Criteria Essentials – U.S. RMBS Rating Criteria

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Operational Risk Analysis

SERVICER RATINGS
Fitch rates residential mortgage servicers on a 1 to 5 scale and (+/-) modifiers. Servicers are rated by function and product type.

- Servicer functions include Primary, Master and Special
- Product types include 1st Liens, 2nd Liens, HELOCs, Manufacture Housing

ORIGINATOR/AGGREGATOR REVIEWS
Risk-based reviews of significant Originators and Aggregators on a pass/fail basis focusing on the following areas:

- Company Overview including History, Regulation, Licensing, Funding, etc.
- Management & Staff including Staffing Model, Leadership Team and Training
- Technology
- Business Operations including Sourcing Assets, Underwriting, Acquisition Management, Risk Management, etc.

REP & WARRANTY FRAMEWORK
Representations, Warranty and Enforcement framework is reviewed focusing on:

- Loan-level Reps & Warranties
- Sunset, Proximate Cause, Materiality and Knowledge Qualifier Provisions
- Loan File Review Procedure
- Dispute Resolution Procedure
- Enforcement Mechanics
- R&W Provider

Credit Risk Analysis

SUSTAINABLE HOME PRICES
Overvaluation is measured by comparing home price growth to Fitch's sustainable home price assumption, commonly referred as the Sustainable Market Value Decline (sMVD)

- Covers 412 MSAs and CMSAs
- Variables include Unemployment, Household Growth, Income, Rents and 30-Year Mortgage Rate
- Updated quarterly with new data
- sMVDs increase by Rating Case

LOAN LOSS MODELING
Loan-level default probability (PD) is based on a logistic regression using default observations on 50 million loans originated from 1991 to 2011. Loss severity (LS) is estimated using a probability-weight outcome analysis. *(see next page for more details)*

CASH FLOW MODELING
Fitch analyzes principal and interest payments to the notes across various scenarios using Intex Solutions software:

- Front, Mid and Back default timing
- Flat and Benchmark prepayment timing
- Up, Flat and Down interest rates movements, if applicable

Transaction & Legal Analysis

DOCUMENT REVIEW
Fitch reviews the Pooling & Servicer Agreement or Indenture Trust Agreement to ensure the transaction structure is consistent with the analytical assumptions. Key areas of focus include:

- Payment Waterfall Priorities
- Performance Triggers
- Net WAC definition
- Rated Final Maturity
- CE Floors
- IO, PO and Exchangeable Certificates

LEGAL REVIEW
Fitch reviews legal opinions in line with its global SF criteria. Opinions may include:

- True Sale Opinion
- Non-Consolidation Opinion
- Security Interest Opinion
- Safe Harbor Opinion

DILIGENCE REVIEWS
TPR firms grade Credit, Property and Compliance from A to D. TPR Review and Servicer Review components may include:

- Data Integrity, Property Valuation and Credit Underwriting Reviews
- Qualified Mortgage (QM) Designation
- TRID and Lending Law Compliance
- Collateral and Servicer File Reviews
- Updated Tax & Title Searches

Scan QR Code for U.S. RMBS Ratings Criteria:

APPLICABLE CRITERIA

U.S. RMBS Rating Criteria (October 2025)

U.S. RMBS Rating Criteria Supplemental Data File (October 2025)

Global Structured Finance Rating Criteria (December 2025)

Structured Finance and Covered Bonds Counterparty Criteria (November 2023)

Structured Finance and Covered Bonds Counterparty Criteria: Derivative Addendum (November 2023)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (October 2025)

Structured Finance and Covered Bonds Country Risk Rating Criteria (June 2025)

Criteria for Rating Loan Servicers (December 2025)

Criteria for Rating U.S. and Canadian Residential and Small Balance Commercial Mortgage Servicers (December 2025)

Insurance-Linked Securities Rating Criteria (June 2023)

RMBS Lenders' Mortgage Insurance Rating Criteria (January 2025)

Non-Performing Loans Securitizations Rating Criteria (November 2024)

Criteria Essentials – U.S. RMBS Loan Loss

Default Probability (PD) Framework

ORIGINATION PD MODEL
Logistic regression-based model generates life-of-loan PDs as of origination date. Replaces sLTV with OCLTV as a variable in the Base Case. Fourteen variables are used in the updated PD regression.

- Credit Score (FICO)
- Economic Risk Factor (ERF)
- Original Combined Loan-to-Value Ratio (OCLTV)
- Debt-to-Income Ratio (DTI)
- Number of Borrowers
- Property Value Ratio (PVR)
- Amortization Term
- Origination Channel
- Borrower Type
- Loan Purpose
- Loan Documentation Type
- Occupancy Type
- Self-Employed Borrower Flag
- Property Type

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SEASONED LOAN PD MODEL
Life-of-loan PDs are adjusted to reflect Remaining Life PDs using four updated performance and market variables. The payment history look-back period is shortened to 1-year since going back 2- or 3- years did not significant additional explanatory power.

- Current Loan Status
- Weighted Average Delinquency Score (WADQ)
- Mark-to-Market CLTV (MTM CLTV) Differential
- Loan Age

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POOL-LEVEL PD ADJUSTMENTS

- Loan Count Concentration adjustment for portfolios with a Weighted Average Number (WAN) less than 200.
- Geographic Concentration adjustment for portfolios more concentrated than Fitch's model development data set.

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PD ADJUSTMENTS
Analytical adjustments for risk factors not captured by the Origination PD or Seasoned Loan PD Models. Adjustments include:

- Payment Shock Loans
- DSCR Loans
- Foreign National Borrowers
- Negative Borrower Equity
- Step-Rate Loans
- Alternative Loan Documentation Types
- Cross-Collateralized Loans
- Loan U/W Defects
- Buy Down Loans
- Liquid Reserves
- CDFI Loans
- Default Interest Rates
- FICO Drift
- Modified Amort Term

Probability-Weighted Loss Severity (LS) Framework

CURE RATE ASSUMPTIONS
Accounts for scenarios where a Borrower defaults and cures without a loss. Cure rate is a function of:

- Base or Rating Case LTV variable
- Borrower Type
- Lien Position

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MODIFICATION LOSS
Losses to the securitization trust due to Loan Modifications. Fitch assumes:

- Principal forgiveness for LTV over 100%
- 1-Year of forgiven Interest payments

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LIQUIDATION LOSS
Assumed losses due to foreclosure through disposition of the home, including:

- Base or Rating Case Property Value
- Distressed Sale Adjustment (DSA)
- Liquidation Costs
- Mortgage Insurance
- Loan-level LS Floors

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LS ADJUSTMENTS

- LS Adjustments for TPR Observations, Findings and Underwriting Defects
- Pool-level LS Floors

Rating Case Parameters

Case	sMVD Floor	ERF Floor	Cat. Risk Prob.	Mod. Loss Prob.	Liquid. Time (mos)	Min. LS Floor
AAA	35%	2.25	10%	30.0%	36	20.0%
AA	30%	2.05	15%	37.5%	33	15.0%
A	24%	1.85	20%	45.0%	30	10.0%
BBB	18%	1.50	25%	50.0%	27	7.5%
BB	12%	1.25	30%	55.0%	24	5.0%
B	sMVD	1.00	35%	60.0%	21	2.5%
Base	NA	NA	50%	65.0%	18	0.0%