S&P Global Ratings

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Presale:

Deephaven Residential Mortgage Trust 2017-2

This presale report is based on information as of June 7, 2017. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings

Class	Ratings(i)	Amount ($)	Initial interest rate (%)(ii)	Credit enhancement (%)(v)	Class type
A-1	AAA (sf)	162,836,000	Fixed	34.90	Senior
A-2	AA (sf)	17,259,000	Fixed	28.00	Senior
A-3	A (sf)	32,768,000	Fixed	14.90	Senior
M-1	BBB (sf)	12,631,000	Fixed	9.85	Mezzanine
B-1	BB (sf)	14,633,000	Fixed	4.00	Subordinate
B-2	B (sf)	8,505,000	Net WAC	0.60	Subordinate
B-3	NR	1,500,827	Net WAC	0.00	Subordinate
XS	NR	Notional(iii)	(iv)	N/A	Monthly excess cash flow
R	NR	N/A	N/A	N/A	Residual

(i)The rating on each class of securities is preliminary and subject to change at any time. The collateral and structural information in this report reflects the preliminary term sheet dated June 6, 2017. The preliminary ratings address ultimate principal and interest payments, but interest can be deferred on the classes. (ii)Coupons are subject to the pool's net WAC. Class B-2 and B-3 equal net WAC. (iii)Notional equals to the aggregate balance of the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 notes. (iv)Net WAC over classes with fixed coupons. (v)This is credit enhancement solely from subordination. Excess spread also provides credit enhancement. WAC--Weighted average coupon. N/A--Not applicable. NR--Not rated.

Primary Credit Analyst:

Timothy G Callahan, New York 212-438-2249; timothy.callahan@spglobal.com

Surveillance Credit Analyst:

John Schuk, New York (1) 212-438-5102; john.schuk@spglobal.com

See complete contact list on last page(s)

Profile	
Expected closing date	June 13, 2017.
Cut-off date	May 1, 2017.
First payment date	July 25, 2017.
Stated maturity date	June. 25, 2047.
Notes amount, including unrated classes	$250.132 million in aggregate.
Collateral type	First-lien, fixed- and adjustable-rate, and interest-only residential mortgage loans secured by single-family residences, planned-unit developments, two- to four-family residences, and condominiums to nonconforming borrowers.
Collateral	U.S. residential mortgage loans.
Credit enhancement	For each class or rated notes, subordination of the notes that are lower in the payment priority and excess spread provided by class XS.

Participants	
Issuer	Deephaven Residential Mortgage Trust 2017-2.
Sponsor and servicing administrator	Deephaven Mortgage LLC.
Depositor	Toringdon Way LLC.
Master servicer and Paying agent	Wells Fargo Bank N.A.
Servicer	Shellpoint Mortgage Servicing.
Indenture trustee	Wilmington Trust N.A.
Owner trustee	Christiana Trust.
Custodian	Deutsche Bank National Trust Co.
Originators	Angel Oak Mortgage Solutions LLC and 56 originators that originated the remaining loans, each of which make up less than 5.0% of the collateral.

Originators Holding Greater Than 5.0% Of The Collateral

Originator	By balance (%)	Due diligence (%)	Originator ranking
Angel Oak Mortgage Solutions	45.6	100	N/A
Top five originators	62.1	100	N/A
Top 10 originators	74.2	100	N/A

N/A--Not applicable.

Servicers

	By balance (%)	S&P Global Ratings' select servicer	Operation	Originators
Shellpoint Mortgage Servicing	100	Yes	Primary servicer	All loans
Wells Fargo Bank N.A.	100	Yes	Master servicer	All loans

Rationale

The preliminary ratings assigned to Deephaven Residential Mortgage Trust 2017-2's (DRMT 2017-2's) $250.132 million mortgage pass-through notes reflect our view of:

- The pool's collateral composition (see the Collateral Summary section below);
- The credit enhancement provided for this transaction;

- The transaction's associated structural mechanics;
- The transaction's representation and warranty (R&W) framework; and
- The mortgage aggregator.

Collateral Summary

DRMT 2017-2's assets consist primarily of fixed- and adjustable-rate and interest-only nonqualified mortgage (non-QM) loans secured by first liens on single-family residential properties, planned-unit developments, two- to four-family residences, and condominiums. The mortgage pool consists of 651 mortgage loans with a principal balance of approximately $250.1 million as of the cut-off date.

The collateral pool, from a credit perspective, is weaker than the S&P Global Ratings' archetypical prime pool, but is generally in line with our expectations of a nonprime mortgage residential mortgage pool. The 'AAA' loss coverage requirement for the pool was determined to be 28.00%. Certain mortgage loan characteristics that we considered weaker in our analysis include:

- Income documentation: Per our criteria ("Methodology And Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans," published Sept. 10, 2009), we classified approximately 43.2% of the loans, by balance, as having full documentation with income verification of 24 months or more. We classified approximately 18.0% of the loans, by balance, as having full documentation with income verification of less than 24 months. Income was verified on 171 loans (35.02% by balance) using 24 or more months of bank statements and 10 loans (1.5% by balance) using 12-23 months of bank statements. We classified these loans as having a stated income verified asset (SIVA) documentation type. Fourteen loans (0.9% by balance) were underwritten under an investment property "Cash Flow" program, which does not consider or verify a borrower(s)' income or employment. For four of these loans (underwritten under the "AOMS Investor Cash Flow" program), a debt service coverage ratio was considered in the underwriting process. For the remaining 10 loans (underwritten under the "Deephaven Investor Advantage" program), a debt service ratio was not considered. The "Deephaven Investor Advantage" program does not consider a debt service coverage ratio for purchase transactions, rate/term refinance transactions, or cash-out transactions with a loan-to-value (LTV) ratio of 65% or lower. We classified all 14 of these loans as having no income and no employment information with asset verification (NIV) documentation type.
- Prior credit events (PCEs): Borrowers on 297 loans in the pool (44.4% by balance) had one or more PCEs, which may have limited their access to loan products offered by Fannie Mae, Freddie Mac, and the Federal Housing Administration (the agencies). We applied an adjustment to the loss coverages on 104 loans (11.5% by balance) that had a bankruptcy discharged or dismissed in the past two years or a housing-related PCE (foreclosure, short-sale, or deed-in-lieu) in the past three years from the May 1, 2017, cut-off date.
- Non-QMs: Non-QMs, which have an increased risk of ability-to-repay (ATR) challenges and associated losses, account for 93.2% of the pool. None of the mortgage loans were originated under QM safe harbor or QM rebuttable presumption rules.

The mortgage loans consist of fixed-rate (24.2% by balance); adjustable interest-only (4.1% by balance); and one-, three-, five-, and seven-year hybrid adjustable-rate fully amortizing mortgage loans with 30-year original terms to maturity (71.6% by balance). The weighted average seasoning is approximately three months.

