

Methodology

*Representations and Warranties Criteria
for U.S. RMBS Transactions*

JANUARY 2010



Insight beyond the rating.

CONTACT INFORMATION

U.S. STRUCTURED FINANCE

Claire J. Mezzanotte

Managing Director
U.S. Structured Finance - ABS/RMBS/Covered Bonds
Tel. +1 212 806 3272
cmezzanotte@dbrs.com

Quincy Tang

Senior Vice President
U.S. Structured Finance - RMBS/Covered Bonds
Tel. +1 212 806 3256
qtang@dbrs.com

U.S. STRUCTURED FINANCE - OPERATIONAL RISK

Kathleen Tillwitz

Senior Vice President
U.S. Structured Finance - ABS/RMBS/Covered Bonds
Tel. +1 212 806 3265
ktillwitz@dbrs.com

Stephanie Whited

Vice President
U.S. Structured Finance - ABS/RMBS/Covered Bonds
Tel. +1 347 226 1927
swhited@dbrs.com

Related Research: Legal Criteria for U.S. Structured Finance Transactions dated September 2009

DBRS is a full-service credit rating agency established in 1976. Privately owned and operated without affiliation to any financial institution, DBRS is respected for its independent, third-party evaluations of corporate and government issues, spanning North America, Europe and Asia. DBRS's extensive coverage of securitizations and structured finance transactions solidifies our standing as a leading provider of comprehensive, in-depth credit analysis.

All DBRS ratings and research are available in hard-copy format and electronically on Bloomberg and at DBRS.com, our lead delivery tool for organized, Web-based, up-to-the-minute information. We remain committed to continuously refining our expertise in the analysis of credit quality and are dedicated to maintaining objective and credible opinions within the global financial marketplace.

This methodology replaces and supersedes all related prior methodologies. This methodology may be replaced or amended from time to time and, therefore, DBRS recommends that readers consult www.dbrs.com for the latest version of its methodologies.



Representations and Warranties Criteria for U.S. RMBS Transactions

TABLE OF CONTENTS

Summary of Criteria Update	4
Standard Representation and Warranties (and Covenant) for RMBS Transactions	4
Standard Representation and Warranties for RMBS Transactions with Seasoned Pools of Collateral	11



Summary of Criteria Update

DBRS is providing this update to its rating criteria for representations and warranties expected in residential mortgage backed securitization (RMBS) transactions in order to promote clarity and reliability for investors and other market participants. This update provides standardized representations and warranties (and related covenant) for newly originated collateral, as well as a standardized set of representation and warranties for seasoned pools of collateral. Each set of standardized representations and warranties includes a minimum set expected for rating a transaction, in addition to representations and warranties typically provided in highly rated transactions which may warrant additional credit enhancement if not provided. DBRS supports the current transparency efforts that the market has undertaken to clarify the protections afforded to investors in RMBS and other structured finance transactions. DBRS has worked with the American Securitization Forum in the development of standardized representations and warranties for RMBS transactions and has been careful to maintain consistency with those goals in this criteria update.

Given the importance of the provider of representations and warranties in creating the intended credit benefit, this criteria update also clarifies expectations for representation and warranty provider's creditworthiness and related credit support. If the representation and warranty provider's credit rating is below "BBB", additional credit enhancement or liquid reserves may be needed to cover losses incurred due to breaches. DBRS does rate transactions for providers of representations and warranties below BBB, but may request additional analysis to determine if the collateral supports the requested credit rating for the transaction, or if additional credit enhancement or liquidity reserves will be needed. To the extent that additional credit enhancement or liquidity reserve is needed, the size of such enhancement or reserve is based on the (i) sample size of the third party pre-securitization due diligence, (ii) results of third-party due diligence, (iii) amount of seasoning of the collateral and (iv) past performance of the collateral.

Standard Representation and Warranties (and Covenant) for RMBS Transactions

The following forty (40) representations and warranties, and one (1) covenant are the standard set expected by DBRS when rating residential mortgage-backed securities. The standard set does not include qualifying language for knowledge of a sponsor and DBRS reviews any deviations from the substance of this standard set, on a case by case basis. The first twenty (20) items (nineteen (19) representations and warranties and one (1) covenant) represent the core list that DBRS expects to receive on any transaction receiving an investment grade rating.

1. **Income/Employment/Assets** – With respect to each mortgage loan whose document type on the mortgage loan schedule indicates documented income, employment, and/or assets, the originator verified the borrower's income, employment, and/or assets in accordance with its written underwriting guidelines and employed procedures reasonably designed to authenticate the documentation supporting such income, employment and/or assets. With respect to each mortgage loan, other than a mortgage loan for which the borrower documented his or her income by providing Form W-2 or tax returns, the originator employed a process designed to test the reasonableness of the income used to approve the loan; this process may, but need not include (A) obtaining IRS Form 4506 or 4506T or (B) reviewing public and/or commercially available information.

