Presale:

Deephaven Residential Mortgage Trust 2021-1

February 2, 2021

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Preliminary Ratings

Class	Preliminary rating(i)	Class type	Initial interest rate (%)(ii)	Preliminary amount ($)	Credit enhancement (%)(iii)
A-1	AAA (sf)	Senior	Fixed	85,652,000	41.40
A-2	AA (sf)	Senior	Fixed	9,062,000	35.20
A-3	A (sf)	Senior	Fixed	17,832,000	23.00
M-1	BBB- (sf)	Mezzanine	Fixed	9,647,000	16.40
B-1	BB (sf)	Subordinate	Fixed	6,504,000	11.95
B-2	B- (sf)	Subordinate	Fixed	9,720,000	5.30
B-3	NR	Subordinate	Net WAC	7,747,081	0.00
XS	NR	Monthly excess cash flow	(iv)	Notional(v)	N/A
A-IO-S	NR	Excess servicing	(vi)	Notional(vii)	N/A
R	NR	Residual	N/A	N/A	N/A

Note: This presale report is based on information as of Feb. 2, 2021. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)The collateral and structural information in this report reflects the private placement memorandum dated Feb. 1, 2021. The preliminary ratings address our view regarding the ultimate payment of interest and principal. (ii)Interest can be deferred on the classes. Fixed coupons are subject to the pool's net WAC. The coupon on class B-3 equals net WAC. (iii)This credit enhancement is solely from subordination. Excess spread also provides credit enhancement. (iv)Excess of the net WAC rate minus the coupon on the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 notes. (v)Notional amount equals the loans' aggregate stated principal balance. (vi)Excess servicing strip minus compensating interest and advances owed to the servicer. (vii)Notional amount equals the aggregate stated principal balance of loans' serviced by Selene Finance L.P. (servicing released mortgage loans). WAC--Weighted average coupon. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	Feb. 9, 2021.
Cut-off date	Jan. 1, 2021.
First payment date	March 25, 2021.
Final scheduled payment date	May 25, 2065.
Notes' amount, including unrated classes	$146.2 million in aggregate.

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Profile (cont.)

Collateral type	First-lien, fixed-, and adjustable-rate mortgage loans secured by single-family residential properties, planned unit developments, condominiums, two- to four-family residential properties, one five-to-10 family residential property, and one mixed-use property. The pool consists of 395 mortgage loans, which are primarily non-qualified mortgage loans and ability-to-repay exempt loans.
Collateral	U.S. residential mortgage loans.
Credit enhancement	For each class of rated notes, subordination of the notes that are lower in the payment priority and excess spread.

Participants

Issuer	Deephaven Residential Mortgage Trust 2021-1.
Aggregator and servicing administrator	Deephaven Mortgage LLC.
Seller	Pretium Mortgage Credit Partners I Loan Acquisition L.P.
Sponsor and, solely with respect to the servicing released mortgage loans (loans serviced by Selene Finance L.P. [Selene]), the advance reimbursement party	PMCP Sponsor LLC.
Depositor	PMCP Depositor LLC.
Master servicer	Wells Fargo Bank N.A.
Paying agent, certificate registrar, note registrar, and REMIC administrator	Wells Fargo Bank N.A.
Servicers	Selene, Citadel Servicing Corp. (Citadel), and Lima One Capital LLC (Lima One)
Indenture trustee	Wilmington Trust N.A.
Owner trustee	Wilmington Savings Fund Society FSB.
Custodians	Deutsche Bank National Trust Co. and Wells Fargo Bank N.A.
Originators	Citadel, contributing 19.2% of the pool by balance; Lima One, contributing 16.3% of the pool by balance; Deephaven Mortgage LLC, contributing 10.8% of the pool by balance; and 46 other originators, contributing 53.8%, each of which make up less than 10.0% of the collateral.

Initial Purchasers
REMIC--Real estate mortgage investment conduit.