The weighted average current FICO score for the collateral pool is 681, which includes certain S&P Global Ratings

assumptions (see table 2 for a breakdown of the pool by the borrowers' FICO score). There are 25 loans to foreign borrowers, including non-permanent resident aliens (2.9% by balance), in the pool, 21 of which do not have a recent FICO score (2.3% by balance). We used a FICO score of 500 for the loans missing FICO scores and applied a 1.5x multiple to the foreclosure frequencies for these 25 loans to foreign borrowers.

Approximately 89.4%, by balance, are mortgage loans backed by properties that are primary residences. The mortgage loans are secured by first liens on single-family residences (53.2% of the pool balance), planned-unit developments (36.8%), condominiums (8.4%), and two- to four-family homes (1.6%). For more detail on the mortgage loans' characteristics, please see table 1 below.

Table 1

Collateral Characteristics

	DRMT 2017-2	DRMT 2017-1	VERUS 2017-1	NRMLT 2016-4	S&P Global Ratings' archetypical prime pool(i)
Closing pool balance (mil. $)	250.10	221.1	145.0	263.9	N/A
Closing loan count (no.)	651	715	289	2,237	N/A
Avg. loan balance ($)	384,229	309,292	501,789	117,975	N/A
WA original LTV (%)	73.9	74.9	69.9	77.8	75
WA original CLTV (%)	74.1	75.9	70.0	78.8	75
WA current CLTV (%)	75.5	76.9	71.0	57.3	75
WA updated FICO(ii)	681	682	698	677	725
WA current rate (%)	6.8	6.9	6.7	5.6	N/A
WA seasoning (mos.)	3.0	8.0	8.0	154.0	0-6
WA debt-to-income (%)	35.2	35.0	35.2	36	36
Median months reserves	26	27.0	25	0	N/A
Owner occupied (%)	89.4	89.6	89.6	89.4	100
Single family (including planned-unit development) (%)	90.0	90.5	88.8	90.8	100
30-year amortization term (%)	99.9	93.9	99.9	0	100
Fixed rate (%)	24.2	31.7	8.2	83.0	100
Fixed-rate IO (%)	0	0	0	8.4	N/A
ARM (%)	71.6	62.2	86	6.4	N/A
ARM IO (%)	4.1	6.1	5.8	1.0	N/A
Purchase loan (%)	69.5	82.0	68.3	31.7	100
Cash-out refinancing (%)	23.4	13.3	23.7	46.1	N/A
Full doc with IRS form 4506-T (%)	42.4	81.4	24.2	N/A	100
Full doc without IRS form 4506-T (%)	0.9	0.8	13.7	N/A	N/A
Bank statement documentation (> 24 mos.)	35.0	17.7	59.5	N/A	
Bank statement documentation (< 24 mos.)	1.5	0	2.6	N/A	
Deposit money verification (%)	94.8	96.7	99.8	N/A	100
Current (%)(iii)	100	100	100	93.1	100
PCEs 0-24 months (%)	5.9	7.5	2.8	N/A	
PCEs 24-36 months (%)	5.6	11.8	3.7	N/A	

Table 1

Collateral Characteristics (cont.)

	DRMT 2017-2	DRMT 2017-1	VERUS 2017-1	NRMLT 2016-4	S&P Global Ratings' archetypical prime pool(i)
30-days delinquent (%)(iii)	11.5	17.0	6.4	6.9	0
'AAA' loss coverage (%)	28.00	24.25	22.5	16.5	7.5
'AAA' foreclosure frequency (%)	61.20	52.45	55.79	33.19	15.0
'AAA' loss severity (%)	45.75	46.23	40.33	49.71	50
'BBB' loss coverage (%)	10.50	9.00	8	7.75	1.5
'BBB' foreclosure frequency (%)	28.72	24.10	25.22	19.0	3.8
'BBB' loss severity (%)	36.56	37.35	31.72	40.78	40.0
Geographic concentration factor (x)	1.00	1.01	1.08	1.01	1.0

(i)As defined in our Sept. 10, 2009, criteria article. (ii)WA FICO assumes 500 for foreign nationals missing FICO information. (iii)All loans are current; 104 loans were marked 30-days delinquent to apply the PCE adjustment. DRMT 2017-2--Deephaven Securitization Trust 2017-2. WA--Weighted average. LTV--Loan-to-value ratio. CLTV--Combined LTV ratio. IO--Interest-only. ARM--Adjustable-rate mortgage. PCEs--Prior credit events. N/A--Not applicable.

Table 2

Updated Credit Score Statistics

FICO score	Current balance (%)	No. of loans	Average current balance ($)
725+	20.4	120	426,131
700-724	14.8	102	363,540
660-699	35.2	217	405,404
Below 660	29.6	212	348,790
Total	100.0	651	384,229

Transaction Structure

Chart 1 shows an overview of the transaction's structure.

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Chart 1

Transaction Structure

Angel Oak Mortgage Solutions LLC and Other Various Originators (Originators)
Mortgage loans
Deephaven Mortgage LLC (Sponsor)
Mortgage loans
Cash from sale of notes
R&Ws
Wells Fargo Bank N.A. (Master Servicer, Paying Agent, Note Registrar, and REMIC Administrator)
Credit Suisse Securities (USA) LLC and Nomura Securities International Inc. (Initial Purchasers)
Notes in exchange for cash
Toringdon Way LLC (Depositor)
Wilmington Savings Fund Society FSB d/b/a Christiana Trust (Owner Trustee)
Notes
Mortgage loans
R&Ws
Notes
P&I remittances
Deephaven Residential Mortgage Trust 2017-2 (Issuer)
New Penn Financial LLC d/b/a Shellpoint Mortgage Servicing (Servicer)
Pledge of mortgage loans
P&I collections
Reimburse for servicing advances
Wilmington Trust N.A. (Indenture Trustee)
Deephaven Mortgage LLC (Servicing Administrator)

R&Ws--Representations and warranties. P&I--Principal and interest.
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The transaction is structured as a true sale of the receivables from the mortgage loan seller (the sponsor, Deephaven Mortgage LLC) to the depositor (Toringdon Way LLC) and a pledge from the depositor to the issuing trust (DRMT 2017-2). The issuing trust transfers the notes to the depositor. The depositor sells the offered notes to the initial purchasers, who sell it to third-party investors. The depositor sells the nonoffered notes, as well as the notes required to be held to satisfy the risk retention rules, to the sponsor or affiliate.

In rating this transaction, S&P Global Ratings has reviewed the legal matters that it believes are relevant to its analysis, as outlined in its criteria.

Strengths And Weaknesses

We believe the following characteristics strengthen the DRMT 2017-2 transaction:

- The third-party due diligence providers--AMC Diligence LLC (AMC)and Clayton Services LLC (Clayton), which are both on our list of reviewed providers--performed due diligence on 100% of the pool's loans. Their review

encompassed regulatory compliance, credit (underwriting) compliance, property valuations, and data quality.

