Presale:

SPS Servicer Advance Receivables Trust II (Series 2020-T1 And 2020-T2)

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Preliminary Ratings

Class	Rating	Type	Interest rate	Amount (mil. $)
Series 2020-T1				
A-T1	AAA (sf)	Term note	Fixed	138.734
B-T1	AA (sf)	Term note	Fixed	2.536
C-T1	A (sf)	Term note	Fixed	3.258
D-T1	BBB (sf)	Term note	Fixed	5.472
Series 2020-T2				
A-T2	AAA (sf)	Term note	Fixed	217.300
B-T2	AA (sf)	Term note	Fixed	9.291
C-T2	A (sf)	Term note	Fixed	9.104
D-T2	BBB (sf)	Term note	Fixed	14.305

Note: This presale report is based on information as of Oct. 22, 2020. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Transaction Summary

Closing date	Oct. 27, 2020.
Distribution date	The 15th of each month, beginning in November 2020.
Expected repayment date	Series 2020-T1: Nov. 15, 2022; series 2020-T2: Nov. 15, 2025.
Legal final maturity date	Series 2020-T1: Nov. 15, 2052; series 2020-T2: Nov. 15, 2055.
Total security amount	Series 2020-T1: $150 million; series 2020-T2: $250 million.
Collateral type	Servicer advance receivables.
Collateral	Servicer advance reimbursements.
Credit enhancement	Overcollateralization (through the advance rates used to determine the price paid for the receivables), a reserve fund, and subordination.

Participants

Receivables seller, administrator, and servicer	Select Portfolio Servicing Inc.
Owner trustee, indenture trustee, calculation agent, paying agent, and securities intermediary	Wilmington Trust N.A.
Administrative agent	Credit Suisse AG, N.Y. Branch.
Depositor	SPS Advance Funding II LLC.
Issuer	SPS Servicer Advance Receivables Trust II.

Summary

SPS Servicer Advance Receivables Trust IIseries 2020-T1 and series 2020-T2's notes issuance is expected to close on Oct. 27, 2020. The proceeds of the issuance are intended to redeem the outstanding series 2019-T1 and series 2019-T2 notes from the prior issuer (SPS Servicer Advance Receivables Trust) and to acquire the initial receivables.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted COVID-19 pandemic-related relief for borrowers with government-backed mortgage loans in the form of a temporary forbearance of up to 12 months of scheduled payments. While non-agency loans do not fall under the CARES Act as it relates to this forbearance, servicers have been granting forbearance plans to non-agency borrowers also, typically with some variations to those of the CARES Act (e.g., timeframe, approval requirements, etc.). (see "Credit FAQ: The Role Of Servicer Advances In U.S. RMBS Amidst COVID-19," published April 8, 2020).

The servicer for the loans in the underlying designated servicing agreements (DSAs) may grant temporary forbearance for borrowers facing hardship as a result of the COVID-19 pandemic for an initial period of three months and potentially extend this period once for an additional three months. Upon exiting a forbearance plan a borrower may be reinstated, placed into a repayment plan, have payments deferred, or become modified. If a borrower is reinstated or entered into a repayment plan the advance proceeds are recovered by the servicer from those reinstatement or repayment proceeds as they are repaid. If forborne payments are deferred or modified, the servicer would subsequently recoup each COVID-19 pandemic-related advance made at that the time of deferral or modification from general collections. For purposes of this servicer advance transaction, this recoupment approach in certain cases may result in reimbursements of COVID-19 pandemic-related principal and interest (P&I) and escrow advances at speeds faster than those assumed in our reimbursement curves.

Our outlook on the servicer advance sector is under a moderate ('BBB') level of stress (see "Reimbursement Curves For Servicer Advance Securitizations Backed By U.S. Residential Mortgage Loan Advance Receivables," published Dec. 14, 2018). As described in our criteria, the reimbursement curves that we applied in our analysis reflect this outlook.

Rationale

The preliminary ratings assigned to SPS Servicer Advance Receivables Trust II's (SSART II's) $150 million advance receivables-backed notes series 2020-T1 and $250 million advance receivables-backed notes series 2020-T2 reflect our opinion of:

- The strong likelihood of reimbursement of servicer advance receivables given the priority of such reimbursement payments;

- The transaction's revolving period, during which collections or draws on the variable-funding note (VFN) may be used to fund additional advance receivables, and the specified eligibility requirements, collateral-value exclusions, credit enhancement test (the collateral test), and amortization triggers intended to maintain pool quality and credit enhancement during this period;
- The transaction's use of predetermined, rating category-specific advance rates for each receivable type in the pool that discount the receivables, which are non-interest-bearing, to satisfy the interest obligations on the notes, as well as provide for dynamic overcollateralization;
- The projected timing of reimbursements of the servicer advance receivables, which, in the 'AAA', 'AA', and 'A' scenarios, reflects our assumption that the servicer would be replaced, while in the 'BBB' scenario, reflects the servicer's historical reimbursement experience;
- The credit enhancement in the form of overcollateralization, subordination, and the series reserve accounts;
- The timely interest and full principal payments made under our stressed cash flow modeling scenarios consistent with the assigned ratings; and
- The transaction's sequential turbo payment structure that applies during any full amortization period.