Primary Originators Making Up More Than 10.0% Of The Collateral

Originator	By balance (%)	Due diligence (%)	Originator ranking
Citadel Servicing Corporation	19.2	100	N/A
Lima One Capital LLC	16.3	100	N/A
Deephaven Mortgage LLC	10.8	100	N/A
Top five originators	60.7	100	N/A
Top 10 originators	78.7	100	N/A

N/A--Not applicable.

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Servicers

	By balance (%)	S&P Global Ratings' select servicer	Operation
Selene Finance L.P.	64.6	Yes	Primary servicer
Citadel Servicing Corp.	19.2	No	Primary servicer
Lima One Capital LLC	16.3	No	Primary servicer
Wells Fargo Bank N.A.	100	Yes	Master servicer

Rationale

The preliminary ratings assigned to Deephaven Residential Mortgage Trust 2021-1's (DRMT 2021-1) mortgage-backed notes reflect our view of:

- The pool's collateral composition (see the Collateral Summary section below);
- The credit enhancement provided for this transaction;
- The transaction's associated structural mechanics;
- The transaction's representation and warranty (R&W) framework;
- The mortgage aggregator, Deephaven Mortgage LLC (Deephaven); and
- The impact the COVID-19 pandemic will likely have on the performance of the mortgage borrowers in the pool (see "Economic Research: Staying Home For The Holidays," published Dec. 2, 2020) and liquidity available in the transaction.

As vaccine rollouts in several countries continue, S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic and its economic effects. Widespread immunization, which certain countries might achieve by midyear, will help pave the way for a return to more normal levels of social and economic activity. We use this assumption about vaccine timing 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.

Overview

DRMT 2021-1 is the 12th non-qualified mortgage (non-QM) RMBS transaction from aggregator Deephaven rated by S&P Global Ratings. Deephaven purchased the mortgage loans from 48 originators with Selene Finance L.P. (Selene), Citadel Servicing Corp. (Citadel), and Lima One Capital LLC as servicers. Deephaven has one of the longer track records of acquiring non-QM mortgage loans and was acquired by Pretium Partners LLC in September 2019.

Noteworthy Features

Loans with floating rates indexed to the Secured Overnight Financing Rate (SOFR)

Loans with interest rates indexed to one-month SOFR represent approximately 10.2% of the pool

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balance. We applied stresses to the SOFR rates in accordance with our criteria (see "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019).

Loans in forbearance

On March 27, 2020, the CARES Act enacted COVID-19-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 nonagency loans do not fall under the CARES Act as it relates to this forbearance, servicers have been granting forbearance plans to nonagency borrowers as well, typically with some variations to those of the CARES Act (e.g., timeframe and approval requirements). The updates we made on April 17, 2020, to our mortgage outlook and corresponding archetypal foreclosure frequency levels (see "Guidance: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published April 17, 2020) account for a portion of the borrowers entering COVID-19-related temporary forbearance plans and their impact to the overall credit quality of collateralized pools. To the extent a securitization pool exhibits growth levels in forbearance over time beyond those otherwise expected, additional adjustments may be applied.

To differentiate the credit quality of securitization pools with varying percentages of loans in active (or recently completed) forbearance or deferment due to the outbreak of the COVID-19 at the time of issuance, we increased loss coverage levels to account for the potential incremental risk. Given our current expectations for temporary forbearance or deferment plans and our market outlook, we view the credit quality of a mortgagor on a forbearance or deferment plan as weaker than one with a current loan but potentially stronger than one with a 30-day delinquent loan that exhibits payment issues in a normal macroeconomic environment. Our view considers that forbearance or deferment may have been utilized by some borrowers who could have otherwise made the payments due, or the forbearance may be related to a temporary furlough or loss of income). The adjustment factors we apply to 30- and 60-day delinquent loans are 2.5x and 5.0x, respectively.

