

ARC Ratings publishes updated Global Residential Mortgage Backed Securities (RMBS) Rating Criteria

London, Lisbon, 31 May 2021 - ARC Ratings ("ARC") has published its updated Global Residential Mortgage Backed Securities (RMBS) Rating Criteria. This is an update to the report previously published on 29 May 2020. There are no material changes and, as such, no rating impact. This criteria report can be accessed at www.arcratings.com.

ARC's Global Residential Mortgage Backed Securities (RMBS) Rating Criteria (the "Criteria") aim to summarise how ARC assesses credit risks within RMBS transactions globally (excluding the USA). The approach looks to analyse the risk of the underlying collateral on a loan by loan basis, including but not limited to the transaction structure, operational risk and counterparty risk.

As transactions can vary significantly, analysis may diverge from stated assumptions. For example, assumptions may vary between countries and between product types. If assumptions set out in these Criteria are amended or supplemented all such modifications will be disclosed in individual transaction reports. Individual country default and recovery assumptions will be published and updated in separate addenda to this report.

ARC's rating approach is both quantitative and qualitative with final ratings accorded by a rating panel. ARC will initiate its rating approach with a review of the underlying residential mortgage portfolio and the lender's mortgage performance history. There will be a key focus on understanding the originator's underwriting processes and procedures as well as the servicer's ability to manage the portfolio. As such the originator and servicer reviews will form a crucial part of the rating analysis.

ARC will perform an analysis of the historical performance of the lender's loan book as well as a loan-by-loan analysis of the portfolio. A cash-flow analysis will be carried out to determine the ability of the structure and assets to withstand various rating scenarios and meet timely payment of obligations. In addition, a review of the transaction documentation and legal opinions will be performed to ensure they reflect the structure presented to ARC.

These Criteria should be read in conjunction with ARC's published 'Global Structured Finance Methodology', updated in September 2020.

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