The preliminary ratings assigned to the series 2020-T1 and 2020-T2 notes do not address whether the cash flows generated by the receivables pool will be sufficient to pay certain supplemental fees such as default supplemental fees and expected repayment date (ERD) supplemental fees that may become payable to noteholders if certain events occur (see the Transaction Overview section below for a description of these fees).

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The current consensus among health experts is that COVID-19 will remain a threat until a vaccine or effective treatment becomes widely available, which could be around mid-2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Select Portfolio Servicing Inc.

On July 10, 2020, S&P Global Ratings affirmed the STRONG subprime, special, and subordinate-lien rankings on Select Portfolio Servicing Inc. (SPS), a wholly owned subsidiary of Credit Suisse Group AG (see "Select Portfolio Servicing Inc. STRONG Residential Mortgage Servicer Rankings Affirmed; Outlooks Stable", published July 10, 2020). The outlooks are stable for the rankings.

Transaction Overview

Transaction strengths

We believe the following recovery mechanisms are strengths:

- The strong likelihood of the servicer advance receivables' reimbursement because they are generally reimbursed at the top of the underlying transactions' waterfalls.
- For most of the receivables, the servicer may reimburse the advances from the related underlying transactions' general cash flows if liquidation proceeds from the related loans are insufficient to reimburse the advances (a general collections backstop).
- The transaction documents require the servicer to apply the recoveries to the advances outstanding on a first-in/first-out (FIFO) basis for a majority of the eligible receivables that may exist at any given time.

We believe the following structural mechanisms are strengths:

- The collateral test, which is required during the revolving period, measures whether there is sufficient overcollateralization for all series based on the predetermined advance rates and the amount of existing receivables. To prevent this test from failing, collections must be used to pay down the VFN's balance. If the collateral test fails, then full turbo repayment of principal to all series (a full amortization period) begins, after the applicable grace period's expiration.
- Target amortization triggers, which, upon certain events, require principal to be repaid on predetermined series-level schedules.
- Full amortization triggers, which begin a full amortization period. A full amortization period is caused by an event of default, such as the collateral test's failure.
- Series-specific reserve accounts intended to mitigate interest shortfalls on the notes.
- The advance rates are subject to automatic reductions through a trigger advance rate mechanism; if the collateral's monthly reimbursement rate declines below certain established levels, the advance rates for the related rating category could decrease by a specified percentage, increasing overcollateralization.

Transaction weaknesses

We believe the following features are weaknesses but, as noted, are offset by mitigating factors:

- The notes accrue interest at their respective coupon rates, but the advance receivables do not accrue interest. To address this negative carry risk, the advance receivables' values are discounted using advance rates that reflect our projection of the transaction's costs (which include senior fees and interest).
- The servicer's practices and operational strength can affect recovery speeds, as is the case in a typical servicer advance securitization. Any disruptions or slowdowns of recovery speeds would worsen the transaction's negative carry. However, the transaction includes triggers that would cause a target amortization event or a reduction in advance rates if recovery speeds fall to certain levels.
- The foreclosure timeline in each state where the underlying loans were originated strongly influences the timeline for recoveries on advance receivables. As a result, our stresses on receivables in states with judicial foreclosure laws are higher than states with non-judicial foreclosure laws.
- The transaction permits the issuer to purchase receivables that either do not benefit from a general collections backstop (non-backstopped) or may not be reimbursed on a FIFO basis (non-FIFO). However, the non-backstopped receivables are subject to a loan-level

market-value test that assigns a zero-collateral value to the portion of the advances that exceed a certain threshold. Furthermore, the advance rates for these receivables reflect haircuts that are consistent with our criteria (see the Advance rate haircuts section).

Transaction collateral

SSART II's principal assets are servicer advance receivables, both those currently in the trust and those subsequently purchased. Servicer advance receivables represent the reimbursement rights for P&I, escrow, and corporate servicer advances (described below) made by SPS under DSAs. The series 2020-T1 and 2020-T2 noteholders will be paid from the proceeds that SPS receives when these receivables are reimbursed. As specified in the DSAs, the servicer is required to make the following types of advances:

- The scheduled P&I payments that the mortgagors have not paid on time (P&I advances);
- The property taxes and insurance premiums that the mortgagors have not paid on time (escrow advances); and
- The costs and expenses incurred during the foreclosure, preservation, and sale of mortgaged properties, including the attorneys' fees and other professional fees and expenses incurred in connection with any foreclosure, liquidation, or other proceedings that arise while servicing the mortgage loans (corporate advances).