As of Jan. 13, 2021, we are aware of 95 mortgage loans (approximately 29.8% by pool balance) where the servicer granted the borrowers forbearance of up to eight months due to the outbreak of COVID-19 in the U.S. Of these loans, 25 (8.3% by pool balance) were granted COVID-19 forbearance and modification through either capitalization or deferment.

Further, the borrowers for 49 of these 95 mortgage loans have completed their forbearance plans and have repaid the forborne amounts in full after their forbearance period ended and are presently current. Twenty-five other loans have had a modification/deferment, and nine loans are currently delinquent after their forbearance period ended. For these loans, we applied a forbearance-related adjustment factor of 1.00x-1.75x or, if the loan was delinquent as of the cut-off date or had historical delinquencies, a delinquency foreclosure frequency-related adjustment factor of 1.50x to 5.00x, as listed in our criteria. As of the cut-off date, for these 95 loans, the pre-closing deferred amounts, which do not accrue interest on a monthly basis, have an approximate outstanding balance of $162 thousand, and if collected these amounts will be paid to the XS tranche. For 12 loans that are in an active forbearance--forbearance ended December 2020 for 11 loans and January 2021 for one loan--we applied a forbearance-related adjustment factor of 1.75x-2.50x. This resulted in an overall adjustment factor of 1.15x at the pool level.

When deriving these factors, we considered aspects such as the seasoning of the loans, the payment patterns of those loans before and throughout the forbearance or deferment plan, the various stages of forbearance or deferment(see table 1), and our general expectations of additional forbearance and deferment from now until securitization closing.

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Table 1

Forbearance/deferment status	Loan count (no.)	% by balance
Never received forbearance or deferment	300	70.25
Completed forbearance plan--repaid past payments in full(i)	53	14.45
Completed forbearance plan and/or modification/deferment granted(ii)	30	9.50
Active forbearance	12	5.80

(i)Includes loans that were delinquent after reinstatement. (ii)Includes loans that have completed forbearance and have not yet made a regular contractual payment.

We will continue to monitor credit behavior related to temporary forbearance as the situation evolves and more performance information becomes available. We may adjust our loss coverage levels accordingly, which could affect the ratings. For instance, if we were to change the pool-level adjustment related to the portion of the pool that has received COVID-19-related forbearance relief and/or deferment to 1.30x (which is more akin to our adjustment factors for 30- to 60-day delinquent loans) from 1.15x, the preliminary ratings could, in some cases, be approximately one to three notches lower. We will also continue to monitor macroeconomic and housing conditions and update our mortgage market outlook and associated archetypal foreclosure frequencies, as applicable.

Limited servicer advancing framework

In most nonprime RMBS transactions, the servicers are obligated to advance delinquent principal and interest (P&I) payments on any delinquent mortgage loan they service for 120 days to 180 days or until the P&I advance is deemed unrecoverable; at which time, the respective servicer is no longer obligated to advance.

In this transaction, Selene will advance delinquent P&I payments on any delinquent mortgage loan they service for 180 days or until the P&I advance is deemed unrecoverable. However, they will not be required to make any P&I advance corresponding to forborne payments for any mortgage loan where the mortgagor has been granted forbearance or similar loss mitigation (in response to the COVID-19 Outbreak or otherwise) In contrast, as part of this transaction, servicers Citadel and Lima One are not required to make delinquent P&I advances on any delinquent mortgage loan they service and no other transaction participant will have the obligation to make any P&I advances for any mortgage loan serviced by them. To account for the no P&I advancing on a portion of the loans, we stressed liquidity to account for defaulted and delinquent loans in our cash flow analysis according to our criteria.

