Methodology

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

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Related Research:
RMBS Insight: U.S. Residential Mortgage-Backed Securities Loss Model and Rating Methodology
Legal Criteria for U.S. Structured Finance Transactions
Third-Party Due Diligence Criteria for U.S. RMBS Transactions
Operational Risk Assessment for U.S. RMBS Servicers
Unified Interest Rate Model for U.S. RMBS Transactions

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Representations and Warranties Criteria for U.S. RMBS Transactions

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Summary of Criteria Update

The Representations & Warranties (R&W) framework has evolved substantially post the credit crisis. Many of the U.S. RMBS transactions issued since 2010 have largely adopted the standardized R&W framework introduced by the American Securitization Forum (the ASF) in December 2009, which provides substantial enhancements to what had been previously provided in pre-crisis transactions. The 2009 standard R&Ws within the ASF framework included many new provisions which were not included in previous transactions, including the coverage for fraud of origination parties, the requirement that an originator considers the reasonableness of a borrower’s intention to occupy a home, the qualification and independence of the property appraiser, the requirement that an originator employs procedures to reasonably authenticate documentation, and documents any compensating factors where loans have not been underwritten in conformance with its guidelines.

Since 2009, the alignment of the interest between investors and issuers was further enhanced by the ASF by providing clear guidelines and clarity to all constituents in the securitization process. Improved protective features include specific procedures to put forth a claim, automatic review for breaches when a loan becomes 120 days delinquent, and strong enforcement mechanisms including the use of automatic arbitration to resolve disputes. These protections also provide greater assurance that an originator will maintain sound origination standards.

While adopting the many improvements of the post-crisis R&W framework, some RMBS issuers have included variations to such a standard including the specification of a definitive time period for certain R&Ws, typically those related to underwriting and fraud, before the representing parties’ (often the originator’s) repurchase obligation expires, or sunsets. Others include the addition of knowledge qualifiers, materiality factors, or proximate cause provisions on whether a default is caused by a life event or a certain R&W breach. While such proposals are a deviation from the framework’s initial paradigm which may increase credit risk and ambiguity within a securitization, DBRS looks at each transaction on a case-by-case basis and anticipates uncertainty to be addressed by the factors outlined in this criteria report.

DBRS expects investor interests to remain aligned with originators, issuers and other R&W providers through positive R&Ws, comprehensive third-party loan file due diligence reviews, enhanced protective features, and effective enforcement mechanisms.

Overview

R&Ws specify that certain attributes about a transaction’s mortgage pool can be relied upon by investors. R&Ws cover matters relating to the mortgaged property securing the loan, loan documentation, loan origination, and compliance with applicable law. R&Ws within RMBS are used to allocate the risk of defective mortgage loans between the issuers of such securities and the investors who purchased them. As such, R&W evaluation is an important component that DBRS utilizes when analyzing and rating RMBS transactions.

In addition to evaluating the particular nature of a transaction’s R&Ws, when evaluating the overall scope of a securitization, DBRS considers the following key factors:

- Financial Strength of R&W Provider;
- Enforcement Mechanisms;
- Third-party Due Diligence; and
- Operational Soundness of Originator
Transactions that are not consistent with DBRS criteria are deemed weaker and may have that weakness reflected in expected loss levels. Furthermore, DBRS may assign additional penalties or decline to rate a transaction if it deems a transaction’s R&W framework too weak or unacceptable.

**FINANCIAL STRENGTH OF R&W PROVIDER**

Certain R&W providers may have poor financial strength ratings or assessments from DBRS, and may potentially experience financial stress that could result in the inability to fulfill repurchase obligations as a result of breaches of R&Ws. To account for an increased possibility of defaults due to an R&W provider that is less likely to meet its repurchase obligations additional credit protection may be needed to cover losses incurred due to R&W breaches (i.e., if the R&W provider’s credit rating is below “BBB”).

DBRS typically does rate transactions for providers of R&Ws below “BBB”, but may perform additional analysis to determine if the collateral supports the assigned credit rating for the transaction, or if additional credit protection levels proposed by the issuer are sufficient. To the extent that additional credit protection is needed, the size of such protection is based on (i) the sample size of the third party pre-securitization due diligence, (ii) the results of such due diligence, (iii) the seasoning of the collateral and (iv) the historical performance statistics of the originator.