Transaction structure

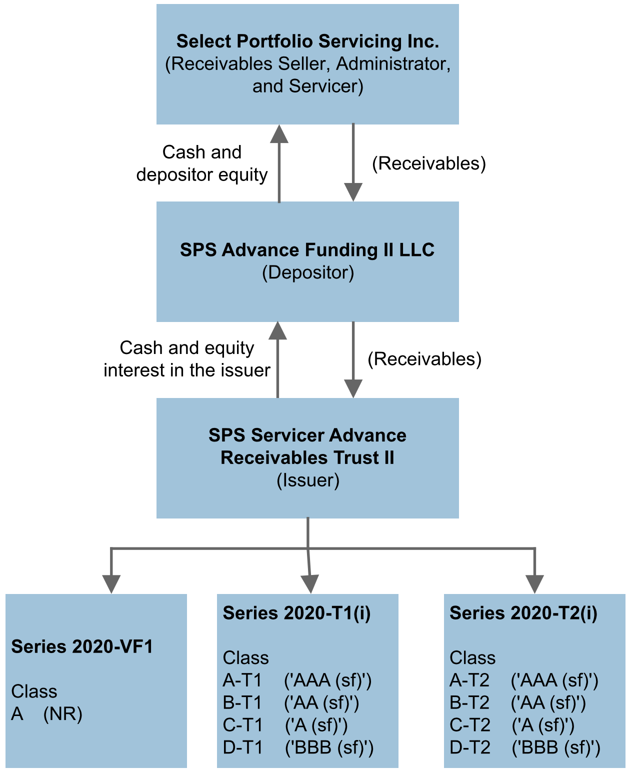
SSART II will issue the series 2020-T1 and series 2020-T2 notes on Oct. 27, 2020. Concurrently, the administrator is expected to redeem the outstanding series 2019-T1 and series 2019-T2 notes from the prior issuer (SPS Servicer Advance Receivables Trust). As a master issuer, SSART II can issue multiple series (each of which may have distinct ERDs or other unique provisions), all of which are backed by a single collateral pool (see chart 1). As long as SPS is the servicer or subservicer, the depositor is required to transfer new receivables from a DSA to the issuer until the notes are fully satisfied.

The transaction documents allow for entities purportedly structured as special-purpose entities (SPEs) to sell advance receivables into the issuer directly, though certain conditions must be met before the issuer may purchase these receivables.

In rating this transaction, we will review the legal matters that we believe are relevant to our analysis, as outlined in our criteria.

Chart 1

Transaction Structure



(i)Proceeds from the issuance will be used to redeem the outstanding series 2019-T1 and series 2019-T2 notes from the prior issuer. NR--Not rated.

Transaction mechanics

During the revolving period, the issuer may use collections from the receivables or may draw on the VFN to purchase additional receivables (the VFN holder contributes cash to the issuer, and the VFN balance increases proportionally). To maintain pool quality and credit enhancement while the pool revolves, the transaction documents specify eligibility requirements, collateral-value exclusions, the collateral test, and early amortization triggers. While no principal payments are generally due on the notes during the revolving period (except in cases where the VFN may be paid principal to satisfy the collateral test), interest is due monthly.

The revolving period for series 2020-T1 is scheduled to last 24 months, while the revolving period for series 2020-T2 is scheduled to last 60 months. The revolving period may end earlier if a target amortization event occurs or a full amortization period due to an event of default begins (see the Target amortization events and Events of default sections below). If a target amortization event occurs for a series, the issuer must pay interest and a targeted principal amount to all noteholders of that series each month until that series is paid in full. If a full amortization period is triggered, all series enter rapid amortization, and any funds remaining after paying interest and senior fees are distributed as principal payments each month until the notes are paid in full. In our analysis, we assume that an event of default has occurred and that the full amortization period has started. In addition, when the full amortization period begins, our analysis also assumes that the issuer will no longer acquire additional receivables due to the servicing transfer to a successor servicer from SPS.

The other amounts that may become payable on the notes include ERD supplemental fees and default supplemental fees. The ERD supplemental fee is payable to the noteholders if such notes have not been paid in full or refinanced by the expected repayment date. In addition, if an event of default occurs and a full amortization period has commenced and is continuing, a default supplemental fee is payable to the noteholders. ERD and default supplemental fees are subordinate to interest and principal payments on the notes, and failure to pay such amounts is not an event of default under the transaction documents. Our ratings do not address the likelihood that either of these supplemental fees will be paid.

Eligibility requirements

To maintain certain minimum pool characteristics, the transaction documents specify facility eligibility requirements, and any receivables that do not meet these requirements are assigned a collateral value of zero. We believe the transaction's facility eligibility requirements are similar to those we have observed in peer servicer advance transactions.

A facility eligible receivable, in general, relates to a P&I, escrow, or corporate servicer advance that was made by SPS on a mortgage loan that arises in connection with a first-lien mortgage loan and was included in an eligible DSA.

Collateral test

The collateral test is designed to maintain credit enhancement during the revolving period and trigger rapid amortization when enhancement levels deteriorate. In addition, required enhancement levels for this test will self-adjust with any change in pool composition because the transaction documents include advance rates for each advance type.

As defined in the transaction documents, the collateral test requires the series' collateral value to be greater than or equal to the series' invested amount.