Cross-Collateralized loans

Approximately 10.0% of the DRMT 2021-1 pool balance consists of cross-collateralized loans with 35 loans secured by 153 properties. These loans have full recourse to the borrower (although the enforceability of recourse may be limited by state and local law), and all are debt service coverage ratio (DSCR) investor loans. The maximum number of properties securing any one loan is 15, with the next highest secured by 12 properties. We analyzed the cross-collateralized loans as separate properties, and the issuer allocated the balance of each loan in proportion to each property's appraisal value. We treated each property within each cross-collateralized loan as having the same DSCR. While our LEVELS model does not treat cross-collateralized loans differently than loans backed by a single property, any fixed costs associated with foreclosing on a property is

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duplicated for each property within the loan. This results in a higher loss severity when the analysis is performed at the property level. Nevertheless, for this pool, the cross-collateralized loans have a lower expectation of loss, compared with similar non cross-collateralized DSCR loans, due to their more favorable loan characteristics.

Monthly excess cash flow used to reduce losses

Like other nonprime RMBS transactions, DRMT 2021-1 has a structure that pays monthly interest distributions from interest remittances (and from principal remittances--to the extent not paid from interest remittances). It also pays monthly principal distributions from the principal remittances, after which, monthly excess cash flow is used to cover current period realized losses and reimburse any previously applied realized loss amounts.

Reimbursement of serving advances from general collections

Unlike most other transactions and the other servicers in this transaction, for loans serviced by Citadel, reimbursement of the servicer for unreimbursed servicing advances are made from general collections on Citadel-serviced loans on a monthly basis in DRMT 2021-1 rather than from liquidation proceeds from the related mortgage loans. This reimbursement construct can reduce the available interest remittance amounts to be distributed to securityholders. The servicer may also capitalize related servicing advances in connection with a mortgage loan modification and is entitled to reimburse itself for such capitalized advances from the principal collections of the mortgage pool.

We applied additional stress scenarios to stress liquidity in our cash flow analysis to address the potential reduction in interest remittance amounts that may happen due to reimbursement of servicing advances from monthly general collections (see the Cash Flow and Scenario Analysis section below for more details).

Collateral Summary

DRMT 2021-1's assets consist primarily of fixed- and adjustable-rate and interest-only (IO) non-QM and ability-to-repay (ATR) exempt mortgage loans secured by first liens. The mortgage pool consists of 395 mortgage loans with a principal balance of approximately $146.2 million as of the cut-off date.

The collateral pool, from a credit perspective, is weaker than the S&P Global Ratings' archetypal prime pool, but is generally in line with our expectations for a nonprime mortgage residential mortgage pool. The pool's 'AAA' loss coverage requirement was determined to be 43.45%. In our analysis, we considered the following mortgage loan characteristics of the pool to be weaker than the archetypal prime pool:

- Loans underwritten to alternative income documentation and DSCR;
- FICO and loan-to-value (LTV);
- Loans in forbearance or have had P&I payments deferred or capitalized;
- Loans presently delinquent or having been delinquent in the most recent 24 months;
- Loan types including adjustable-rate mortgage (ARM) and IO loans;
- Cash-out refinance loans;

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- Property types (multi-family and mixed use);
- Self-employed borrowers for certain loans;
- Loans to borrowers with prior credit events (PCEs); and
- Primarily non-QM or ATR exempt loans.

The mortgage loans consist of fixed-rate (59.9% by balance, some with IO periods) and hybrid ARM loans (40.1% by balance, some with IO periods). These loans are primarily fully amortizing with 30- and 40-year original terms to maturity. It also contains one five-year balloon loan, which makes up 1.2% of the pool by balance. The weighted average seasoning for the pool is approximately nine months.

The weighted average used FICO score for the collateral pool is 702, which includes certain S&P Global Ratings' assumptions (see table 2 for a breakdown of the pool by the borrowers' FICO score). In the pool, there are 22 loans to foreign national and nonpermanent resident alien borrowers (4.1% by balance), of which, 14 are to borrowers without a FICO score. We assessed these loans in our credit analysis using a FICO score of 659, which is approximately the mortgage pool's average original FICO score minus one standard deviation. We applied a 1.5x multiple to the foreclosure frequencies to all 22 loans to foreign borrowers.