Originators with lower quality financial strength may result in DBRS applying certain penalties and higher expected loss protections. Additionally, DBRS may adjust the origination scores of certain originators to account for the potential inability to fulfill repurchase obligations, or because of their lack of performance history. A lower originator score results in increased default and loss rates applied to loans originated by such originators.

DBRS considers it a mitigant to a financially weak originator to have a backstop to the R&Ws provided by an entity with greater financial strength (such as a transaction’s loan aggregator), if the originator fails to cure a breach, or repurchase or substitute a loan (or in the event of an originator bankruptcy or insolvency proceeding). DBRS will also consider the nature of any backstop and evaluate whether the backstop is subject to certain conditions and/or sunset provisions.

**ENFORCEMENT MECHANISMS**

DBRS expects transactions to contain clear and effective procedures for detecting R&W violations in a timely manner as well as mechanisms and timelines for curing breaches, repurchasing defective loans, substituting new loans, or making an indemnification payment (if applicable). Transaction documents are expected to describe the responsibilities of each party involved with the discovery and enforceability of R&W breaches as well as provide prescriptive guidance on remedial action. Furthermore, transaction documents should provide for additional remedies if the breaching R&W provider fails to respond to or address an R&W breach notification within a specified period of time.

Based on certain performance thresholds, such as if a loan has been delinquent for 120 days, or if a loan incurs a loss upon liquidation, DBRS looks favorably upon a transaction that provides for an automatic independent review of the loan to be performed in order to determine whether an R&W breach has occurred. If a transaction does not provide for an automatic breach review trigger, DBRS looks favorably upon a transaction whereby investors have the ability to direct the trustee to initiate loan reviews and enforce put-back rights on loans that breach R&Ws regardless of delinquency status.

The process for settling disputes is expected to be stipulated in the transaction documents. Disputes should be resolved in a timely manner and DBRS expects that any automatic binding arbitration be performed by an independent third party.

DBRS believes that investors should have access to adequate information to determine if an R&W breach has occurred and have prescriptive procedures to pursue claims. DBRS evaluates if investors (or a controlling party of a specified percentage), have the ability to take other actions such as removing the
independent reviewer (based on certain conditions, subject to the replacement of a duly qualified successor) or directing the trustee to pursue claims. DBRS considers whether investors have access to third-party due diligence results before a securitization transaction settles.

THIRD-PARTY DUE DILIGENCE
DBRS considers the amount and the quality of third-party loan file due diligence when assessing the strength of a transaction’s R&W framework. DBRS considers the adequacy and findings of the due diligence conducted on a collateral pool including credit, compliance, valuation, and data integrity. Positive due diligence results, in addition to high credit quality loans, reduce the risk of underwriting weaknesses and R&W breaches. A comprehensive due diligence review also reduces operational risk and enables the discovery of breaches before a transaction settles, thus further reducing future risk to investors.

OPERATIONAL SOUNDNESS OF ORIGINATOR
Originators that exhibit operational weakness or experience a prevalence of underwriting exceptions expose a transaction to greater losses. Therefore, an originator’s operational strength and experience is an important consideration when analyzing a securitization’s R&W framework. DBRS considers the quality of an originator’s origination platform, underwriting standards, appraisal processes, procedures and controls, in addition to the originator’s historical loan performance and loss experience. DBRS considers certain factors within a transaction that may help mitigate operational risk including the amount and quality of third-party loan file due diligence, overall credit quality of the collateral pool, loan seasoning and corresponding historical performance, if any.

OTHER CONSIDERATIONS
RMBS transactions may contain certain provisions or non-traditional features which may weaken the R&Ws of the transaction, thus reducing the protection offered to investors. The inclusion of sunset provisions, which is common on underwriting and fraud R&Ws, limits the extent that investors may enforce claims. Based on the extent and quality of third-party due diligence results, the length of the sunset, and the specific R&W subject to the sunset provision, DBRS determines the level of incremental risk to a transaction and adjusts its analysis accordingly.

Other R&W variations such as knowledge qualifiers, proximate clauses, and materiality clauses may impact a pool’s overall risk profile. DBRS considers each securitization separately and makes a determination as to the weight of each proposal. DBRS may assign additional penalties or look to certain mitigants or structural features that would help alleviate any risk it deems significant. R&W analysis and explanation of incremental risks and mitigants are discussed in each transaction’s pre-sale report.