To prevent a failure of the collateral test, available funds may be used to reduce the VFN class balances, per the payment priority, thus reducing a VFN series' invested amount. Alternatively, the servicer may contribute additional collateral to the transaction. If the collateral test fails beyond the applicable grace period, the transaction would experience an event of default, after which draws may not be made on the outstanding VFN. Once the full amortization period starts, following an event of default and at the end of any associated grace period, the payment priority would also change so that principal on the notes would be repaid sequentially within each series, disregarding any target amortization amounts.

For purposes of the collateral test, all series specify collateral-value exclusions, which means that the transaction assigns zero credit to certain receivables. These exclusions are in addition to the facility eligibility requirements discussed above. For example, receivables that cause a DSA's market-value ratio to exceed a certain threshold would be excluded. DSAs with low underlying loan balances or counts would also be excluded beyond a certain threshold. Furthermore, although the transaction allows the issuer to acquire non-FIFO and non-backstopped receivables, concentrations of these advance types beyond 10% and 20%, respectively, are excluded for purposes of calculating the collateral test. In certain circumstances, receivables related to new DSAs that are added to the trust are exempt (exempted receivables) from the above-mentioned 10% sublimit for non-FIFO receivables. The sublimit for the exempted receivables is 10%. If the sublimit is exceeded, then the receivables over the sublimit would not be given credit for the collateral test. Although non-FIFO and non-backstopped receivables above these thresholds are omitted for the collateral test, any applicable cash flows from these receivables are included in the transaction. We believe the specified collateral-value exclusions, overall, are similar to those we have observed in peer servicer advance transactions.

Target amortization events

The events that would trigger a target amortization period include:

- The series reaches the ERD and is not refinanced;
- The three-month rolling average of total advance receivables collected each month is less than 5x the aggregate interest due for each class of notes in the current month;
- One or more servicer termination events occurs under the DSAs that represent more than 15% of the underlying collateral by mortgage balance in the facility, with certain exceptions;
- The monthly reimbursement rate is less than 3%;
- The administrator fails to deliver a determination date report and that continues unremedied for five business days; or
- A breach of certain covenants, representations, or warranties made by the transaction participants that are not cured within any applicable cure periods.

Certain other events--including those generally related to SPS' performance and the performance of other potential VFN series--constitute a target amortization event for the VFN. These could cause an event of default and start the full amortization period for all series if a target amortization payment is not made when due, whereby each series would be paid according to the full amortization waterfall and the issuer would not acquire any additional receivables. The likelihood of target amortization events for the VFN occurring was not integral to our cash flow analysis because, per our criteria, we assumed that a full amortization period would commence following an event of default.

For each month that a term note is in a target amortization period, the term note is scheduled to be paid principal in the amount of 1/12th of the note balance as of the end of its revolving period. If any series does not receive the amount due, an event of default would occur and the full amortization period would commence. Whether a target amortization amount is paid when due is not integral to our cash flow analysis because, per our criteria and as explained above, our analysis assumes that an event of default has occurred.

Events of default

The events of defaults include:

- A failure to pay interest or principal (including target amortization amounts) to the notes on any payment date but excluding failure to pay ERD or default supplemental fees or any subordinated interest amounts;
- The servicer fails to comply with the deposit and remittance requirements in any DSA;
- The receivables seller fails to tender required indemnity payments following a breach of representations or warranties in the receivables sale agreement;

- An insolvency event occurs relating to the issuer, the administrator, the receivables seller, the servicer, or the depositor;
- The issuer or the trust estate is subject to registration as an "investment company" within the meaning of the Investment Company Act;
- The depositor sells, transfers, pledges, or otherwise disposes of the owner trust certificate (except to a wholly owned subsidiary of SPS) representing its ownership interest in the issuer;
- Any material provision of any transaction document ceases to be valid and binding on or enforceable against the transaction parties;
- The administrator or its affiliate takes an action (or fails to take an action) that impairs the issuer's interests in the receivables;
- U.S. federal income tax is imposed on the issuer;
- The collateral test's failure after the remedy period;
- The receivables seller fails to sell or contribute additional receivables as required under the transaction documents or the servicer sells or contributes receivables related to an underlying transaction to anyone other than the issuer;
- The servicer sells and/or contributes receivables (except those made per the terms of the transaction documents) to an entity other than the issuer; or
- The series reserve account is not replenished on the payment date following a draw.

When a full amortization period begins, the payment priority allocates available funds to each series based on the series invested amounts as of the end of the revolving period. After being used to pay each series' share of senior trust-level fees, series-level fees, and interest, remaining series available funds are paid as principal to the classes in sequential order.

Advance Rates

Each receivable purchased by the issuer will be discounted according to the advance rates specified in the transaction documents (see tables 1-8 below). According to our criteria, we considered the following when assessing whether the advance rates, which determine credit enhancement, are consistent with our assigned ratings:

- Our projected timing of reimbursements, which depends on our servicer advance sector outlook, the advance type mix, and, for 'BBB' ratings and below, the servicer classification (see the Servicer classification for reimbursement curves at 'BBB' and lower section);
- The transaction's fees and note interest liabilities;
- Our cash flow analysis, which assesses whether the advance rates are sufficient for noteholders to receive timely interest and ultimate principal based on the capital structure (further described below);
- The presence of any non-FIFO or non-backstopped receivables;
- The tenor of the revolving period; and
- Whether the weighted average advance rates exceeded the rating-category maximums described in our criteria.