Used Credit Score Statistics

Table 2

Used Credit Score Statistics

FICO score	Current balance (%)
750 and above	22.6
725 - 749	16.5
700 - 724	16.6
675 - 699	12.8
650 - 674	17.6
625 – 649(i)	4.1
600 - 624	3.1
575 - 599	2.5
550 - 574	2.6
Below 550	1.5
Total	100.0

(i)Includes our assumption of a 659 FICO score for borrowers who lack a FICO score.

Mortgage loans backed by properties that are primary residences make up approximately 54.2% of the pool by balance. The mortgage loans are secured by first liens on single-family residences (60.5% by balance), planned-unit developments (PUDs) (28.2%), condominiums (4.6%), two- to four-family homes (5.7%), one loan secured by a mixed-use property and one by a five-to-10 unit property.

As compared to prior recently rated DRMT transactions, the collateral characteristics of DRMT 2021-1 are weaker, primarily due to an uptick in the proportion of DSCR loans, increased

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proportion of currently delinquent loans and loans with historical delinquency, and the addition of loans in or having completed a COVID-19 forbearance plan. There is a slight drift upward in both the weighted average FICO and weighted average combined LTV.

Table 3

Collateral Characteristics

Collateral characteristics	DRMT 2021-1	DRMT 2020-1	DRMT 2019-4	DRMT 2019-3	DRMT 2019-2	Archetypal pool(i)
Closing pool balance (mil. $)	146.2	407.9	480.9	439.9	369.7	N/A
Closing loan count (no.)	395	959	1116	1060	883	N/A
Avg. loan balance ($)	370036	425380	430875	414979	418719	N/A
WA original CLTV (%)	75.56	74.30	74.60	73.60	73.20	75
WA current CLTV (%)	74.91	74.10	74.40	73.40	73.00	75
WA FICO(ii)	702	701	697	696	693	725
WA current rate (%)	6.57	7.20	6.70	7.10	7.20	N/A
WA original term (mos.)	360	365	365	366	366	360
WA seasoning (mos.)	9	4	3	3	4	0-6
WA debt-to-income (%)	34.19	36.30	37.04	38.00	36.20	36
WA DSCR (non-zero)	1.12	1.10	1.05	1.05	1.15	N/A
Owner occupied (%)	54.2	78.1	77.5	73.6	73.4	100
Single-family (including unattached and attached PUD) (%)	88.7	88.4	87.9	86.7	87.1	100
Adjustable-rate loans (%)	40.1	46.3	56.1	64.8	66.9	0
Loans with IO payments (%)	10.1	11.6	12.9	14.0	15.8	0
Purchase (%)	55.5	57.6	58.9	52.7	52.4	100
Cash-out refinancing (%)	36.8	33.2	31.4	37.4	36.7	0
Full documentation (%)	13.8	31.4	36.7	36.0	34.5	100
Alternative/bank statement documentation (%)	42.2	53.7	47.7	47.5	47.3	0
Other/asset depletion/DSCR documentation (%)	44.0	14.9	15.6	16.5	18.2	0
Self-employed borrowers (%)	49.0	62.8	60.5	55.3	59.6	0
Loans with co-borrowers (%)	23.6	33.8	32.8	36.0	36.8	0
Loans to borrowers with multiple mortgages (%)(iii)	10.2	2.6	2.8	3.7	3.9	N/A
Loans to foreign borrowers (%)(foreign national and non-permanent resident aliens)	4.1	2.3	3.3	2.7	3.1	0
Modified loans (%)(iv)	4.8	0.0	0.0	0.0	0.0	0
PCEs (%)(iv)	1.2	4.3	4.1	3.3	5.0	0
Current (%)	93.2 (v)	100	100	100	100	100
30+ day delinquent (%)	6.8	0.0	0.0	0.0	0.0	0
Length of P&I advancing (mos.)(vi)	6 (vii)	6	6	6	6	Full

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Table 3

Collateral Characteristics (cont.)