2. **Data** – The information on the mortgage loan schedule correctly and accurately reflects the informa-



tion contained in the originator's records (including, without limitation, the mortgage loan file) in all material respects. In addition, the information contained under each of the headings in the mortgage loan schedule Exhibit [] to this agreement is true and correct in all material respects. With respect to each mortgage loan, any seller or builder concession in excess of the allowable limits established by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Association (Freddie Mac) has been subtracted from the appraised value of the mortgaged property for purposes of determining the loan-to-value (LTV) and combined loan-to-value (CLTV). With respect to each mortgage loan, as of the closing date, the most recent Fair Isaac Corporation (FICO) score listed on the mortgage loan schedule was no more than four months old. As of the date of funding of the mortgage loan to the borrower, no appraisal or other property valuation listed on the mortgage loan schedule was more than six months old.

3. **Fraud** – No fraud, material misrepresentation, error or omission or gross negligence or similar occurrence with respect to a mortgage loan has taken place on the part of (1) the originator, (2) the borrower, (3) any broker or correspondent, or (4) any appraiser, escrow agent, closing agent or title company involved in the origination of the mortgage loan.

4. **Regulatory Compliance** – At the time of origination, or if modified, the date of modification, each mortgage loan complied in all material respects with all then-applicable federal, state, and local laws, including (without limitation) truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, predatory and abusive lending laws, and disclosure laws or such noncompliance was cured subsequent to origination, as permitted by applicable law.

The servicing of each mortgage loan prior to the closing date complied in all material respects with all then-applicable federal, state, and local laws.

5. **No Prior Liens** – Immediately prior to the transfer and assignment contemplated under this [sale/transfer] agreement, the seller was the sole owner and holder of the mortgage loan free and clear of any and all liens (other than any senior lien indicated on the mortgage loan schedule), pledges, charges, or security interests of any nature and the seller has good and marketable title and has full right and authority to sell and assign the same.

6. **Enforceability and Priority of Lien** – (A) The mortgage is a valid, subsisting, and enforceable first or second lien on the property therein described and, except as noted in the mortgage loan schedule, the mortgaged property is free and clear of all encumbrances and liens having priority over the lien of the mortgage except for, (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions, and restrictions, rights of way, easements, and other matters of public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area in which the mortgaged property is located, (iii) liens created pursuant to any federal, state, or local law, regulation, or ordinance affording liens for the costs of clean-up of hazardous substances or hazardous wastes or for other environmental protection purposes, and (iv) such other matters to which like properties are commonly subject that do not individually or in aggregate materially interfere with the benefits of the security intended to be provided by the mortgage; and (B) any security agreement, chattel mortgage, or equivalent document related to and delivered to the trustee or to the custodian with any mortgage establishes in the seller a valid and subsisting first or second lien on the property described therein, and the seller has full right to sell and assign the same to the trustee.

7. **Mortgage Loan Legal and Binding** – (A) The mortgage note, the related mortgage, and other agreements executed in connection therewith are genuine, and each is the legal, valid, and binding obligation of the maker thereof, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered



in a proceeding in equity or at law); and (B) all parties to the mortgage note and the mortgage had legal capacity to execute the mortgage note and the mortgage, and each mortgage note and mortgage has been duly and properly executed by the mortgagor and delivered by the parties.

8. **No Rescission** – (A) No mortgage note or mortgage is subject to any right of rescission, set-off, counterclaim, or defense, including the defense of usury, nor will the operation of any of the terms of the mortgage note or mortgage, or the exercise of any right thereunder, render the mortgage note or mortgage unenforceable, in whole or in part, or subject it to any right of rescission, set-off, counterclaim, or defense, including the defense of usury; and (B) no such right of rescission, set-off, counterclaim, or defense has been asserted with respect thereto.

9. **Enforceable Right of Foreclosure** – (A) Each mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the mortgaged property of the benefits of the security, including realization by judicial foreclosure (subject to any limitation arising from any bankruptcy, insolvency, or other law for the relief of debtors); and (B) except with respect to mortgaged properties located in [____]¹, there is no homestead or other exemption available to the mortgagor that would interfere with such right of foreclosure.

10. **Early Payment Default Repurchase Covenant** – With respect to any mortgage loan originated not more than 90 days prior to the closing date, the originator shall promptly repurchase any such mortgage loan that becomes 30 days or more delinquent within the first three months following the origination date unless the originator reasonably concludes, based on information provided by the servicer, that the default was the result of a servicing issue that has subsequently been or will be corrected or is likely to be corrected and such default has been cured within 60 days following the missed payment date, provided that, if the originator is a bank, such repurchase would not, in the reasonable judgment of the originator, be considered recourse for purpose of Appendix A to Part 325 of Chapter III of Title 12 of the Code of Federal Regulations.

11. **Mortgage Insurance** – With respect to each mortgage loan listed as having mortgage insurance on the mortgage loan schedule, such mortgage loan has the benefit of a valid, binding, and enforceable primary mortgage insurance policy issued by a primary mortgage insurer acceptable to either (i) a primary mortgage insurer acceptable to Fannie Mae and Freddie Mac or (ii) a primary mortgage insurer that has a DBRS credit rating of BBB or better, or equivalent internal assessment. The form and substance of such mortgage insurance policy is in substantial conformance with primary mortgage insurance policies acceptable to Fannie Mae and Freddie Mac.

12. **No Prior Modifications** – Unless otherwise indicated on the mortgage loan schedule, neither the seller nor any prior holder of the mortgage or the related mortgage note has modified the mortgage or the related mortgage note in any material respect, satisfied, canceled, or subordinated the mortgage in whole or in part, released the mortgaged property in whole or in part from the lien of the mortgage, or executed any instrument of release, cancellation, modification, or satisfaction, except in each case as reflected in an agreement included in the loan file. If a mortgage loan has been modified, the modified terms are reflected on the mortgage loan schedule.