After considering these factors, as further described below, we determined that the advance rate matrices in the transaction are consistent with our assigned ratings.

Table 1

Series 2020-T1 FIFO/Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T1	Class B-T1	Class C-T1	Class D-T1
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	88.50	90.00	91.50	93.50
P&I (judicial)	84.25	85.75	87.75	91.25
Escrow (non-judicial)	88.75	89.75	91.25	93.25
Escrow (judicial)	84.25	85.50	87.25	90.75
Corporate (non-judicial)	88.75	89.75	91.25	93.25
Corporate (judicial)	84.25	85.50	87.25	90.75

P&I--Principal and interest. FIFO--First-in first-out.

Table 2

Series 2020-T1 FIFO/Non-Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T1	Class B-T1	Class C-T1	Class D-T1
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	78.50	82.00	85.50	89.50
P&I (judicial)	74.25	77.75	81.75	87.25
Escrow (non-judicial)	78.75	81.75	85.25	89.25
Escrow (judicial)	74.25	77.50	81.25	86.75
Corporate (non-judicial)	78.75	81.75	85.25	89.25
Corporate (judicial)	74.25	77.50	81.25	86.75

P&I--Principal and interest. FIFO--First-in first-out.

Table 3

Series 2020-T1 Non-FIFO/Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T1	Class B-T1	Class C-T1	Class D-T1
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	83.50	86.00	88.50	91.50
P&I (judicial)	79.25	81.75	84.75	89.25
Escrow (non-judicial)	83.75	85.75	88.25	91.25
Escrow (judicial)	79.25	81.50	84.25	88.75
Corporate (non-judicial)	83.75	85.75	88.25	91.25
Corporate (judicial)	79.25	81.50	84.25	88.75

P&I--Principal and interest. FIFO--First-in first-out.

Table 4

Series 2020-T1 Non-FIFO/Non-Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T1	Class B-T1	Class C-T1	Class D-T1
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	73.50	78.00	82.50	87.50
P&I (judicial)	69.25	73.75	78.75	85.25
Escrow (non-judicial)	73.75	77.75	82.25	87.25
Escrow (judicial)	69.25	73.50	78.25	84.75
Corporate (non-judicial)	73.75	77.75	82.25	87.25
Corporate (judicial)	69.25	73.50	78.25	84.75

P&I--Principal and interest. FIFO—First-in first-out.

Table 5

Series 2020-T2 FIFO/Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T2	Class B-T2	Class C-T2	Class D-T2
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	82.50	85.75	88.50	91.75
P&I (judicial)	77.50	80.75	84.25	89.25
Escrow (non-judicial)	82.50	85.50	88.00	91.25
Escrow (judicial)	77.75	80.75	83.75	89.00
Corporate (non-judicial)	82.50	85.50	88.00	91.25
Corporate (judicial)	77.75	80.75	83.75	89.00

P&I--Principal and interest. FIFO--First-in first-out.

Table 6

Series 2020-T2 FIFO/Non-Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T2	Class B-T2	Class C-T2	Class D-T2
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	72.50	77.75	82.50	87.75
P&I (judicial)	67.50	72.75	78.25	85.25
Escrow (non-judicial)	72.50	77.50	82.00	87.25
Escrow (judicial)	67.75	72.75	77.75	85.00
Corporate (non-judicial)	72.50	77.50	82.00	87.25
Corporate (judicial)	67.75	72.75	77.75	85.00

P&I--Principal and interest. FIFO--First-in first-out.

Table 7

Series 2020-T2 Non-FIFO/Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T2	Class B-T2	Class C-T2	Class D-T2
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	77.50	81.75	85.50	89.75
P&I (judicial)	72.50	76.75	81.25	87.25
Escrow (non-judicial)	77.50	81.50	85.00	89.25
Escrow (judicial)	72.75	76.75	80.75	87.00
Corporate (non-judicial)	77.50	81.50	85.00	89.25
Corporate (judicial)	72.75	76.75	80.75	87.00

P&I--Principal and interest. FIFO--First-in first-out.

Table 8

Series 2020-T2 Non-FIFO/Non-Backstopped Advance Rates

	Advance rate (%)			
Advance type	Class A-T2	Class B-T2	Class C-T2	Class D-T2
Rating scenario	AAA	AA	A	BBB
P&I (non-judicial)	67.50	73.75	79.50	85.75
P&I (judicial)	62.50	68.75	75.25	83.25
Escrow (non-judicial)	67.50	73.50	79.00	85.25
Escrow (judicial)	62.75	68.75	74.75	83.00
Corporate (non-judicial)	67.50	73.50	79.00	85.25
Corporate (judicial)	62.75	68.75	74.75	83.00

P&I--Principal and interest. FIFO--First-in first-out.