Collateral characteristics	DRMT 2021-1	DRMT 2020-1	DRMT 2019-4	DRMT 2019-3	DRMT 2019-2	Archetypal pool(i)
Pool-level adjustments (multiplicative factors)						
Geographic concentration	1.00	1.00	1.02	1.02	1.01	1.00
Mortgage operational assessment	1.00	1.00	1.00	1.00	1.00	1.00
Representations and warranties	1.10	1.10	1.10	1.10	1.10	1.00
Other (i.e. loan modification/PCE/due diligence)	1.02	1.06	1.06	1.05	1.07	1.00
Loans in forbearance/deferred payments related to COVID-19	1.15	N/A	N/A	N/A	N/A	N/A
Combined pool-level adjustments(viii)	1.29	1.17	1.19	1.18	1.19	1.00
Loss estimation						
'AAA' loss coverage (%)	43.45	32.10	34.45	34.20	35.15	7.50
'AAA' foreclosure frequency (%)	74.90	56.68	59.76	60.25	63.01	15.00
'AAA' loss severity (%)	58.01	56.63	57.65	56.76	55.78	50.00
'BBB' loss coverage (%)	17.10	10.95	11.80	11.75	11.90	1.50
'BBB' foreclosure frequency (%)	46.55	29.67	31.59	32.07	33.40	5.00
'BBB' loss severity (%)	36.73	36.91	37.35	36.64	35.63	30.00

(i)As defined in our Feb. 22, 2018, criteria article. (ii)FICO reflects the most recent scores obtained with certain analytical assumptions. (iii)Limited to borrowers who have multiple mortgage loans or properties included in the securitized pool. (iv)Limited to modified and PCE loans considered in our analysis. (v) Loans in forbearance are treated as current and included in the model forbearance adjustment. (vi)Months of P&I advancing on a delinquent mortgage loan to the extent such advances are deemed recoverable. (vii) 6 months P&I advancing on only 64.56% of the pool, no P&I advancing on remaining 35.44% of the pool (viii)Combined pool-level adjustments are the product of each pool-level adjustment listed above. WA--Weighted average. CLTV--Combined loan-to-value ratio. DSCR--debt service coverage ratio. PUD--planned-unit development. IO--Interest-only. PCE--Prior credit event. P&I--Principal and interest. N/A--Not applicable.

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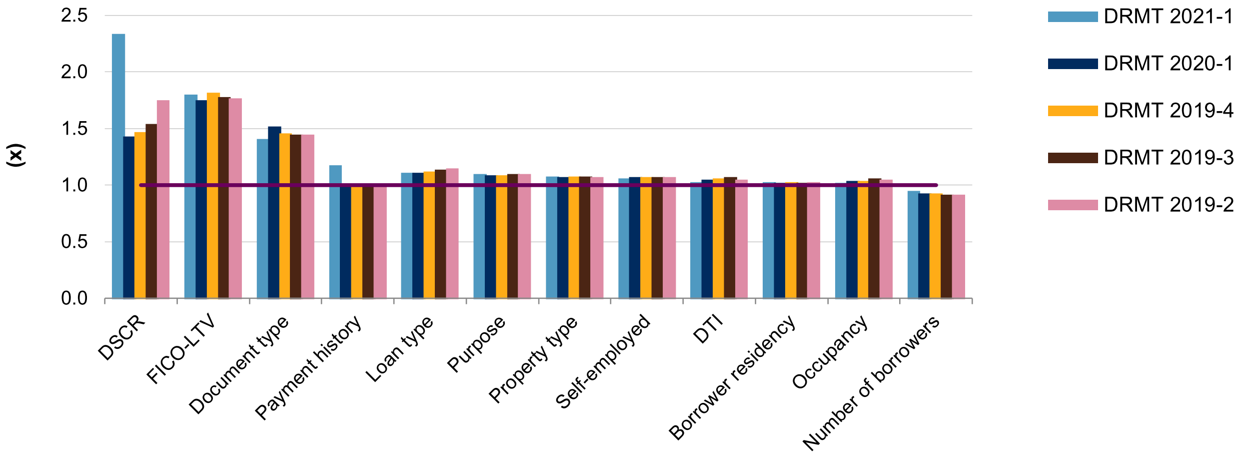
Chart 1

Foreclosure Frequency Adjustment Factor Breakout



DSCR--Debt service coverage ratio. LTV--Loan to value. DTI--Debt to income.