SEASONED AND NONPERFORMING LOANS
For loans originated more than 36 months prior to the closing of a securitization, not all the R&Ws related to newly originated loans are applicable as certain R&Ws related to underwriting and originations are deemed less important. Similarly, certain R&Ws are deemed unnecessary for non-performing loans by DBRS. See Appendix A for a list of all R&Ws related to such loan types.

QUALIFIED MORTGAGE AND ABILITY-TO-REPAY RULES
For loans with an application taken on or after January 10, 2014, DBRS expects that R&W providers address compliance with the definition of each loan as it relates to being either a Qualified Mortgage with safe harbor protection, Qualified Mortgage with rebuttable presumption protection, or a non-Qualified Mortgage loan per the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act). Additionally, DBRS looks favorably upon issuers providing a R&W which states that each loan meets the ability-to-repay standards per the Act and has a mortgage loan file that contains all necessary records, evidence and documentation to demonstrate such compliance.
RULE 17G7
A 17g-7 disclosure report is available on our website for all DBRS-rated public transactions (including 144A offerings). Such report details individual mortgage loan R&Ws, how they compare to the industry benchmark, and the related features of the deal-specific R&W framework.

Standard Representations and Warranties (and Covenant) for RMBS Transactions

STANDARD REPRESENTATION AND WARRANTIES (AND COVENANTS) FOR RMBS TRANSACTIONS
The following forty (41) representations and warranties, and one (1) covenant are the standard set expected by DBRS when rating RMBS securities backed by newly-originated, seasoned, and non-performing mortgages. DBRS recognizes that actual representations and warranties provided for a transaction may differ from this set. For example, DBRS may allow for greater variance from its standard R&W criteria for pools that were subject to 100% third party loan-level due diligence or seasoned loan pools that have proven performance histories. DBRS analyzes and discloses any significant deviations as well as potential mitigants in the related transactional disclosure.

(1) Property Valuation: (1) Each mortgage loan with a written appraisal as indicated on the mortgage loan schedule contains a written appraisal prepared by an appraiser licensed, certified or recognized 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 (A) customary Fannie Mae or Freddie Mac standards applicable at the time of origination for mortgage loans of the same type as the mortgage loans and (B) 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. (2) For each mortgage loan where the property valuation consisted of a broker price opinion, as indicated on the mortgage loan schedule, the opinion was provided by a real estate broker or realtor licensed, certified or recognized in the jurisdiction in which the subject property is located. (3) The person performing any property valuation (including an appraiser) had no ownership interest, direct or indirect, in the mortgaged property or in any loan made on the security thereof and received no benefit from, and such person's compensation or referral of further business from the loan originator was not affected by, the approval or disapproval of the mortgage loan. The selection of the appraiser met Fannie Mae's or Freddie Mac's criteria for selecting an independent appraiser.

(2) 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 commercially reasonable process designed to test the reasonableness of the income used to approve the loan, which process may include, for example, (1) obtaining IRS Form 4506 or 4506-T or (2) reviewing public and/or commercially available information.

1. Please see Appendix A for R&Ws expected for newly-originated, seasoned, and non-performing loans.
(3) **Occupancy:** With respect to each mortgage loan, the originator gave due consideration at the time of origination to factors such as other real estate owned by the borrower, commuting distance to work, appraiser comments and notes, and any difference between the mailing address in the servicing system and the mortgage property address, to evaluate whether the intended occupancy status of the property as represented by the borrower was reasonable.

(4) **Source of Loan Payments:** With respect to each mortgage loan (1) no portion of the loan proceeds has been escrowed for the purpose of making monthly payments on behalf of the borrower and (2) 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 and any guarantor) who was involved in, or benefited from, the sale or purchase of the mortgaged property or the origination, refinancing, sale, purchase or servicing of the mortgage loan.

(5) **Data:** The data on the mortgage loan schedule correctly and accurately reflects the data contained in the seller’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 newly-originated mortgage loan, any seller or builder concession in excess of the allowable limits established by Fannie Mae or Freddie Mac and applicable at the time of origination has been subtracted from the appraised value of the mortgaged property for purposes of determining the loan-to-value ratio and the combined loan-to-value ratio. With respect to each mortgage loan and as of the closing date, the most recent credit 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.

(6) **Fraud:** No fraud, material misrepresentation or gross negligence has taken place in connection with the origination of the mortgage loan on the part of (1) the originator, (2) the borrower, (3) any broker or correspondent, or (4) any appraiser, escrow agent, closing attorney or title company involved in the origination of the mortgage loan.