Projected timing of reimbursements and assumed advance type mix

Our criteria specify different reimbursement curves for each advance receivable type and rating category. For relatively slow projected reimbursement curves, we generally expect higher credit enhancement levels (lower advance rates) to address the higher negative carry and vice versa. Accordingly, the pool composition will drive our overall weighted average projected reimbursement curve (and the advance rates) for each rating category. Table 9 shows the pool mix used in our analysis.

Table 9

SSART II Assumed Pool Mix

Advance type	Proportion of total (%)
Non-judicial P&I	12.3
Judicial P&I	27.0
Non-judicial escrow	9.6
Judicial escrow	32.8
Non-judicial corporate	5.1
Judicial corporate	13.3

SSART II--SPS Servicer Advance Receivables Trust II. P&I—Principal and interest.

Servicer Advance Sector Outlook

Our outlook on the servicer advance sector is that it is under a moderate 'BBB' level of stress (see "Reimbursement Curves For Servicer Advance Securitizations Backed By U.S. Residential Mortgage Loan Advance Receivables," published Dec 14, 2018). As described in our criteria, the reimbursement curves that we applied in our analysis reflect this outlook.

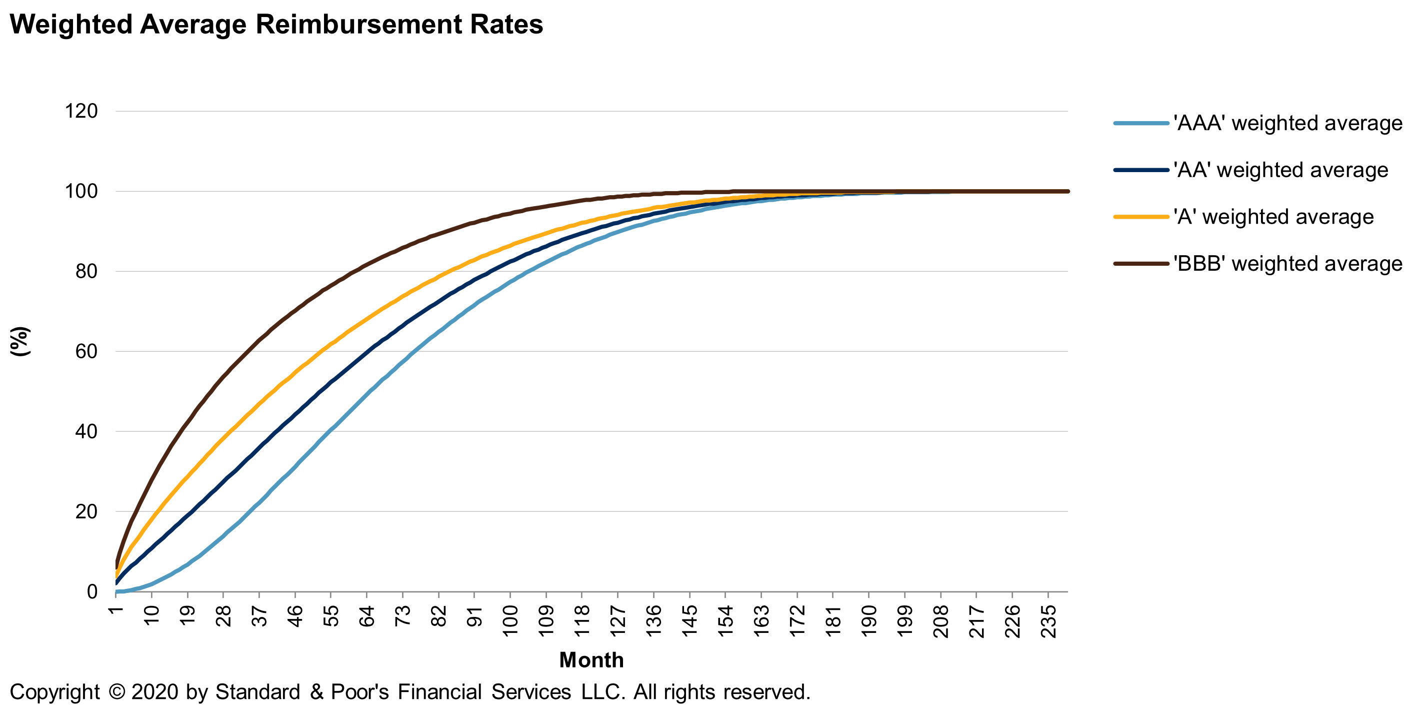
Servicer classification for reimbursement curves at 'BBB' and lower

We received historical advance reimbursement data from SPS. We also analyzed SPS-specific historical loan transition data from LoanPerformance (a third-party data provider). We used both sets of data to derive SPS-specific reimbursement curves and compared the SPS-specific reimbursement curves to our three 'B' reimbursement curves ("above standard," "standard," and "below standard"), which represent our expected case as described in our criteria. The SPS-specific reimbursement curves were most consistent with our 'B' "standard" curve.