- The class A-1, A-2, and A-3 notes (together, the class A notes and also the senior classes) benefit from a credit support floor wherein no principal is paid to the subordinate classes until the class A notes are retired. Additionally, principal is paid sequentially among the senior classes in periods when the cumulative loss trigger has failed, further protecting the more senior classes.

We believe the following factors weaken the DRMT 2017-2 transaction:

- Income on 181 mortgage loans (36.5% by balance) was verified using 12-24-plus months of bank statements; although these borrowers had average FICO scores higher than the pool average and average combined loan-to-value ratios (CLTVs) slightly lower than the pool average. We increased our loss coverages for these loans by using a SIVA documentation type. Our loss model applies a 1.8x adjustment to the foreclosure frequencies for the SIVA documentation type compared to 1.0x for a full documentation type.
- Fourteen investment property loans were underwritten to a "Cash Flow" program (0.9% by balance), which did not consider the borrower(s)' income or employment in the underwriting process. Of these 14 loans, 10 (0.6% by balance) did not consider the subject property's debt service coverage ratio in the underwriting process. We increased our loss coverage for these 14 loans by using a NIV documentation type. Our loss model applies a 3.1x adjustment to the foreclosure frequencies for the NIV documentation type, compared to 1.0x for a full documentation type.
- Non-QM loans, which have an increased risk of ATR challenges and associated loan losses, make up 93.2% of the pool. We applied an adjustment to loss severities per our QM criteria to account for this risk.
- At loan origination, borrowers on 297 loans (44.4% by balance) were reported as having PCEs such as bankruptcy, foreclosure, short sale, or deed-in-lieu in the recent past, which may have made them ineligible for agency or prime jumbo products. We applied an adjustment to the foreclosure frequencies (and consequently, the loss coverage) to a subset of these loans to account for this risk.
- Of the mortgage loans, 429 (64.7% of the pool by balance) were made to borrowers with current FICO scores below 700. The mortgage pool's loss estimate has been increased to account for the increased default risk of these loans.
- The mortgage loan seller makes the R&Ws. We have not reviewed the representations made by the originators because those were not assigned to the trust. The R&W framework is weak because the testing of any breaches (other than any loans showing losses related to ATR, or TILA-RESPA Integrated Disclosure rule [TRID] violations or loans with deficient documentation) is at the option of the controlling holder (the majority owner of class XS and, initially, a party related to the sponsor). In addition, the early payment default (EPD) covenant provided by the sponsor is weaker than typically seen in a prime jumbo transaction. Third-party due diligence on 100% of the loans, along with the alignment of interest between noteholders and the sponsor, which holds the first-loss piece and retains risk via a 5% vertical slice of the capital structure, mitigates the risks and concerns with the framework to an extent. Consequently, we applied an R&W factor of 10%, which increased our loss expectations at all rating categories by a factor of 1.10x.

Credit Analysis And Assumptions

Our analysis of the DRMT 2017-2 collateral pool considered a number of factors, including certain loan-level characteristics. The details of our analysis are described below.

Documentation type

The sponsor guidelines allow income verification using paystubs, W-2s/W-2 equivalents, tax returns, and bank statements.

Table 3 shows the documentation type used in our analysis.

Table 3

Documentation Type Breakout

Sponsor's documentation type	Loan balance (%)	S&P Global Ratings' documentation type
Full documentation	61.2	Full documentation, "Z", "Y", and "X" docType
12- or 24-month bank statement	36.6	SIVA, "A" docType
Investment property "Cash Flow"/ no employment verification	2.1	NIV, "B" docType
Full documentation	0.1	NINA, "V" docType (no assets verified and zero liquid reserves reported.)

SIVA--Stated income verified asset. NIV—No income and no employment with asset verification. NINA—No income and no asset with employment verification.

We view income verification using banks statements to be a weaker standard than one using W-2s and tax returns. While our criteria does not have a specific documentation type for income verification using the bank statements, it allows us to make adjustments to reflect unusual loan or pool characteristics.

We classified all borrowers that used 12-24-plus months of bank statements (business or personal) as "A" documentation (SIVA) loans. Although income verification using the bank statement program is arguably better than a SIVA documentation type (as income is not just stated but verified, albeit using bank statements), our view is that it more closely resembles "stated income" as opposed to "full" documentation of income. Our LEVELS loss model applies a 1.8x adjustment to the foreclosure frequencies for the "A" documentation loans compared to 1.0x for a full documentation loan.

We classified 14 investment property loans originated under the "Cash Flow" programs as "B" documentation (NIV) loans. As the borrower(s)' personal income and employment are not considered or verified in the underwriting process, it is our view that they more closely resemble "no income verification". Our LEVELS loss model applies a 3.1x adjustment to the foreclosure frequencies for the "B" documentation loans. An additional 12 loans (1.1% by balance,) that did not have employment verified due to various reasons, including the income source being other than employment, were also classified as "B" documentation and did not meet our documentation type adjustment factor criteria to assign these loans a "Z" or full documentation type.

PCE classification and analysis

The borrowers on a portion of the mortgage loans have had one or more PCEs such as bankruptcies, and/or housing-related PCEs such as foreclosures, short sales, or deed-in-lieu of foreclosure, which may have limited their access to loan products offered by the various agencies. Although these borrowers' current FICO scores were lower than the pool average and likely reflect their PCEs, we made an incremental adjustment to the foreclosure frequencies to account for this unique pool characteristic. Given the behavior actually exhibited by the borrower in terms of the PCE, in our opinion, this demonstrated behavior suggests an increased likelihood of the borrower defaulting,

notwithstanding adverse performance incorporated in the FICO. Therefore, these borrowers may behave in a manner more similar to borrowers that are 30 days' delinquent.

We focused primarily on prior bankruptcy, foreclosure, short sale, and deed-in-lieu events in the recent past (24 months from the cut-off date for bankruptcy discharges/dismissals and 36 months from the cut-off date for housing-related events). For loans to borrowers with more seasoned bankruptcies, foreclosures, short sales, or deed-in-lieu events, we believe that the risks associated with those PCEs are reflected in the current FICOs.

We applied the PCE-related adjustment by marking 104 loans (11.5% by balance) to be currently 30 days' delinquent to capture the additional default risk based upon our analysis of recidivism rates and associated defaults observed in the pre-2009 alternative-A and subprime product vintages (see table 4 for a PCE breakout by months from the cut-off date). Our Loan Evaluation and Estimate of Loss System (LEVELS) model applies an adjustment factor ranging from roughly 1.5x-to-2.5x (depending on FICO) for loans that are 30 days' delinquent.

Table 4

PCE Breakout

PCE age from the cutoff date (mos.)(i)	No. of PCE loans(ii)	Balance of PCE loans ($)	% of pool balance	PCE loans subjected to loss coverage adjustment (no.)
0-12	14	3,687,917	1.5	14
13-24	39	11,141,485	4.5	39
25-36	74	20,708,985	8.3	51
37-60	86	34,507,223	13.8	0
61-72	34	15,172,896	6.1	0
>72	50	25,893,309	10.4	0
Total	297	111,111,817	44.4	104

(i)PCE relating to bankruptcy, foreclosure, short sales, and deed-in-lieu. (ii)The most recent credit event was used for borrowers who had multiple credit events. PCE--Prior credit event.