(7) **Underwriting:** Each mortgage loan was either (1) underwritten in conformance to the originator’s underwriting guidelines in effect at the time of origination without regard to any underwriter discretion or (2) if not underwritten in conformance to the originator’s guidelines, has compensating factors which are documented in the mortgage loan file.

(8) **Mortgage Insurance:** With respect to each mortgage loan listed as having mortgage insurance on the mortgage loan schedule, such mortgage loan has (i) the benefit of a valid, binding and enforceable primary mortgage insurance policy issued by a primary mortgage insurer acceptable to either Fannie Mae and Freddie Mac or (ii) a primary mortgage insurer that has a DBRS credit rating of BBB or better, or equivalent private rating.

(9) **Regulatory Compliance:** At the time of origination or, if subsequently modified, the effective date of the 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 non-compliance 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.
(10) Borrower: With respect to each mortgage loan: (1) unless otherwise indicated on the mortgage loan schedule, each borrower is a natural person, (2) at the time of origination, the borrower was legally entitled to reside in the United States, (3) unless otherwise indicated on the mortgage loan schedule, no borrower was the subject of a bankruptcy proceeding that was dismissed or discharged in the four years prior to the origination of the mortgage loan, and (4) 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 five years prior to the origination of the mortgage loan.

(11) Down payment: 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 and/or co-borrower paid at least 3% of the purchase price with his/her own funds.

(12) No Prior Liens: Immediately prior to the transfer and assignment contemplated herein, 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.

(13) Enforceability and Priority of Lien: The mortgage is a valid, subsisting and enforceable first 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 (1) the lien of current real property taxes and assessments not yet due and payable, (2) 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 prudent mortgage lending institutions in the area in which the mortgaged property is located, (3) 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 (4) 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; and 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 lien on the property described therein, such lien is a first lien and the seller has full right to sell and assign the same to the trustee.

(14) Complete Mortgage Files: The instruments and documents with respect to each mortgage loan required to be delivered to the trustee or custodian on or prior to the closing date have been delivered to the trustee or custodian.

(15) 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 is 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.

(16) Taxes Paid: All taxes; governmental assessments; insurance premiums; water, sewer and municipal charges; leasehold payments; and ground rents which previously became due and owing have been paid, or an escrow of funds has been established, to the extent permitted by law, in an amount sufficient to pay for every such item which remains unpaid and that has been assessed but is not yet due and payable.
(17) **No Damage/Condemnation:** The mortgaged property is not materially damaged by water, fire, earthquake, earth movement other than earthquake, windstorm, flood, tornado or other casualty (excluding casualty from the presence of hazardous wastes or hazardous substances, as to which no representation is made), so as to affect adversely the value of the mortgaged property as security for the mortgage loan or the use for which the premises were intended or would render the property uninhabitable and, (2) there is no proceeding pending or threatened for the total or partial condemnation of the mortgaged property.

(18) **No Mechanics Liens:** The mortgaged property is free and clear of all mechanics’ and materialmen’s liens that have a higher priority than the lien of the mortgage; provided, however, 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.

(19) **No Encroachments / Compliance with Zoning:** Except for mortgage loans secured by co-op shares and mortgage loans secured by residential long-term leases (1) the mortgaged property consists of a fee simple estate in real property; (2) all of the improvements which 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 upon the mortgaged property (unless insured against under the related title insurance policy); and (3) the mortgaged property and all improvements thereon comply with all requirements of any applicable zoning and subdivision laws and ordinances.

(20) **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, with respect to 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.

(21) **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 cut-off date for such mortgage loan under the terms of the related mortgage note have been made and no mortgage loan was 30 days delinquent more than once in the 12 months preceding the cut-off date.

(22) **Mortgage Loan Legal and Binding:** 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 (2) all parties to the mortgage note, the related mortgage and other agreements executed in connection therewith had legal capacity to execute such documents and such documents have been duly and properly executed and delivered by such parties.

(23) **Proceeds Fully Disbursed / Recording Fees Paid:** 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 therefor 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 within 12 months following the closing date); and 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.

(24) **Existence of Title Insurance:** The mortgage loan (except (1) any mortgage loan secured by a mortgaged property located in any jurisdiction as to which an opinion of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received and (2) 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, 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 which 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, and no claims have been made under such mortgagee title insurance policy.