Therefore, when analyzing the 'BBB (sf)' rated class D-T1 and D-T2 notes, we used the 'BBB' "standard" curve set forth in our criteria. At the 'A' rating level and higher, our reimbursement curves are indifferent to the servicer's historical reimbursement rates; therefore, the "above standard," "standard," and "below standard" categories are not applicable. We assume the existing servicer will not be operating as servicer in these high-stress scenarios.

Chart 2 displays the weighted average recovery curves that we applied in our analysis at the various rating levels.

Chart 2



Cash flow analysis

We performed a cash flow analysis (see the Cash Flow Modeling Assumptions And Scenario Analysis section below) to determine whether the transaction's advance rates were sufficient to pay timely interest and ultimate principal to the preliminary rated classes. In our cash flow analysis, we evaluated the advance rates, note coupons, and reserve requirements under the reimbursement curves described above. The advance rates used in our cash flow analysis did not reflect any non-FIFO or non-backstopped haircuts because we generally evaluate haircuts on a post-cash flow basis.

Per our criteria, all of the cash flow scenarios that we analyzed simulated a full amortization period following an event of default. In these circumstances, we assume additional receivables would not be acquired by the issuer, and the only source to repay the notes is cash flow from the outstanding receivables. An additional stress on the cash flows associated with an event of default is the change in payment priority, whereby low-coupon bonds pay off faster than the higher-coupon subordinate bonds, further stressing the cash flows.

Advance rate haircuts

Consistent with our criteria, some of the issuer's advance rates reflect certain haircuts (reductions) to the advance rates that would otherwise apply to the advance receivable type. These haircuts are applicable when recovery mechanics either do not provide for a general collections backstop or potentially operate on a non-FIFO basis.

When a receivable does not benefit from a general collections backstop, the advance rates provided by the issuer reflect a reduction of 4% for 'BBB' to 10% for 'AAA' (see tables 2, 4, 6 and 8 above), consistent with our criteria. When a receivable may be reimbursed on a non-FIFO basis, the advance rates provided by the issuer reflect a reduction of 2% for 'BBB' to 5% for 'AAA' (see tables 3, 4, 7 and 8 above), which is also consistent with our criteria.

Revolving period

When evaluating the transaction's advance rates, we also considered the tenor of the revolving period. As described in our criteria, longer revolving terms may introduce additional risks due to the increased uncertainty related to potential legal and regulatory concerns facing servicers in the RMBS market that could delay advance reimbursements. No additional haircuts were applied to the T1 notes, which had a 24 month revolving period; however, because the revolving period for series 2020-T2 was 60 months, we applied additional haircuts ranging from 2% for 'BBB' to 5% for 'AAA' to the series 2020-T2 advance rates.

Trigger advance rate

According to the transaction documents, the advance rates are subject to a floor called the trigger advance rate. The advance rates for a series will be the lesser of the applicable advance rate related to each advance type or the trigger advance rate. The trigger advance rate is a function of the series' interest rate, the rate at which advances are reimbursed in a given month and the class-specific stress multiple set forth in the transaction documents. If the trigger advance rate drops below the weighted average advance rate, the trigger advance rate will instead be used to calculate the collateral value, resulting in increased credit enhancement. Although we do not directly rely on the trigger advance rate mechanism in our analysis, we acknowledge that such a mechanism could result in additional credit enhancement within the transaction.

Reserve accounts

Each series benefits from a reserve account. The funds on deposit in a reserve account may be used to pay fees and interest that otherwise have not been paid using available funds. If an event of default has not occurred or been waived, the series' reserve account will be replenished each month to the amount required by the transaction documents. After an event of default has occurred and has not been waived, and the full amortization period has commenced, the reserve fund will no longer be replenished.

The required reserve for the 2020-T1 and 2020-T2 term series is five months' note interest for each class in the series. We considered the pool's concentration in different states, as well as the collateral-value exclusion provisions in the transaction documents, in our analysis. We also took into account the 10% sublimit for exempted receivable (a portion of which could be non-FIFO) in our analysis. In our view, the required reserve of five months is sufficient for a maximum transaction rating of 'AAA' given the underlying pools' normalized Herfindahl-Hirschman Index of 7.93%, a state/territory count of 52, and the collateral-value exclusion thresholds pertaining to the non-FIFO (10%) receivables.

Payment Priority

On each distribution date, the available funds or the series available funds, as applicable, will be paid to the noteholders according to the payment priority in the transaction documents (see table

10).