Payment history

No loans in the collateral pool have been modified. All loans in the pool are being reported as current. The pay history for 10 loans (1.6% by balance) were reported with the borrower failing to make one or more of the first three payments due after the related mortgage loan origination date that was not a result of a servicing issue. All 10 loans are reported as current, and none have experienced a prior credit event in the prior 36 months from the cut-off date. All loans will be seasoned more than four months at the time of the securitization. We reviewed updated FICO scores for these loans (with an average drop of approximately 17 points from original non-zero FICO score to updated non-zero FICO score), and, in our view, they incorporate these pay history events. As such, we did not apply any additional adjustment.

QM and ATR standards

The Consumer Financial Protection Bureau issued final regulations for mortgage loans with applications submitted on or after Jan. 10, 2014, specifying the standards for a QM. All mortgage loans included in this securitization were originated after this rule's initiation. Per the designation provided by the third-party due diligence provider and our analysis, 582 loans are categorized as non-QM/compliant, and 69 loans were exempt from the QM/non-HPML rule because they are listed as investment properties (see table 5 for a QM breakout).

Under the ATR rule, as more fully described in our QM criteria ("Methodology And Assumptions For Adjusting RMBS Loss Severity Calculations For Loans Covered Under Ability-To-Repay And Qualified Mortgage Standards," published Jan. 23, 2014), the originator and any assignee are jointly and severally liable for certain damages that may be incurred from noncompliance with the rule. We applied our QM criteria for each loan subject to the rule, which increased our loss coverage estimates at each rating category. The data the issuer provided to S&P Global Ratings--including additional fields that validate the loan's QM designation--were reviewed by the due diligence firms under the third-party due diligence firms' scope to verify that documentation exists to support the QM designation. In addition, we reviewed an ATR/QM-specific questionnaire that the aggregator provided in conjunction with our aggregator review, and we concluded that the aggregator's processes address the ATR risks.

Table 5

Qualified Mortgage Breakout

QM status	Pool balance ($)	% by pool balance	Loan count (no.)	% by loan count
QM/non-HPML	-	0.0	0	0.0
QM/HPML	-	0.0	0	0.0
Non-QM/compliant	233,189,744	93.2	582	89.4
Non-QM/noncompliant	-	0.0	0	0.0
Not covered/exempt	16,943,083	6.8	69	10.6
Total	250,132,828	100.0	651	100

QM--Qualified mortgage. HPML--Higher-priced mortgage loan.

Servicer advancing obligations

The servicer (Shellpoint) must advance delinquent principal and interest payments for any delinquent mortgage loan until that loan is greater than 180 days' delinquent, at which time the servicer is no longer obligated to advance delinquent principal and interest payments (limited principal and interest [P&I] advances). Unlike P&I advances, the servicer must make advances of delinquent taxes and insurance (and other property preservation advances) for any delinquent mortgage loan until the related property is liquidated or the servicer deems the advance to be nonrecoverable. We adjusted the loss severities downwards in our model to account for this limited P&I advancing.

Structural Features

Unlike traditional residential mortgage-backed securities (RMBS) transactions that have a shifting-interest structure, DRMT 2017-2 has an atypical structure that is a mix of pro rata and sequential structures; principal is paid pro rata among the senior classes (subject to passing a cumulative loss trigger test) and then sequentially to the subordinate classes. In the periods that a cumulative loss trigger fails, principal is paid sequentially to classes A-1, A-2, and A-3.

The transaction also uses excess monthly cash flow to cover current period realized losses and reimburse any applied realized loss amounts. This feature allows certain notes (classes A-3, M-1, B-1, and B-2) to have initial subordination lower than our estimated loss coverage amounts.

The paying agent will make monthly distributions of interest from the interest remittances and principal from principal remittances (see table 6, 7, and 8).

The interest remittance amount includes the interest collected from or advanced on behalf of borrowers (including interest payments that accompany prepayments, any compensating interest, and interest portions of liquidation proceeds [net of expenses], subsequent recoveries, termination prices, and repurchase amounts) minus servicing fees, master servicing fees, servicing administrator fees, trustee fees, custodial fees, the servicer advance reimbursements permitted under the securitization servicing agreement and/or indenture, reimbursable expenses incurred by the controlling holder, and extraordinary expenses, which are generally subject to a $350,000 annual cap. Although the extraordinary expenses are passed through as reduced contractual interest due to the noteholders, we ran these expenses at their capped amounts to stress the excess spread provided by the unrated class XS notes. We also considered the extraordinary expenses when analyzing projected interest reduction amounts, as described further in the interest stresses section below.

Principal remittance amounts includes the principal collected from or advanced on behalf of borrowers (including prepayments, principal portions of liquidation proceeds [net of expenses], subsequent recoveries, termination prices, and repurchase amounts) minus fees including extraordinary expenses that could not be paid from interest collections.

Table 6

Interest Payment Waterfall

Priority	Payment
1	Interest and interest carryforward amounts(i) sequentially to the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 notes.
2	Any remaining amounts paid as part of monthly excess cash flows.

(i)Interest carryforward amounts are deferred interest payments that accrue interest at the lower of the respective fixed coupon and the net WAC rate. Our preliminary rating addresses the full payment of all interest and interest carryforward amounts by the final maturity date.
WAC--Weighted average coupon.

Table 7

Principal Payment Waterfall

Priority	Payment
1	Interest and interest carryforward amounts sequentially to the class A-1, A-2, and A-3 notes.
2a (if cumulative loss trigger test passes)	Principal pro rata to the class A-1, A-2, and A-3 notes.
2b (if cumulative loss trigger test fails)	Interest, interest carryforward amounts, and principal sequentially (IPIP) to the class A-1, A-2, and A-3 notes.
3	Interest and interest carryforward amounts sequentially to the class M-1 notes.
4	Principal to the class M-1 notes.
5	Interest and interest carryforward amounts sequentially to the class B-1 notes.
6	Principal to the class B-1 notes.
7	Interest and interest carryforward amounts sequentially to the class B-2 notes.
8	Principal to the class B-2 notes.
9	Interest and interest carryforward amounts sequentially to the class B-3 notes.
10	Principal to the class B-3 notes.
11	Any remaining amounts paid as part of monthly excess cash flows.

Table 8

Monthly Excess Cash Flow Waterfall

Priority	Payment
1	Sequentially to classes A1, A2, A3, M-1, B1, B-2, and B-3 if there are any realized losses in the current period.

Table 8

Monthly Excess Cash Flow Waterfall (cont.)	
Priority	**Payment**
2	Sequentially to classes A1, A2, A3, M-1, B1, B-2, and B-3 if there are any cumulative applied realized losses, as follows: first, until the most senior outstanding note amount is reduced to zero, and then any prior period applied realized loss amounts.
3	To the: cap carryover reserve account, up to the aggregate cap carryover amount for classes A1, A2, A3, M-1, and B1. Then, sequentially, from amounts on deposit in the cap carryover reserve account, to classes A1, A2, A3, M-1, and B1 any unpaid cap carryover amounts(i).
4	To the class XS notes.
5	Any remaining amounts to the class R notes.

