We investigate the effects ABS downgrades have on their parents/sponsors, and whether rating agencies downgrade deals independently of the parents' performance. In an ABS transaction, the underlying collateral is moved off-balance sheet, in accordance with the "true sale" assumption of FASB140. Therefore, an ABS downgrade should (a) have no impact on the parent and (b) have no relation to the parent's performance. However, we show that investors treat the deal as an integral part of the parent, given the significantly negative market reaction to the downgrade announcement. Moreover, the market's disciplinary role is also manifested through significant delays in the post downgrade ABS issuance activity for sponsors of downgraded deals. We also show that investors can distinguish "good" securitizers from "bad" ones as there are no such delays for securitizers of non-downgraded ABS deals. Hence in light of the recent economic crisis, proposals for effective regulation should incorporate ABS downgrades as market signals within the supervisory process. Finally, we provide evidence that for some deals, rating agencies consider the parent's financial position, and just like investors, treat the deal as an integral part of the parent.