13. **Taxes Paid** – All taxes, governmental assessments, insurance premiums, and water, sewer, and municipal charges that previously became due have been paid or an escrow of funds has been established, to the extent permitted by law, in an amount sufficient to pay for any such item that remains unpaid and that has been assessed but is not yet due and payable.

14. **No Damage/Condemnation** – (A) The mortgaged property is undamaged by water, fire, earth-

1. The state in which the property is located.



quake, earth movement other than earthquake, windstorm, flood, tornado, or similar casualty (excluding casualty from the presence of hazardous wastes or hazardous substances) to affect adversely the value of the mortgaged property as security for the mortgage loan or the use for which the premises was intended or would render the property uninhabitable; and (B) there is no proceeding (pending or threatened) for the total or partial condemnation of the mortgaged property.

15. No Encroachments/Compliance with Zoning – Except for mortgage loans secured by co-op shares and mortgage loans secured by residential long-term leases, (A) the mortgaged property consists of a fee simple estate in real property; (B) all of the improvements that are included for the purpose of determining the appraised value of the mortgaged property lie wholly within the boundaries and building restriction lines of such property and no improvements on adjoining properties encroach on the mortgaged property (unless insured against under the related title insurance policy); and (C) the mortgaged property and all improvements thereon comply with all requirements of any applicable zoning and subdivision laws and ordinances.

16. No Usury/High-Cost Loans – (A) The mortgage loan meets or is exempt from applicable state, federal, or local laws, regulations, and other requirements pertaining to usury; and (B) no mortgage loan in the trust is a “high-cost” loan, “covered” loan, or any other similarly designated loan as defined under any state, local, or federal applicable predatory and abusing lending laws.

17. Existence of Title Insurance – The mortgage loan (except (A) any mortgage loan secured by a mortgaged property located in any jurisdiction for which an opinion of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received, and (B) any mortgage loan secured by co-op shares) is covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable to Fannie Mae or Freddie Mac, issued by a title insurer acceptable to Fannie Mae or Freddie Mac insuring the originator and its successors, and assigns, as to the first priority lien of the mortgage in the original principal amount of the mortgage loan and subject only to (a) the lien of current real property taxes and assessments not yet due and payable, (b) covenants, conditions, and restrictions, rights of way, easements, and other matters of public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area in which the mortgaged property is located or specifically referred to in the appraisal performed in connection with the origination of the related mortgage loan, (c) liens created pursuant to any federal, state, or local law, regulation, or ordinance affording liens for the costs of clean-up of hazardous substances or hazardous wastes or for other environmental protection purposes, and (d) such other matters to which like properties are commonly subject which do not individually, or in the aggregate, materially interfere with the benefits of the security intended to be provided by the mortgage. The seller is the sole insured of such mortgagee title insurance policy, the assignment to the trustee of the seller’s interest in such mortgagee title insurance policy does not require any consent of or notification to the insurer that has not been obtained or made, such mortgagee title insurance policy is in full force and effect and will be in full force and effect and inure to the benefit of the trustee, no claims have been made under such mortgagee title insurance policy.

18. Hazard Insurance – The mortgaged property securing each mortgage loan is insured by an insurer acceptable to Fannie Mae or Freddie Mac against loss by fire and such hazards as are covered under a standard extended coverage endorsement in an amount that is not less than [the lesser of 100% of the insurable value of the mortgaged property and the outstanding principal balance of the mortgage loan[, but in no event less than the minimum amount necessary to fully compensate for any damage or loss on a replacement cost basis]][the lesser of (a) the full insurable value of the mortgaged property or (b) the greater of (i) the outstanding principal balance owing on the mortgage loan and (ii) an amount such that the proceeds of such insurance shall be sufficient to avoid the application to the mortgagor or loss payee of any coinsurance clause under the policy]. If the mortgaged property is a condominium unit, it is included under the coverage afforded by a blanket policy for the project. If upon origination of the



mortgage loan, the improvements on the mortgaged property were in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier in an amount representing coverage not less than the least of (A) the outstanding principal balance of the mortgage loan, (B) the full insurable value of the mortgaged property, and (C) the maximum amount of insurance that was available under the National Flood Insurance Act of 1968, as amended. Each mortgage obligates the mortgagor thereunder to maintain all such insurance at the mortgagor's cost and expense.

19. **No Default** – There is no (A) monetary default, monetary breach, monetary violation, or event of acceleration existing under the mortgage or the related mortgage note and no event that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a monetary default, monetary breach, monetary violation, or event of acceleration, and (B) there is no nonmonetary default, nonmonetary breach, nonmonetary violation or event of acceleration existing under the mortgage or the related mortgage note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a nonmonetary default, nonmonetary breach, nonmonetary violation or event of acceleration. The seller has not waived any such default, breach, violation, or event of acceleration, and no foreclosure action is currently threatened or has been commenced with respect to the mortgage loan.

20. **Mortgage Recorded** – Each original mortgage was recorded or submitted for recordation in the jurisdiction in which the mortgaged property is located and all subsequent assignments of the original mortgage have been delivered in the appropriate form for recording in all jurisdictions in which such recordation is necessary to perfect the ownership of the mortgage by the trust.