(i)The cap carryover amount is the positive difference between the interest that would have accrued at the fixed coupon (without regard to the net WAC rate) and what was actually due based upon the net WAC rate. Any prior unpaid cap carryover amounts also accrue at the fixed rate. Our preliminary ratings do not address the payment of cap carryover amounts. WAC--Weighted average coupon.

Interest on classes A-1, A-2, A-3, M-1, and B-1 is based on the lower of the coupon on the notes and the net weighted average coupon (WAC) rate where the net WAC rate is defined as the mortgage interest rate net of fees and extraordinary expenses. In line with our imputed promises criteria, our preliminary ratings address the lower of these two rates (see "Principles For Rating Debt Issues Based On Imputed Promises," published Dec. 19, 2014).

Interest on classes B-2 and B-3 is equal to the net WAC rate.

Under the transaction documents, the issuer can defer interest payments on these securities. A failure to pay the interest amounts due on the securities will result in the interest being deferred. Deferred interest (interest carryforward amounts) accrues interest at the lower of the fixed rate and net WAC rate for classes A-1, A-2, A-3, M-1, and B-1 and at the net WAC rate for classes B-2 and B-3. Our preliminary ratings address ultimate principal and interest payments (including interest carryforward amounts) by the notes' final maturity date.

Our preliminary ratings, however, do not address the payment of what are termed "cap carryover amounts" (i.e., the difference between the coupon and the net WAC cap where the coupon exceeds the net WAC cap). Such amounts are subordinated in the payment priority. In our view, neither the initial coupons on the notes nor the initial net WAC rates are de minimis, and nonpayment of the cap carryover amounts is not considered an event of default under the transaction documents. Therefore, we do not need to consider whether these cap carryover amounts are paid in our cash flow analysis, in line with our criteria for imputed promises.

In DRMT 2017-2, the subordinate notes are paid principal sequentially after all senior notes have been paid off. Unlike the credit enhancement seen in typical shifting-interest RMBS structures, which may deplete due to scheduled and prepaid principal paid to the subordinate classes, the credit enhancement in DRMT 2017-2 does not deplete since no principal payments are made on the subordinate notes while the senior classes are outstanding.

Although principal is paid pro rata among the senior classes from the start and there is no specific credit enhancement floor that would switch the payment priority of the senior classes to sequential, we are comfortable that the transaction is adequately enhanced for the assigned preliminary ratings (taking into account any tail risk considerations [see the Large Loan and Tail Risk Considerations section]) given that the transaction starts with 14.90% enhancement for the senior classes, which then grows as a percentage of current balance as they get paid down. Additionally, the cumulative loss rate trigger (see table 9) protects the more senior classes in tail risk situations if defaults were to

increase much later in the transaction's life (a back-ended default curve) by switching the payment priority among the senior classes to sequential.

Table 9

Cumulative Loss Trigger Event

Distribution date occurring in the following periods	Applied realized loss amounts since closing date as a % of the cut-off date pool balance
July 2017 – May 2020	2.0
June 2020 – May 2021	3.0
June 2021 – May 2022	6.0
June 2022 and thereafter	8.0

If the notes' aggregate class balance exceeds the pool balance, the resulting excess (the applied realized loss amount) is applied reverse-sequentially to the class B-3, B-2, B-1, M-1, A-3, A-2, and A-1 notes until each class' principal balance has been reduced to zero.

Subsequent recoveries on the loans will be distributed sequentially to the classes A-1, A-2, A-3, M-1, B-1, B-2, and B-3 to write-up any classes (that had earlier been written-down) up to the realized and applied realized loss amount allocated to that class.

Geographic Concentration

S&P Global Ratings analyzes the pool's geographic concentration risk based on the concentrations of loans in each of the core-based statistical areas (CBSAs) defined by the U.S. Office of Management and Budget (see "Methodology And Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans," published Sept. 10, 2009, and "Updated Criteria For Evaluating Geographic Concentration In U.S. RMBS Mortgage Pools," published Nov. 16, 2012). In this transaction, the top 10 CBSAs account for 48.3% of the aggregate pool, and six exceed the concentration limits in our criteria. Because of this concentration, we applied a geographic concentration factor (a measure based on the six CBSAs where the current loan balance percentage exceeds the criteria's concentration limits) of less than 1.01x to our base loss coverage estimate.

Table 10

Geographic Concentration

CBSA code(i)	CBSA	State	% by balance
31084	Los Angeles–Long Beach-Glendale	California	8.16
11244	Anaheim-Santa Ana-Irvine	California	7.86
38060	Phoenix-Mesa-Scottsdale	Arizona	6.37
33124	Miami-Miami Beach-Kendall	Florida	5.01
36740	Orlando-Kissimmee-Sanford	Florida	3.99
40140	Riverside-San Bernardino-Ontario	California	3.82
22744	Fort Lauderdale-Pompano Beach-Deerfield Beach	Florida	3.53
29820	Las Vegas-Henderson-Paradise	Nevada	3.27
16974	Chicago-Naperville-Arlington Heights	Illinois	3.19
12060	Atlanta-Sandy Springs-Roswell	Georgia	3.06

Table 10

Geographic Concentration (cont.)			
CBSA code(i)	**CBSA**	**State**	**% by balance**
Top 10			48.26

(i)CBSA code refers to the metropolitan division code, if available. CBSA--Core-based statistical area (includes metropolitan statistical areas and metropolitan divisions where defined, as well as micropolitan statistical areas).

Large Loans And Tail Risk Considerations

As the number of loans in the transaction decreases, the effect of a single loan's losses becomes greater. If conditional prepayment rates are slow and collateral pool losses are not realized until later in a transaction's life (back-loaded losses), pro rata pay mechanisms can then leave the senior notes exposed to event risk later in the transaction's life (for more information on tail risk in RMBS transactions, see "Older RMBS Transactions Face Increased Tail Risk As Their Pools Shrink," published Aug. 9, 2012). To mitigate this risk, the transaction documents typically provide for a credit enhancement floor, specifying principal payments not be made to subordinate classes if the credit support available to the senior classes falls below a threshold. DRMT 2017-2 does not explicitly provide a credit enhancement floor; however, due to the sequential payment mechanism to the subordinate classes, which make up 14.90% of the capital structure, the preliminary 'AAA (sf)', 'AA (sf)', and 'A (sf)' rated classes effectively have a floor of 14.90% initially. Although over time subordination can be depleted due to realized losses, the effective floor to the more senior classes can increase when losses go over certain thresholds and trip the cumulative loss triggers, making the payment priority fully sequential.