Table 10

Payment Waterfall

Priority	Payment
If a full amortization period is not in effect	
1	The indenture trustee fee, owner trustee fee, and indemnification amounts owed to the indenture trustee and owner trustee, with the expenses and indemnification amounts capped(i).
2	Fees, series fees, undrawn fees, increased costs, and expenses and indemnification amounts, subject to the applicable expense limit, increased costs limit, and series fee limit(i).
3	The interest amount due to each series of notes, pro rata, according to the interest entitlement. Any deficiencies will be covered by funds in the related series' reserve account, to the extent possible.
4	An amount to the series' reserve account, up to the required amount.
5	To those series that have begun their target amortization period, the respective series' pro rata share of remaining available funds based on the series' target amortization amounts.
6	To pay down the VFN or reserve cash to satisfy the collateral test.
7	Any new receivables funding amount.
8	Any due and unpaid ERD supplemental fees and default supplemental fees to each series of notes, pro rata.
9	Any unpaid fees and expenses.
10	Principal payments to the VFNs, at the administrator's direction.
11	Any excess cash amount to the depositor, to the extent that such payment would not cause a collateral test failure.
If a full amortization period is in effect	
1	The indenture trustee fee, owner trustee fee, and indemnification amounts owed to the indenture trustee and owner trustee, with the expenses and indemnification amounts subject to certain expense limits(i).
2	Verification agent fees, calculation agent fees, series fees subject to series fee limits, and expenses and indemnification amounts owed for administrative expenses of the issuer, with the expenses and indemnification amounts subject to certain expense limits(i).
3	All remaining funds allocated first to each series, pro rata, based on their series invested amounts as of the date the full amortization period began.
3(a)	Undrawn fees related to any VFNs.
3(b)	Interest amount due to each series of notes.
3(c)	All remaining series available funds as principal payments to each series, sequentially, until each series' note balances have been reduced to zero.
3(d)	Any due and unpaid ERD and default supplemental fees.
3(e)	To other series to the extent that they may have had unpaid amounts after allocating their series available funds for items 3(a) through 3(d), pro rata, based on the amount of such unpaid amounts for each series.
4	Unpaid fees and expenses.
5	Any other amounts required to be paid according to the indenture supplements.
6	Any excess cash amount to the depositor.

(i)For the indenture trustee and owner trustee expense limits, $250,000 in any calendar year; for the owner trustee, $15,000 per year; for the indenture trustee and calculation agent, $5,500 per month; for the verification agent $19,000 per quarter; and for other administrative expenses, $50,000 in any calendar year. VFNs--Variable funding notes. ERD--Expected repayment date.

The paying agent will make payments allocated to the series according to the above payment priority from the base indenture, as well as the series-specific priority contained within the supplemental indentures (see table 11).

Table 11

Series Payment Waterfall

Item	Payment
Interest payment amounts	First, to class A; then to class B; then to class C; and then to class D(i).
Target amortization principal	Pro rata, among the classes of the series based on their respective target amortization amounts(ii).
Full amortization principal	First, to class A until its balance has been reduced to zero; then to class B until its balance has been reduced to zero; then to class C until its balance has been reduced to zero; and then to class D until its balance has been reduced to zero(i).

(i)The sequence is respective of each term issuance. Class A represents class A-T1 and A-T2, respectively. Class B represents class B-T1 and B-T2, respectively. Class C represents class C-T1 and C-T2, respectively. Class D represents class D-T1 and D-T2, respectively. (ii)For each series, 1/12th of the class' note balance as of the last day of its revolving period.

Cash Flow Modeling Assumptions And Scenario Analysis

As noted in the Advance Rates section, we modeled series 2020-T1 and 2020-T2 to simulate 'AAA', 'AA', 'A', and 'BBB' rating stress scenarios. In our cash flow modeling, we assumed that an event of default occurred and a full amortization period commenced, that no additional advances are purchased by the issuer, and that the series allocation percentages are based on the series invested amounts at the end of the revolving period. In each scenario, we modeled the rating-specific reimbursement curve (see chart 2) and allocated the cash flows received each month to pay senior fees, note interest, and turbo principal per the full amortization payment priority (see tables 10 and 11). We applied the full amount of issuer-level fees, including expenses/indemnifications at their full capped amount (about $457,000 per year), given that if a single series remained outstanding, it would have to bear these expenses, as opposed to the expenses/indemnifications being shared across all outstanding series. We did not model ERD or default supplemental fees because these are subordinate in the waterfall and not addressed by our ratings.

The cash flow results showed that each class of notes received timely interest and full principal when subjected to the timing stresses that are consistent with the assigned preliminary ratings.

Related Criteria

- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria | Structured Finance | RMBS: Methodology For Rating Servicer Advance Securitizations

Backed By U.S. Residential Mortgage Loan Advance Receivables, Oct. 30, 2014

- Criteria | Structured Finance | General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
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- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Servicer Evaluation: Select Portfolio Servicing Inc., July 23, 2020
- Select Portfolio Servicing Inc. STRONG Residential Mortgage Servicer Rankings Affirmed; Outlooks Stable, July 10, 2020
- Credit FAQ: The Role Of Servicer Advances In U.S. RMBS Amidst COVID-19, April 8, 2020
- Credit Rating Model: RMBS Servicer Advance Rate Model, Oct. 18, 2019
- Servicer Evaluation: Select Portfolio Servicing Inc., Dec. 21, 2018
- Reimbursement Curves For Servicer Advance Securitizations Backed By U.S. Residential Mortgage Loan Advance Receivables, Dec. 14, 2018
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016