21. **Property Valuation** – (A) Each mortgage loan with a written appraisal as indicated on the mortgage loan schedule contains a written appraisal prepared by an appraiser licensed or certified by the applicable governmental body in which the mortgaged property is located and in accordance with the requirements of Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). The appraisal was written in form and substance: to customary Fannie Mae or Freddie Mac standards for mortgage loans of the same type as the mortgage loans and Uniform Standards of Professional Appraisal Practice (USPAP) standards; and satisfies applicable legal and regulatory requirements. The appraisal was made and signed prior to the final approval of the mortgage loan application. (B) For each mortgage loan where the property valuation consisted of a broker price opinion, the opinion was provided by a licensed real estate broker or realtor in the jurisdiction where the property is located. (C) The person performing any property valuation (including an appraiser) received no benefit from, and such person's compensation or flow of business from the loan originator was not affected by, the approval or disapproval of the mortgage loan. The selection of the appraiser meets Fannie Mae or Freddie Mac criteria for selecting an independent appraiser.

22. **Occupancy** – With respect to each mortgage loan, the originator gave due consideration at the time of origination to factors, including but not limited to other real estate owned by the borrower, commuting distance to work, and appraiser comments and notes, and any difference between the mailing address in the servicing system and the mortgage property address, to evaluate whether the occupancy status of the property as represented by the borrower was reasonable.

23. **Source of Loan Payments** – With respect to each mortgage loan, (A) no portion of the loan proceeds has been escrowed for the purpose of making monthly payments on behalf of the borrower and (B) no payments due and payable under the terms of the note and mortgage or deed of trust, except for seller or builder concessions or amounts paid or escrowed for payment by the borrower's employer, have been paid by any person (other than the borrower or a guarantor) who was involved in or benefited from the sale of the mortgaged property or the origination, refinancing, sale, or servicing of the mortgage loan.



24. **Underwriting** – Each mortgage loan was either (A) underwritten in substantial conformance to the originator’s underwriting guidelines in effect at the time of origination without regard to any underwriter discretion, or (B) if not underwritten in substantial conformance to the originator’s guidelines, has reasonable and documented compensating factors which are documented in the mortgage loan file.

25. **Borrower** – (A) Each borrower is a natural person, unless otherwise indicated on the mortgage loan schedule. (B) At the time of origination, each borrower was legally permitted to reside in the United States. (C) Unless otherwise indicated on the mortgage loan schedule, no borrower is a debtor in any state or federal bankruptcy or insolvency proceeding in the last [] years. (D) Unless otherwise indicated on the mortgage loan schedule, no borrower previously owned a property with respect to which a foreclosure sale was completed or with respect to which title was conveyed to the originator or a deed in lieu of foreclosure was given in the [] years prior to the origination of the mortgage loan.²

26. **Downpayment** – Unless otherwise indicated on the mortgage loan schedule, with respect to each mortgage loan whose purpose is listed on the mortgage loan schedule as “purchase,” the borrower paid at least 3% of the purchase price with his/her own funds.

27. **Complete Mortgage Files** – The instruments and documents with respect to each mortgage loan required to be delivered to the trustee or custodian (in trust for the trustee) on or prior to the closing date have been delivered to the trustee or custodian (in trust for the trustee).

28. **No Mechanics Liens** – The mortgaged property is free and clear of all mechanics’ and materialmen’s liens, provided that this warranty shall be deemed not to have been made at the time of the initial issuance of the certificates if a title policy affording, in substance, the same protection afforded by this warranty is furnished to the trustee by the seller.

29. **Certificate of Occupancy** – All inspections, licenses, and certificates required to be made or issued with respect to all occupied portions of the mortgaged property and the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

30. **Loans Current/Prior Delinquencies** – Unless otherwise indicated on the mortgage loan schedule, all payments required to be made up to the due date immediately preceding the cutoff date for such mortgage loan under the terms of the related mortgage note have been made, and no mortgage loan had been more than 30 days delinquent more than once in the 12 months preceding the cutoff date.

31. **Proceeds Fully Disbursed/Recording Fees Paid** – (A) The proceeds of the mortgage loan have been fully disbursed, there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds have been complied with (except for escrow funds for exterior items, which could not be completed due to weather, and escrow funds for the completion of swimming pools scheduled to be completed 12 months following the closing date); and (B) all costs, fees, and expenses incurred in making, closing, or recording the mortgage loan have been paid, except recording fees with respect to mortgages not recorded as of the closing date.

32. **No Bankruptcy** – No mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding.

33. **Mortgaged Property Is One to Four Family** – Each mortgaged property is located in the U.S. or a territory of the U.S. and consists of a one- to four-unit residential property, which may include, but is not

2. The actual number of years for items (C) and (D) will be based on the originator’s underwriting guidelines.



limited to, a single-family dwelling, townhouse, condominium unit, or unit in a planned unit development or, in the case of mortgage loans secured by co-op shares, leases or occupancy agreements.

34. **Mortgage Loan Qualifies for REMIC** – The mortgage loan is a “qualified mortgage” within the meaning of Section 860G(a)(3) of the Code.

35. **Lost Note Affidavit** – With respect to each mortgage where a lost note affidavit has been delivered to the trustee in place of the related mortgage note, the related mortgage note is no longer in existence.