To analyze the appropriateness of this effective credit enhancement floor, we used an approach similar to the one outlined in "Methodology And Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans," published Sept. 10, 2009. Using this approach, instead of focusing on the largest loans by balance at issuance, we risk-weighted the loans in the transaction by focusing on those loans with the largest expected loss exposures, assuming default.

After considering the enhancement provided in the transaction in conjunction with the cumulative loss trigger definition and the expected paydown on the notes, we believe the rated senior notes are sufficiently protected from tail risk as the transaction seasons.

Mortgage Aggregator Review (MAR)

We conducted a mortgage aggregator review (MAR) of Deephaven Mortgage LLC's (Deephaven's) acquisition process for non-QM mortgage loans. Based on the results of our MAR, we determined a loss coverage adjustment factor of 1.05x for Deephaven, which accounts for the company's highly experienced management team and 100% due diligence review of its loan acquisitions, measured against a limited operating track record and limited historical mortgage loan performance.

Founded in June 2012 and acquired by Varde Partners in November 2014, Deephaven operates as a portfolio company of Varde Partners. Deephaven acquires non-QM loans on a correspondent basis and expects continued

growth on the correspondent side, and may add origination channels. The company is also licensed to originate mortgage loans in 44 states as of December 2016. All of the company's functions take place in Charlotte, N.C. As of December 2016, it had 41 employees.

Varde Partners is a privately owned investment firm that focuses investing capital and resources across multiple segments and alternative markets, which include corporate assets and sovereign debt, residential mortgages, real estate, specialty finance, transportation, infrastructure, and logistics. Varde Partners was founded in 1993, and its main offices are located in Minneapolis, London, and Singapore.

Deephaven conducts 100% due diligence on loans that it acquires using a third-party review firm that is on S&P Global Ratings' reviewed list (see "S&P Global Ratings Publishes List Of Third-Party Due Diligence Firms Reviewed For U.S. RMBS As Of March 21, 2017, published March 21, 2017"). The scope of the review, which is consistent with market standards, comprises a full re-underwrite on these loans (credit, compliance, property valuation, and fraud). All loans must be submitted to an automated fraud and data check tool.

In addition to the third-party due diligence firm's review, Deephaven's underwriting team performs a pre-close eligibility credit and collateral review on certain loans. Compliance reviews are conducted by a third-party due diligence firm before Deephaven purchases the loans. Deephaven said it will add post-purchase quality control reviews if it starts allowing a less-than-100% due diligence review by the third-party firm. The company also said that almost all of its non-Angel Oak production is reviewed on a pre-close basis, and it has done very few loans on a nondelegated basis.

Deephaven has a limited performance history because it was formed in 2012 and started purchasing loans in March 2013, so it has not yet experienced a housing or economic downturn. The company's total annual acquisitions have grown year over year to approximately $550 million in 2016 from $3.3 million in 2013. Year-to-date acquisitions as of the end of first-quarter 2017 totaled approximately $182 million.

As expected, given the loans' limited seasoning, the company reported that the loans in its portfolio have experienced minimal 60-plus-day or 90-plus-day delinquencies or early payment defaults, and no losses. As of May 2017, Deephaven has made six repurchase requests since it started acquiring loans in 2013.

Key Assessment Factors

Strengths:

- Experienced management team averaging over 20 years of industry experience;
- Requirement to conduct 100% due diligence (prepurchase) on all acquisitions, which includes a full review of credit, compliance, property valuation, and fraud (conducted by American Mortgage Consultants Inc.);
- Absence of legacy issues, allowing the company to build a holistic approach to reviewing sellers; and
- Servicing retention on loans that it acquires.

Partly offsetting the above strengths, are, in our view, the following weaknesses:

- Limited operating and loan performance;

- Lack of formal independent risk management function;
- Absence of an internal audit department; and
- High geographic concentration in Florida (31%) and California (26%) as of November 2016.

Mortgage originator concentration

In addition to completing a MAR of Deephaven, we reviewed historical performance data (as of March 31, 2017) for loans purchased by Deephaven from one originator, Angel Oak Mortgage Solutions, which represented more than 45.6% of the pool balance. This data is reflective of loans that were originated on or before Dec. 31,2016. Based on the results of this analysis, we concluded that the historical loan performance of these loans was consistent with our performance expectations for mortgages with similar characteristics.

Based on our quantitative analysis, we determined that the MAR loss coverage adjustment factor of 1.05x is also appropriate for the loans originated by Angel Oak and no additional factor needs to be applied to such loans.

Third-Party Due Diligence Review

AMC Diligence LLC (AMC) and Clayton Services LLC (Clayton) performed third-party due diligence on 100% of the loans in the transaction. The scope of their review of the loans encompassed compliance, credit, and valuation reviews. According to our published third-party due diligence criteria, we adjusted our loss expectations based on our view of the firms' findings (see "Incorporating Third-Party Due Diligence Results Into The U.S. RMBS Rating Process," published March 14, 2012). After reviewing the third-party due diligence results, we applied an adjustment of 1.00x to the loss coverage.

TRID Loans

Each loan in the pool was originated under the TRID rules. AMC and Clayton followed the SFIG RMBS 3.0 TRID Compliance Review Scope in conducting their final loan reviews (see "Standard & Poor's Comfortable With SFIG Draft Proposal Regarding TRID Due Diligence," published April 25, 2016). The pool has four loans with a TRID violation, which were graded regulatory compliance level C. Although we believe the exception for these loans does not pose a material risk to the trust, we believe the risk is still measurable. We adjusted the credit enhancement levels for these loans by increasing the loss given default by $34,000 ($4,000 for maximum potential statutory damages per the regulation and $30,000 for legal expenses based on the legal fees applied in the non-QM criteria).

R&Ws

According to our criteria (see "Standard & Poor’s Revised Representations And Warranties Criteria For U.S. RMBS Transactions," published March 14, 2012), S&P Global Ratings reviewed the R&Ws made by the mortgage loan sellers in this transaction. We evaluated the strength of these R&Ws and considered whether any breach could have a materially adverse impact on the interests of the transaction's noteholders. If the R&Ws in the transaction documents do not address the issues in our published R&W framework, we will determine whether we believe it is appropriate to assess additional credit enhancement. Lastly, we will consider the R&W providers' ability to fulfill their obligations in

the event of a breach.

The collateral pool consists of loans from 57 different originators sold to the seller (which is also the sponsor, the term being used interchangeably). The mortgage loan seller does not pledge the originators' R&Ws to the trust but rather makes R&Ws on the mortgage loans itself.

We consider the R&W framework to be weaker than those seen in recent prime jumbo transactions because the testing or curing of any breaches (other than any loans showing losses related to ATR, TRID, and mortgages with deficient loan documentation) is not automatic but rather at the option of the controlling holder (initially, an affiliate of the sponsor). The controlling noteholder's expense for the R&W review will be reimbursed from the trust's interest remittance amount. However, 25% or more of the noteholders will be able to initiate reviews at their expense, if the controlling holder chooses not to review or if they disagree with the findings of the controlling holder on any review.