(25) 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 which is not less than the lesser of 100% of the insurable value of the mortgaged property or 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 which coverage protects the lesser of 100% of the insurable value of the condominium and the outstanding principal balance of the mortgage loan; 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: (1) the outstanding principal balance of the mortgage loan, (2) the full insurable value of the mortgaged property, and (3) the maximum amount of insurance which was available under the National Flood Insurance Act of 1968, as amended; and each mortgage obligates the mortgagor thereunder to maintain all such insurance at the mortgagor’s cost and expense.

(26) No Default:
As applicable to newly-originated and seasoned loans:
(1) 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 which, 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 (2) 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 non-monetary default, non-monetary breach, non-monetary violation or event of acceleration; the seller has not, with respect to either (1) or (2), 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.
As applicable to Non-performing Mortgages:
The seller has not waived any monetary default, monetary breach, monetary violation or event of acceleration existing under the mortgage or the related mortgage note and has not waived any non-monetary default, non-monetary breach, non-monetary violation or event of acceleration existing under the mortgage or the related mortgage note.

(27) No Recession: (1) 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 (2) no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.

(28) Enforceable Right of Foreclosure: (1) 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 (2) except with respect to mortgaged properties located in the state of [ ], there is no homestead or other exemption available to the mortgagor which would interfere with the right to sell the mortgaged property at a trustee’s sale or the right of foreclosure.

(29) No Bankruptcy:
As applicable to newly-originated and seasoned loans:
No mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding.

As applicable to Seasoned or Non-performing Mortgages:
Except as it appears on the mortgage loan schedule, no mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding.

(30) Mortgaged Property is 1-4 Family:
Each mortgaged property is located in the United States or a territory of the United States and consists of a one- to four-unit (1-4) residential property, which may include, but is not limited to, a single family dwelling, townhouse, condominium unit or a unit in a planned unit development or, in the case of mortgage loans secured by co-op shares, leases or occupancy agreements.

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

(32) 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.

(33) Doing Business:
With respect to each mortgage loan, (i) 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 (ii) all other parties that have had any interest in such mortgage loan, whether as mortgagee, assignee, pledgee 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, in the case of both clauses (i) and (ii), to the extent that failure to be so licensed would not give rise to any claim against the trust or otherwise adversely affect the enforceability of the mortgage loan.

(34) Environmental Laws:
At the time of origination, each mortgaged property was in material compliance with all then-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 engaged in any act or omission which 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 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 or the trust to the trustee under the deed of trust, except in connection with a trustee’s sale after default under the mortgage.

(37) **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.

(38) **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 thereunder.

(39) **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 and: (1) 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; (2) the terms of such lease do not (x) 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 (y) prohibit the holder of the mortgage from being insured under the hazard insurance policy related to the mortgaged property; (3) the original term of such lease is not less than 15 years; (4) the term of such lease does not terminate earlier than five years after the maturity date of the mortgage note; and (5) the mortgaged property is located in a jurisdiction in which the use of leasehold estates for residential properties is an accepted practice.

(40) **Manufactured Homes:** To the extent that any manufactured home is included as part of the mortgaged property: Such manufactured home is (1) together with the related land, subject to the mortgage, (2) deemed to be a part of the real property on which it is located pursuant to the applicable law of the jurisdiction in which it is located, and (3) treated as a single-family residence under Section 25(e)(10) of the Internal Revenue Code.

(41) **No Usury/High-Cost Loans:** The mortgage loan meets or is exempt from applicable state, federal, or local laws, regulations, and other requirements pertaining to usury; and 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.

(42) **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 and remains 30 days or more delinquent within the first three months following the first due date (other than as a result of documented (to the extent commercially reasonable) material financial or personal adversity since the date of the origination of the mortgage loan affecting the mortgagor or the co-mortgagor, such as unemployment, materially reduced pay, a material decline in self-
employed business income, divorce, death, serious or chronic illness, permanent or short term disability, or materially increased medical and health care costs) unless the originator reasonably concludes, based on information provided by the servicer, that the default was the result of a servicing issue which has subsequently been corrected or is likely to be corrected and such default has been cured within 60 days following the missed payment date.

(43) **Qualified Mortgage**: With respect to each Mortgage Loan, where an application for the Mortgage Loan was taken on or after January 10, 2014: Each mortgage loan is a “Qualified Mortgage” as defined in 12 CFR 1026.43(e), except as otherwise set forth in the Mortgage Loan Schedule.