36. **Doing Business** – With respect to each mortgage loan, (A) the originator is (or, during the period in which it held and disposed of its interest in such mortgage loan was), in compliance with any and all applicable licensing requirements of the laws of the state wherein the related mortgaged property is located and (B) all parties that have had any interest in such mortgage loan, whether as mortgagee, assignee, pledge, or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable licensing requirements of the laws of the state wherein the related mortgaged property is located, except to the extent that failure to be so licensed would not give rise to any claim against the trust.

37. **Environmental Laws** – As of origination of the mortgage loan, the mortgaged property was in material compliance with all applicable environmental laws pertaining to environmental hazards including, without limitation, asbestos.

38. **Insurance Coverage Not Impaired** – With respect to any insurance policy including, but not limited to, hazard, title, or mortgage insurance covering a mortgage loan and the related mortgaged property, neither (i) the originator nor (ii) any prior holder has not engaged in, and has no knowledge of the borrower’s having engaged in, any act or omission that would impair the coverage of any such policy, the benefits of the endorsement, or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback, or other unlawful compensation or value of any kind as has been or will be received, retained, or realized by any attorney, firm, or other person or entity, and no such unlawful items have been received, retained, or realized by the originator.

39. **Deeds of Trust** – In the event the mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the mortgage, and no fees or expenses are or will become payable by the seller to the trustee under the deed of trust, except in connection with a trustee’s sale after default by the mortgage.

40. **Due-On-Sale** – The mortgage contains an enforceable provision, to the extent not prohibited by applicable law as of the date of such mortgage, for the acceleration of the payment of the unpaid principal balance of the mortgage loan in the event that the mortgaged property is sold or transferred without the prior written consent of the mortgagee.

41. **Leases** – The mortgaged property is either a fee simple estate or a long-term residential lease. If the mortgage loan is secured by a long-term residential lease: (A) the terms of such lease expressly permit the mortgaging of the leasehold estate, the assignment of the lease without the lessor’s consent (or the lessor’s consent has been obtained and such consent is in the mortgage file), and the acquisition by the holder of the mortgage of the rights of the lessee upon foreclosure or assignment in lieu of foreclosure or provide the holder of the mortgage with substantially similar protection; (B) the terms of such lease do not allow the termination thereof upon the lessee’s default without the holder of the mortgage being entitled to receive written notice of, and opportunity to cure, such default or prohibit the holder of the mortgage from being insured under the hazard insurance policy related to the mortgaged property; (C) the original term of such lease is not less than 15 years; (D) the term of such lease does not terminate earlier than five years after the maturity date of the mortgage note; and (E) the mortgaged property is located in a jurisdic-



tion in which the use of leasehold estates for residential properties is an accepted practice.

Standard Representation and Warranties for RMBS Transactions with Seasoned Pools of Collateral

The following thirty-eight (38) representations and warranties are the standard set expected by DBRS rated residential mortgage-backed securities issuance for seasoned pools of collateral. DBRS reviews any deviations from the substance of this standard set on a case by case basis. The first eighteen (18) items represent the core list that DBRS would expect to receive on any transactions receiving an investment grade rating.

1. **Data** – The information on the mortgage loan schedule correctly and accurately reflects the information contained in the originator's records (including, without limitation, the mortgage loan file) in all material respects. In addition, the information contained under each of the headings in the mortgage loan schedule Exhibit [] to this agreement is true and correct in all material respects. With respect to each mortgage loan, any seller or builder concession in excess of the allowable limits established by Fannie Mae or Freddie Mac has been subtracted from the appraised value of the mortgaged property for purposes of determining the loan-to-value (LTV) and combined loan-to-value (CLTV). With respect to each mortgage loan, as of the closing date, the most recent FICO score listed on the mortgage loan schedule was no more than four months old. As of the date of funding of the mortgage loan to the borrower, no appraisal or other property valuation listed on the mortgage loan schedule was more than six months old.

2. **Fraud** – No fraud, material misrepresentation, error or omission or gross negligence or similar occurrence with respect to a mortgage loan has taken place on the part of (1) the originator, (2) the borrower, (3) any broker or correspondent, or (4) any appraiser, escrow agent, closing agent or title company involved in the origination of the mortgage loan.

3. **Regulatory Compliance** – At the time of origination, or if modified, the date of modification, each mortgage loan complied in all material respects with all then-applicable federal, state, and local laws, including (without limitation) truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, predatory and abusive lending laws, and disclosure laws or such noncompliance was cured subsequent to origination, as permitted by applicable law.

The servicing of each mortgage loan prior to the closing date complied in all material respects with all then-applicable federal, state, and local laws.

4. **No Prior Liens** – Immediately prior to the transfer and assignment contemplated under this [sale/transfer] agreement, the seller was the sole owner and holder of the mortgage loan free and clear of any and all liens (other than any senior lien indicated on the mortgage loan schedule), pledges, charges, or security interests of any nature and the seller has good and marketable title and has full right and authority to sell and assign the same.

