failure to comply with servicing standards that has a material adverse impact on the collectability of collateral.
- Three month average net proceeds coverage percentage is less than five times term notes interest coverage.
- The occurrence of servicing terminations (other than due to a breach of a collateral performance test) on greater or equal to 15% (by loan balance) of RMBS trusts included in the facility.

Events of Default

- A default in the payment of interest or principal due on any payment date.
- Failure to comply with the deposit and remittance requirements set forth in any servicing agreement or the indenture.
- Breach or default in the due observance or performance of covenants or agreements.
- Material breaches of representations and warranties.
- Certain insolvency or bankruptcy events with respect to the issuers or the depositor.
- Issuers shall cease to have good and valid title to the receivables or the indenture trustee shall for any reason cease to have a valid and effective first priority perfected security interest in the trust estate.
- Collateral coverage requirement is not satisfied.

Specified Events of Default

- Default in the payment of principal, interest and fees on the notes in full on or before the put date.
- Change of control as to the seller or servicer.
- Certain insolvency or bankruptcy events with respect to the seller or servicer.

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For specified events of default, no sale of collateral is permitted for less than the note redemption amount.

Eligible Collateral

Eligible receivable

- The receivable is related to an eligible servicing agreement and is contractually recoverable from the collections or liquidation proceeds of the related mortgage loan.
- The seller and depositor have good and marketable title and the receivable is not subject to any adverse claims.
- Advances on second liens are not eligible.
- For advances made on 90 day plus delinquent loans, a Broker price Opinion (BPO) not older than 210 days was completed on the property. Additionally, the loan level and pool level BPO ratios calculated on the loans need to be greater than or equal to 2.0:1 and 3.0:1 respectively. Certain exceptions to these ratios are permitted.
- Advances on mortgage loans or REOs that are subject to lease or rental agreements are not permitted.
- Advances from an eligible servicing agreement which cause the market value ratio (funded advances divided by market value of the properties backing the mortgages) to exceed 20% is not permitted.
- Advances from an eligible servicing agreement which cause the UPB ratio (funded advances divided by unpaid principal balance of the mortgages) to exceed 20% is not permitted.

Eligible servicing agreements

- The underlying servicing agreement must provide that all advances are reimbursed on a FIFO (first-in, first out) basis.
- The securitization trust contains mortgage loans with an aggregate outstanding principal balance of at least \$1 million.
- The securitization trust is comprised of at least 15 mortgage loans.

Collateral Value

- Advances funded for a securitization trust with an aggregate outstanding principal balance of less than \$10 million and loan count lower than 50 that exceed 2.0% of aggregate advances in the facility shall have zero collateral value.
- Advances funded for a securitization trust with an aggregate outstanding principal balance of less than \$25 million but greater than or equal to \$10 million and loan count lower than 125 but greater than or equal to 50 that exceed 8.0% of aggregate advances in the facility shall have zero collateral value.
- Advances funded for a securitization trust that exceed 12.5% of aggregate advances in the facility shall have zero collateral value.

Please note that the Early Amortization Events, Events of Default and Eligible Collateral are not limited to those listed above. For more details on the transaction structure, please refer to the offering documents.

Representations and Warranties

The Rule 17g-7 Report of Representations and Warranties is hereby incorporated by reference and can be found at <http://dbrs.com/research/244921/dbrs-17g-7-disclosure-report-ah-mortgage-sart3-llc.pdf>



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Note:
All figures are in U.S. Dollars unless otherwise noted.

This report is based on information as of January 2012. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

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