The R&Ws are generally consistent with our published criteria and shall remain in effect for the transaction's life. In addition, the sponsor is required to appropriately remedy any ensuing R&W breach if it has a materially adverse impact on the loan by either curing the breach or purchasing the mortgage loan at the repurchase price.

The issuer will include an early payment default covenant with a time frame longer than typically seen in recent prime jumbo transactions, which generally calls for the R&W provider to repurchase a mortgage loan where the borrower fails to make any of the first three monthly payments due after the origination date unless the delinquency was a result of a servicing issue. Per the issuer, for the DRMT 2017-2 transaction, a loan would be classified as an EPD mortgage loan only if the mortgage loan became 60-or-more days' Mortgage Bankers Association (MBA) delinquent in the first three payments and would not have to be repurchased if the 60-or-more days' delinquency is brought current before the sixth payment due.

The DRMT 2017-2 transaction will incorporate the below language:

- An "EPD event" an event that occurs with respect to a mortgage loan when a payment that is due during one of the first three months after the origination date in which a payment on such mortgage loan is due becomes 60-or-more days' MBA Delinquent. An "EPD mortgage loan" is a mortgage loan with respect to which an EPD event has occurred, except to the extent no scheduled monthly payment with respect to such mortgage loan is 30-or-more days' MBA delinquent on any date occurring between the EPD event and the sixth due date following the origination date. Within 90 days following receipt by the sponsor of an EPD notice, the sponsor will be required to repurchase the related EPD mortgage loan from the issuer at a price equal to the repurchase price.

The enforcement mechanism for R&W breaches includes provisions for a breach review, at the controlling holder's option, by an independent reviewer or by the controlling holder itself for any loan that experiences a realized loss. A review is mandatory only in the case of an ATR-related realized loss. TRID defects, as determined by a judicial proceeding, will be repurchased without any review or consideration of materiality. Dispute resolutions are ultimately subject to binding arbitration proceedings, if necessary, to determine if a breach occurred. If the controlling holder prevails in arbitration, then the arbitration expenses are reimbursed as part of extraordinary trust expenses; otherwise, the expenses are not reimbursed by the trust.

Although the MAR's result reflects what is, in our opinion, solid origination and aggregation platforms, parties with

potentially limited repurchasing ability are providing R&Ws. Therefore, we applied a 1.10x loss coverage adjustment to compensate for the risk associated with the financial capacities of the R&W providers and the lack of repurchase history from the backstop provider. We believe this adjustment is appropriate in the context of the due diligence performed on the loans and the relative credit quality of the collateral.

Cash Flow And Scenario Analysis

We reviewed the transaction structure and performed a cash flow analysis to simulate various rating stress scenarios (see tables 11 and 12) to determine the preliminary ratings for each class consistent with our criteria, accounting for the available credit enhancement. We analyzed a variety of scenarios for each rating category, including combinations of:

- Standard and back-loaded default timing curves;
- One- and two-year recovery lag assumptions;
- Fast and slow prepayment assumptions; and
- High, low, and forward interest rate curve assumptions.

Due to the limited principal and interest advance obligation in DRMT 2017-2, we did not apply our typical servicer stop advance stresses. Instead, we assumed that no principal and interest advances were being made in our cash flow projections. This assumption resulted in no projected monthly cash flows on defaulted loans that have not yet been liquidated (we assumed up to a 24-month lag between default and liquidation). Our cash flow projections consider this additional liquidity stress and the transaction's ability to make monthly interest payments and, if necessary, deferred interest payments (interest carryforward amounts) by the final maturity date on the rated classes.

Table 11

Default Timing Assumptions - Unseasoned

	% of cumulative defaults	
Month	**Back-loaded**	**Standard**
1	2.25	4.00
6	4.00	5.75
12	4.50	6.25
18	11.25	13.00
24	8.50	10.25
30	8.25	10.00
36	7.75	9.50
42	11.05	9.00
48	11.05	9.00
54	9.80	7.75
60	7.80	5.75
66	7.50	5.50
72	6.30	4.25

Table 12

Cash Flow Assumptions

Scenario	AAA	AA	A	BBB	BB	B
Recovery lag (mos.)	12 and 24	12 and 24	12 and 24	12 and 24	12 and 24	12 and 24
Prepayments (%)(i)						
Low CPR	1	2	3	4	5	6
High CPR	20	20	20	20	20	20
Foreclosure frequency (%)	61.20	49.40	39.12	28.72	18.18	7.68
Loss severity (%)	45.75	43.02	40.26	36.56	31.90	27.35
Loss coverage (%)	28.00	21.25	15.75	10.50	5.80	2.10

(i)Using a total unscheduled balance reduction convention. CPR--Conditional prepayment rate.

We applied the foreclosure frequencies, loss severities, and combinations of the stresses noted above in our cash flow runs, and observed some periodic missed interest due to the liquidity stress associated with no advancing. To pass our rating category specific stresses, the interest deferrals (or interest carry forward amounts) resulting from any missed interest payments on the securities have to be paid in full by the maturity date. All deferred interest was paid back with interest under the rating category specific stresses in our cash flow projections. The results show that each preliminary rated class in the transaction is enhanced to a degree consistent with the assigned preliminary ratings.

Interest stresses

All of the notes have coupons subject to the net WAC rate cap, as is the case in the majority of post-2009 transactions that we have rated. If the net WAC rate decreases below the cap, the interest due to the notes will decrease by a similar amount. We have generally seen two forms of net WAC rate definitions in transactions that we have rated since 2009. In some transactions, the net WAC rate is defined generally as the current net mortgage rate of the outstanding loans in the previous period (less servicing fees, trustee fees, etc.). In these cases, extraordinary expense payments will reduce the available distribution amount and cash flow to the noteholders, thereby potentially limiting the cash available to pay interest or principal to the subordinate tranches.

However, in this transaction, extraordinary trust expense payments reduce the net WAC rate, which, assuming all notes are paid the net WAC, allocates the extraordinary trust expenses pro rata across all senior and subordinate noteholders by reducing their interest payments by the amount of the extraordinary trust expenses paid (subject to the annual cap). This transaction also uses excess spread as credit enhancement. Therefore we ran these expenses at their capped amount to stress the excess spread.

Imputed Promises Analysis

Per our criteria "Methodology For Incorporating Loan Modifications And Extraordinary Expenses Into U.S. RMBS Ratings," published April 17, 2015, when rating U.S. RMBS transactions where credit-related events can reduce interest owed to the tranches across the capital structure rather than an allocation of such credit-related loss to the available credit support, we impute the interest owed to the noteholders. WAC deterioration that occurs because of defaults, repurchases, or prepayments is not considered credit-related and was therefore not considered as part of this analysis.

Because this transaction provides for credit-related loan modifications and extraordinary trust expenses to reduce the net WAC, at which the transaction's bond coupons are capped, we applied the approach outlined in the criteria to assess the maximum potential rating (MPR) that could apply based on our projected interest reduction amount (PIRA). As this is a new issue transaction, we did not account for any cumulative interest reduction amount.