5. **Enforceability and Priority of Lien** – (A) The mortgage is a valid, subsisting, and enforceable first or second lien on the property therein described and, except as noted in the mortgage loan schedule, the mortgaged property is free and clear of all encumbrances and liens having priority over the lien of the mortgage except for, (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions, and restrictions, rights of way, easements, and other matters of public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area in which the mortgaged property is located, (iii) liens created pursuant to any federal, state, or local law,



regulation, or ordinance affording liens for the costs of clean-up of hazardous substances or hazardous wastes or for other environmental protection purposes, and (iv) such other matters to which like properties are commonly subject that do not individually or in aggregate materially interfere with the benefits of the security intended to be provided by the mortgage; and (B) any security agreement, chattel mortgage, or equivalent document related to and delivered to the trustee or to the custodian with any mortgage establishes in the seller a valid and subsisting first or second lien on the property described therein, and the seller has full right to sell and assign the same to the trustee.

6. Mortgage Loan Legal and Binding – (A) The mortgage note, the related mortgage, and other agreements executed in connection therewith are genuine, and each is the legal, valid, and binding obligation of the maker thereof, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and (B) all parties to the mortgage note and the mortgage had legal capacity to execute the mortgage note and the mortgage, and each mortgage note and mortgage has been duly and properly executed by the mortgagor and delivered by the parties.

7. No Rescission – (A) No mortgage note or mortgage is subject to any right of rescission, set-off, counterclaim, or defense, including the defense of usury, nor will the operation of any of the terms of the mortgage note or mortgage, or the exercise of any right thereunder, render the mortgage note or mortgage unenforceable, in whole or in part, or subject it to any right of rescission, set-off, counterclaim, or defense, including the defense of usury; and (B) no such right of rescission, set-off, counterclaim, or defense has been asserted with respect thereto.

8. Enforceable Right of Foreclosure – (A) Each mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the mortgaged property of the benefits of the security, including realization by judicial foreclosure (subject to any limitation arising from any bankruptcy, insolvency, or other law for the relief of debtors); and (B) except with respect to mortgaged properties located in [____]³, there is no homestead or other exemption available to the mortgagor that would interfere with such right of foreclosure.

9. No Prior Modifications – Unless otherwise indicated on the mortgage loan schedule, neither the seller nor any prior holder of the mortgage or the related mortgage note has modified the mortgage or the related mortgage note in any material respect, satisfied, canceled, or subordinated the mortgage in whole or in part, released the mortgaged property in whole or in part from the lien of the mortgage, or executed any instrument of release, cancellation, modification, or satisfaction, except in each case as reflected in an agreement included in the loan file. If a mortgage loan has been modified, the modified terms are reflected on the mortgage loan schedule.

10. Taxes Paid – All taxes, governmental assessments, insurance premiums, and water, sewer, and municipal charges that previously became due have been paid or an escrow of funds has been established, to the extent permitted by law, in an amount sufficient to pay for any such item that remains unpaid and that has been assessed but is not yet due and payable.

11. No Damage/Condemnation – (A) The mortgaged property is undamaged by water, fire, earthquake, earth movement other than earthquake, windstorm, flood, tornado, or similar casualty (excluding casualty from the presence of hazardous wastes or hazardous substances) to affect adversely the value of the mortgaged property as security for the mortgage loan or the use for which the premises was intended or would render the property uninhabitable; and (B) there is no proceeding (pending or threatened) for the total or partial condemnation of the mortgaged property.

3. The state in which the property is located.



12. No Encroachments/Compliance with Zoning – Except for mortgage loans secured by co-op shares and mortgage loans secured by residential long-term leases, (A) the mortgaged property consists of a fee simple estate in real property; (B) all of the improvements that are included for the purpose of determining the appraised value of the mortgaged property lie wholly within the boundaries and building restriction lines of such property and no improvements on adjoining properties encroach on the mortgaged property (unless insured against under the related title insurance policy); and (C) the mortgaged property and all improvements thereon comply with all requirements of any applicable zoning and subdivision laws and ordinances.

13. No Usury/High-Cost Loans – (A) The mortgage loan meets or is exempt from applicable state, federal, or local laws, regulations, and other requirements pertaining to usury; and (B) no mortgage loan in the trust is a “high-cost” loan, “covered” loan, or any other similarly designated loan as defined under any state, local, or federal applicable predatory and abusing lending laws.

14. Existence of Title Insurance – The mortgage loan (except (A) any mortgage loan secured by a mortgaged property located in any jurisdiction for which an opinion of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received, and (B) any mortgage loan secured by co-op shares) is covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable to Fannie Mae or Freddie Mac, issued by a title insurer acceptable to Fannie Mae or Freddie Mac insuring the originator and its successors, and assigns, as to the first priority lien of the mortgage in the original principal amount of the mortgage loan and subject only to (a) the lien of current real property taxes and assessments not yet due and payable, (b) covenants, conditions, and restrictions, rights of way, easements, and other matters of public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area in which the mortgaged property is located or specifically referred to in the appraisal performed in connection with the origination of the related mortgage loan, (c) liens created pursuant to any federal, state, or local law, regulation, or ordinance affording liens for the costs of clean-up of hazardous substances or hazardous wastes or for other environmental protection purposes, and (d) such other matters to which like properties are commonly subject which do not individually, or in the aggregate, materially interfere with the benefits of the security intended to be provided by the mortgage. The seller is the sole insured of such mortgagee title insurance policy, the assignment to the trustee of the seller’s interest in such mortgagee title insurance policy does not require any consent of or notification to the insurer that has not been obtained or made, such mortgagee title insurance policy is in full force and effect and will be in full force and effect and inure to the benefit of the trustee, no claims have been made under such mortgagee title insurance policy.