(44) **Qualified Mortgage Designation**: Each Qualified Mortgage is accurately identified as a “Safe Harbor Qualified Mortgage” or “Rebuttable Presumption Qualified Mortgage” in the Mortgage Loan Schedule.

(45) **Ability to Repay Qualified Mortgage**: Prior to the origination of each Qualified Mortgage, the originator made a reasonable and good faith determination that the borrower would have a reasonable ability to repay the mortgage loan according to its terms, in accordance with, at a minimum, the eight underwriting factors set forth in 12 CFR 1026.43(c)(2).

(46) **Ability to Repay Non-Qualified Mortgage**: With respect to each mortgage loan, where an application for the mortgage loan was taken on or after January 10, 2014, and such loan is not a Qualified Mortgage, the originator made a reasonable and good faith determination that the borrower would have a reasonable ability to repay the mortgage loan according to its terms, in accordance with, at a minimum, the eight underwriting factors set forth in 12 CFR 1026.43(c)(2).

(47) **Documentary Evidence**: Each Qualified Mortgage is documented by a mortgage file that contains all necessary third-party records and other evidence and documentation to demonstrate such compliance with 12 CFR Part 1026.43(e) and 12 CFR Part 1026.43(c).
The following table represents the R&Ws (and early payment default covenant) that DBRS expects to be included in RMBS transactions. R&Ws denoted with an asterisk are expected for loans with an application taken on or after January 10, 2014.

<table>
<thead>
<tr>
<th>Representations and Warranties</th>
<th>Newly Originated Mortgage Loans</th>
<th>Seasoned Mortgage Loans</th>
<th>Nonperforming Mortgage Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Property Valuation</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2 Income/Employment/Assets</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3 Occupancy</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4 Source of Loan Payments</td>
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<tr>
<td>5 Data</td>
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<td>✓</td>
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</tr>
<tr>
<td>6 Fraud</td>
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<tr>
<td>7 Underwriting</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8 Mortgage Insurance</td>
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<tr>
<td>9 Regulatory Compliance</td>
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<tr>
<td>10 Borrower</td>
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<tr>
<td>11 Downpayment</td>
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<td>✓</td>
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<tr>
<td>12 No Prior Liens</td>
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<tr>
<td>13 Enforceability and Priority of Lien</td>
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<tr>
<td>14 Complete Mortgage File</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>15 No Prior Modifications</td>
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<tr>
<td>16 Taxes Paid</td>
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</tr>
<tr>
<td>17 No Damage/Condemnation</td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>18 No Mechanics Liens</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>19 No Encroachments / Compliance with Zoning</td>
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</tr>
<tr>
<td>20 Certificate of Occupancy</td>
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<tr>
<td>21 Loans Current / Prior Delinquencies</td>
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<tr>
<td>22 Mortgage Loan Legal and Binding</td>
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<tr>
<td>23 Proceeds Fully Disbursed / Recording Fees Paid</td>
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<tr>
<td>24 Existence of Title Insurance</td>
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<tr>
<td>25 Hazard Insurance</td>
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<tr>
<td>26 No Default</td>
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<tr>
<td>27 No Rescission</td>
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<tr>
<td>28 Enforceable Right of Foreclosure</td>
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<tr>
<td>29 No Bankruptcy</td>
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<tr>
<td>30 Mortgaged Property is 1-4 Family</td>
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<tr>
<td>31 Mortgage Loan Qualifies for REMIC</td>
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<tr>
<td>32 Lost Note Affidavit</td>
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<tr>
<td>33 Doing Business</td>
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<td>34 Environmental Laws</td>
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<tr>
<td>35 Insurance Coverage Not Impaired</td>
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<tr>
<td>36 Deeds of Trust</td>
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<tr>
<td>37 Mortgage Recorded</td>
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<tr>
<td>38 Due On Sale</td>
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<tr>
<td>39 Leases</td>
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<tr>
<td>40 Manufactured Homes</td>
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<tr>
<td>41 No Usury/High Cost Loans</td>
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<tr>
<td>42 Early Payment Default Covenant</td>
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<tr>
<td>43 Qualified Mortgage*</td>
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<tr>
<td>44 Qualified Mortgage Designation*</td>
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<tr>
<td>45 Ability to Repay Qualified Mortgage*</td>
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<tr>
<td>46 Ability to Repay Non-Qualified Mortgage*</td>
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<td>✓</td>
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<tr>
<td>47 Documentary Evidence*</td>
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