Consistent with our criteria, we assumed that 50% of the loans projected to default would be modified, which, when added to the extraordinary trust expenses, resulted in a maximum PIRA on the preliminary rated notes that is significantly below the 4.5% threshold. We stressed extraordinary trust expenses by the relevant extraordinary expense application factor over the first 78 months of the transaction's life.

Based on the results of our analysis, there was no impact on the securities' MPR.

Historically, we have observed that extraordinary trust expenses have been minimal when they occur and have been extremely limited in pre-2009 RMBS transactions. We continue to expect their actual occurrence in post-2009 transactions to be rare.

Operational risk assessment

Our criteria "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014, present our methodology and assumptions for assessing certain operational risks (severity, portability, and disruption risks) associated with asset types and key transaction parties (KTPs) that provide an essential service to a structured finance issuer. According to the criteria, we cap the ratings on a transaction if we believe operational risk could lead to credit instability and affect the ratings.

As provided in the operational risk criteria, for severity risk and portability risk, there are three possible rankings: "high," "moderate," or "low." For disruption risk, there are four possible rankings: "very high," "high," "moderate," or "low." The rankings for each of the three risks determine the maximum potential rating that can be assigned to a structured finance security for a given KTP before giving consideration to any provisions for a backup KTP, such as a master servicer. After assessing the severity, portability, and disruption risks for each of the servicers, we determined the ratings on these classes would not be affected.

According to our criteria, we rank severity and portability risk for nonprime residential mortgage collateral as moderate and low, respectively. Shellpoint, the servicer, is the KTP. We consider the disruption risk for Shellpoint as low. Given these risk assessments, our criteria does not cap the ratings on the transaction.

Request For Comment: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later

S&P Global Ratings announced on April 24, 2017, that it is requesting comments on proposed revisions to its criteria for rating U.S. residential mortgage backed securities (RMBS) issued in 2009 or later.

The proposed revisions to our methodologies and assumptions are intended to better reflect the evolution of the U.S. residential mortgage market over the past several years. The changes also simplify and consolidate numerous criteria articles for improved use and transparency. These proposed criteria, if adopted, apply to all new and existing ratings

on U.S. RMBS and other debt obligations issued 2009 and later directly collateralized or referenced by prime or nonprime residential mortgage loans secured by first or second liens.

The preliminary ratings assigned by S&P Global Ratings to the rated notes may change. The nature of any potential rating changes will depend on the final criteria adopted as well as our assessment of the transaction. Please see "Request For Comment: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published April 24, 2017, for more information.

Related Criteria And Research

Related Criteria

- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - RMBS: Revised U.S. Residential Mortgage Input File Format, Glossary, And Appendices To The Glossary For LEVELS Version 7.4.3, June 1, 2015
- Criteria - Structured Finance - RMBS: Revised Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans Incorporated Into LEVELS Version 7.4.3, June 1, 2015
- Criteria - Structured Finance - RMBS: Methodology For Incorporating Loan Modifications And Extraordinary Expenses Into U.S. RMBS Ratings, April 17, 2015
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria - Structured Finance - RMBS: Methodology And Assumptions For Adjusting RMBS Loss Severity Calculations For Loans Covered Under Ability-To-Repay And Qualified Mortgage Standards, Jan. 23, 2014
- Criteria - Structured Finance - RMBS: Updated Criteria For Evaluating Geographic Concentration In U.S. RMBS Mortgage Pools, Nov. 16, 2012
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria - Structured Finance - RMBS: U.S. Interest Rate Assumptions Revised For May 2012 And Thereafter, April 30, 2012
- Criteria - Structured Finance - RMBS: Mortgage Originator Review Criteria For U.S. RMBS, April 17, 2012
- Criteria - Structured Finance - RMBS: Updated Assumptions For Liquidation Timelines In The U.S. Residential Mortgage Market, April 13, 2012
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- Criteria - Structured Finance - RMBS: Standard & Poor's Revised Representations And Warranties Criteria For U.S. RMBS Transactions, March 14, 2012
- Legal Criteria: Standard & Poor's Criteria For Analyzing Loans Governed By Anti-Predatory Lending Laws, July 22, 2011
- Criteria - Structured Finance - RMBS: Revised Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans Incorporated Into LEVELS Version 7.3, June 1, 2011

- Criteria - Structured Finance - RMBS: Methodology And Assumptions For Rating U.S. RMBS Prime, Alternative-A, And Subprime Loans, Sept. 10, 2009
- Criteria - Structured Finance - RMBS: Methodology For Loan Modifications That Include Forbearance Plans For U.S. RMBS, July 23, 2009
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria - Structured Finance - RMBS: Revised Guidelines For U.S. RMBS Loan Modification And Capitalization Reimbursement Amounts, Oct. 11, 2007
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Appendix III: Revised UCC Article 9 Criteria, Oct. 1, 2006
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Securities Backed By Residential Mortgage, Home Equity, And Manufactured Housing Loans, Oct. 1, 2006
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Securitizations By Code Transferors, Oct. 1, 2006
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006

Related Research

- Select Servicer List, June 2, 2017
- How S&P Global Ratings' Proposed U.S. RMBS Criteria Could Affect Loss Coverage Levels For Residential Mortgage Pools, May 30, 2017
- Servicer Evaluation: Shellpoint Mortgage Servicing, May 3, 2017
- Request For Comment: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later, April 24, 2017
- Request For Comment: U.S. Residential Mortgage Operational Assessment Ranking Criteria, April 24, 2017
- U.S. Economic Forecast: I'm Still Standing! March 30, 2017
- S&P Global Ratings Publishes List Of Third-Party Due Diligence Firms Reviewed For U.S. RMBS As Of March 21, 2017, March 21, 2017
- Outlook For The North American Housing And Residential Mortgage Finance Markets In 2017, Jan. 26, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Credit Rating Model: LEVELS Model For U.S. Residential Mortgage Loans, Sept. 19, 2016
- S&P Global Ratings Definitions, Aug. 18, 2016
- Credit Rating Model: U.S. RMBS Supplemental Collateral Analyzer, July 29, 2016
- Credit FAQ: How Standard & Poor's Reviews Extraordinary Expenses In Post-2009 RMBS Transactions, July, 15, 2013
- Older RMBS Transactions Face Increased Tail Risk As Their Pools Shrink, Aug. 9, 2012
- Credit Rating Model: The Intex Cash Flow Model, Aug. 13, 2010
- U.S. RMBS Interest Rate Model, Aug. 17, 2010

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012;

"Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.

Analytical Team

Primary Credit Analyst:
Timothy G Callahan, New York 212-438-2249; timothy.callahan@spglobal.com

Surveillance Credit Analyst:
John Schuk, New York (1) 212-438-5102; john.schuk@spglobal.com

Analytical Manager:
Stephen Buteau, New York (212) 438-0174; stephen.buteau@spglobal.com

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