15. Hazard Insurance – The mortgaged property securing each mortgage loan is insured by an insurer acceptable to Fannie Mae or Freddie Mac against loss by fire and such hazards as are covered under a standard extended coverage endorsement in an amount that is not less than [the lesser of 100% of the insurable value of the mortgaged property and the outstanding principal balance of the mortgage loan[, but in no event less than the minimum amount necessary to fully compensate for any damage or loss on a replacement cost basis]][the lesser of (a) the full insurable value of the mortgaged property or (b) the greater of (i) the outstanding principal balance owing on the mortgage loan and (ii) an amount such that the proceeds of such insurance shall be sufficient to avoid the application to the mortgagor or loss payee of any coinsurance clause under the policy]. If the mortgaged property is a condominium unit, it is included under the coverage afforded by a blanket policy for the project. If upon origination of the mortgage loan, the improvements on the mortgaged property were in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier in an amount representing coverage not less than the least of (A) the outstanding principal balance of the mortgage loan, (B) the full insurable value of the mortgaged property, and (C) the maximum amount of insurance that was available under the National



Flood Insurance Act of 1968, as amended. Each mortgage obligates the mortgagor thereunder to maintain all such insurance at the mortgagor's cost and expense.

16. **Mortgage Recorded** – Each original mortgage was recorded or submitted for recordation in the jurisdiction in which the mortgaged property is located and all subsequent assignments of the original mortgage have been delivered in the appropriate form for recording in all jurisdictions in which such recordation is necessary to perfect the ownership of the mortgage by the trust.

17. **No Defense of Insurance Coverage** – No action has been taken or failed to be taken, no event has occurred and no state of facts exists which has resulted or will result in an exclusion from, denial of, or defense to coverage under any applicable special hazard insurance policy or bankruptcy bond irrespective of the cause of such failure of coverage except the failure of the insurer to pay by reason of such insurer's breach of the insurance policy or the insurer's financial inability to pay.

18. **Servicing** – The servicing and collection practices used by the servicer with respect to the mortgage loan have been in all respects legal, proper, prudent and customary in the mortgage servicing business. While the mortgage loan has been serviced by the servicer, it has been serviced in accordance with the terms of the mortgage note or any applicable forbearance plan or bankruptcy plan.

19. **Litigation** – To the best of seller's knowledge, other than any claim or counterclaim arising out of any foreclosure or collection proceeding relating to any mortgage loan, there is no litigation, proceeding or governmental investigation pending, or any order, injunction or decree outstanding, existing or relating to the mortgage loan or the related mortgaged property.

20. **Property Valuation** – (A) Each mortgage loan with a written appraisal as indicated on the mortgage loan schedule contains a written appraisal prepared by an appraiser licensed or certified by the applicable governmental body in which the mortgaged property is located and in accordance with the requirements of Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). The appraisal was written in form and substance: to customary Fannie Mae or Freddie Mac standards for mortgage loans of the same type as the mortgage loans and Uniform Standards of Professional Appraisal Practice (USPAP) standards; and satisfies applicable legal and regulatory requirements. The appraisal was made and signed prior to the final approval of the mortgage loan application. (B) For each mortgage loan where the property valuation consisted of a broker price opinion, the opinion was provided by a licensed real estate broker or realtor in the jurisdiction where the property is located. (C) The person performing any property valuation (including an appraiser) received no benefit from, and such person's compensation or flow of business from the loan originator was not affected by, the approval or disapproval of the mortgage loan. The selection of the appraiser meets Fannie Mae or Freddie Mac criteria for selecting an independent appraiser.

21. **Occupancy** – With respect to each mortgage loan, the originator gave due consideration at the time of origination to factors, including but not limited to other real estate owned by the borrower, commuting distance to work, and appraiser comments and notes, and any difference between the mailing address in the servicing system and the mortgage property address, to evaluate whether the occupancy status of the property as represented by the borrower was reasonable.

22. **Source of Loan Payments** – With respect to each mortgage loan, (A) no portion of the loan proceeds has been escrowed for the purpose of making monthly payments on behalf of the borrower, and (B) no payments due and payable under the terms of the note and mortgage or deed of trust, except for seller or builder concessions or amounts paid or escrowed for payment by the borrower's employer, have been paid by any person (other than the borrower or a guarantor) who was involved in or benefited from the sale of the mortgaged property or the origination, refinancing, sale, or servicing of the mortgage loan.



23. **Borrower** – (A) Each borrower is a natural person, unless otherwise indicated on the mortgage loan schedule. (B) At the time of origination, each borrower was legally permitted to reside in the United States. (C) Unless otherwise indicated on the mortgage loan schedule, no borrower is a debtor in any state or federal bankruptcy or insolvency proceeding in the last [] years. (D) Unless otherwise indicated on the mortgage loan schedule, no borrower previously owned a property with respect to which a foreclosure sale was completed or with respect to which title was conveyed to the originator or a deed in lieu of foreclosure was given in the [] years prior to the origination of the mortgage loan.⁴

24. **Complete Mortgage Files** – The instruments and documents with respect to each mortgage loan required to be delivered to the trustee or custodian (in trust for the trustee) on or prior to the closing date have been delivered to the trustee or custodian (in trust for the trustee).

25. **No Mechanics Liens** – The mortgaged property is free and clear of all mechanics' and materialmen's liens, provided that this warranty shall be deemed not to have been made at the time of the initial issuance of the certificates if a title policy affording, in substance, the same protection afforded by this warranty is furnished to the trustee by the seller.

26. **Certificate of Occupancy** – All inspections, licenses, and certificates required to be made or issued with respect to all occupied portions of the mortgaged property and the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

27. **Loans Current/Prior Delinquencies** – Unless otherwise indicated on the mortgage loan schedule, all payments required to be made up to the due date immediately preceding the cutoff date for such mortgage loan under the terms of the related mortgage note have been made, and no mortgage loan had been more than 30 days delinquent more than once in the 12 months preceding the cutoff date.

28. **Proceeds Fully Disbursed/Recording Fees Paid** – (A) The proceeds of the mortgage loan have been fully disbursed, there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds have been complied with (except for escrow funds for exterior items, which could not be completed due to weather, and escrow funds for the completion of swimming pools scheduled to be completed 12 months following the closing date); and (B) all costs, fees, and expenses incurred in making, closing, or recording the mortgage loan have been paid, except recording fees with respect to mortgages not recorded as of the closing date.

29. **No Default** – To the best of the seller's knowledge, there is no monetary default, monetary breach, monetary violation, or event of acceleration existing under the mortgage or the related mortgage note and no event that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a monetary default, monetary breach, monetary violation, or event of acceleration. The seller has not waived any such default, breach, violation, or event of acceleration, and no foreclosure action is currently threatened or has been commenced with respect to the mortgage loan.

30. **No Bankruptcy** – No mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding.

31. **Mortgaged Property Is One to Four Family** – Each mortgaged property is located in the U.S. or a territory of the U.S. and consists of a one- to four-unit residential property, which may include, but is not limited to, a single-family dwelling, townhouse, condominium unit, or unit in a planned unit development or, in the case of mortgage loans secured by co-op shares, leases or occupancy agreements.

4. The actual number of years for items (C) and (D) will be based on the originator's underwriting guidelines.



32. **Mortgage Loan Qualifies for REMIC** – The mortgage loan is a “qualified mortgage” within the meaning of Section 860G(a)(3) of the Code.

33. **Doing Business** – With respect to each mortgage loan, (A) the originator is (or, during the period in which it held and disposed of its interest in such mortgage loan was), in compliance with any and all applicable licensing requirements of the laws of the state wherein the related mortgaged property is located, and (B) all parties that have had any interest in such mortgage loan, whether as mortgagee, assignee, pledge, or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable licensing requirements of the laws of the state wherein the related mortgaged property is located, except to the extent that failure to be so licensed would not give rise to any claim against the trust.

34. **Environmental Laws** – As of origination of the mortgage loan, the mortgaged property was in material compliance with all applicable environmental laws pertaining to environmental hazards including, without limitation, asbestos.

35. **Insurance Coverage Not Impaired** – With respect to any insurance policy including, but not limited to, hazard, title, or mortgage insurance covering a mortgage loan and the related mortgaged property, neither (i) the originator nor (ii) any prior holder has not engaged in, and has no knowledge of the borrower’s having engaged in, any act or omission that would impair the coverage of any such policy, the benefits of the endorsement, or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback, or other unlawful compensation or value of any kind as has been or will be received, retained, or realized by any attorney, firm, or other person or entity, and no such unlawful items have been received, retained, or realized by the originator.

36. **Deeds of Trust** – In the event the mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the mortgage, and no fees or expenses are or will become payable by the seller to the trustee under the deed of trust, except in connection with a trustee’s sale after default by the mortgagee.

37. **Due-On-Sale** – The mortgage contains an enforceable provision, to the extent not prohibited by applicable law as of the date of such mortgage, for the acceleration of the payment of the unpaid principal balance of the mortgage loan in the event that the mortgaged property is sold or transferred without the prior written consent of the mortgagee.

38. **Leases** – The mortgaged property is either a fee simple estate or a long-term residential lease. If the mortgage loan is secured by a long-term residential lease: (A) the terms of such lease expressly permit the mortgaging of the leasehold estate, the assignment of the lease without the lessor’s consent (or the lessor’s consent has been obtained and such consent is in the mortgage file), and the acquisition by the holder of the mortgage of the rights of the lessee upon foreclosure or assignment in lieu of foreclosure or provide the holder of the mortgage with substantially similar protection; (B) the terms of such lease do not allow the termination thereof upon the lessee’s default without the holder of the mortgage being entitled to receive written notice of, and opportunity to cure, such default or prohibit the holder of the mortgage from being insured under the hazard insurance policy related to the mortgaged property; (C) the original term of such lease is not less than 15 years; (D) the term of such lease does not terminate earlier than five years after the maturity date of the mortgage note; and (E) the mortgaged property is located in a jurisdiction in which the use of leasehold estates for residential properties is an accepted practice.

Copyright © 2010, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.



Insight beyond the rating.

www.dbrs.com

DBRS, Inc.
140 Broadway
35th Floor
New York, NY 10005
TEL +1 212 806 3277