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Transaction Structure

The chart below shows an overview of the transaction's structure.

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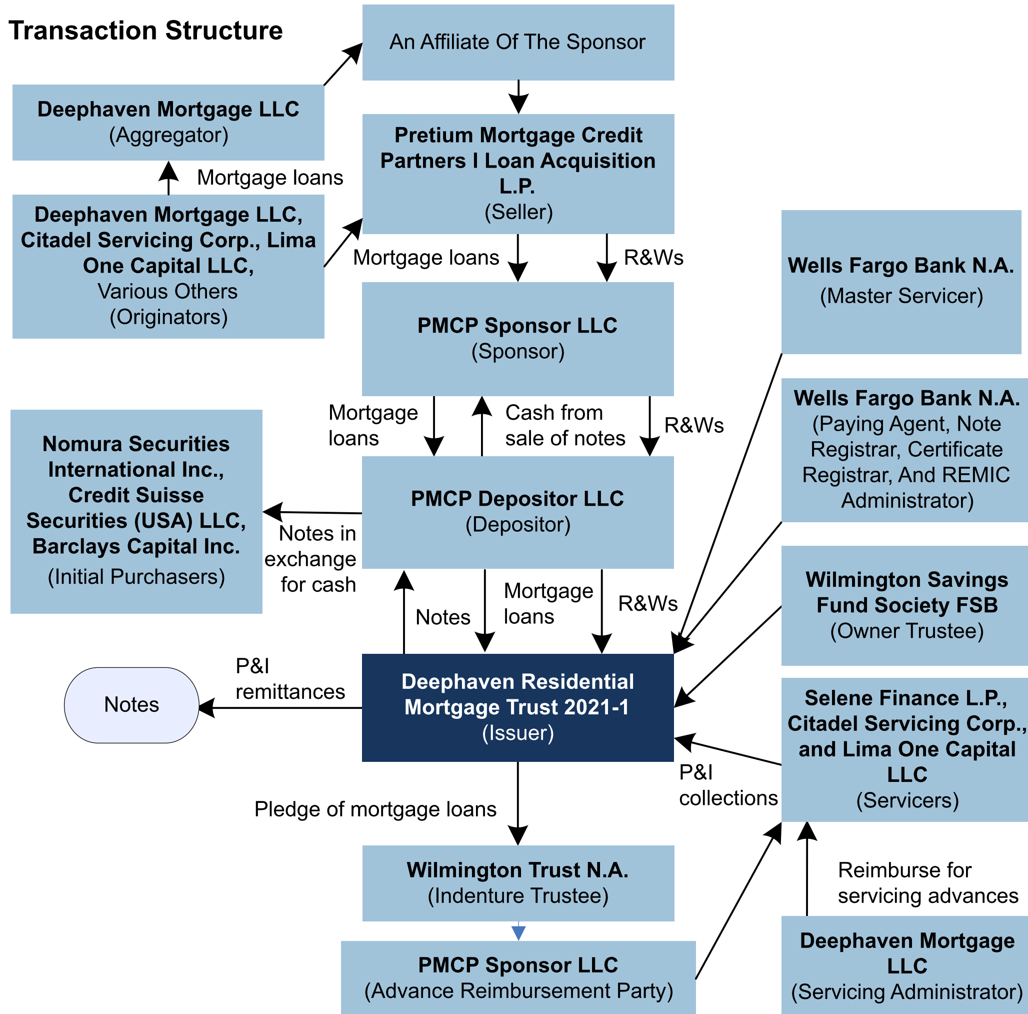
Chart 2



R&Ws--Representations and warranties. P&I--Principal and interest.

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The transaction is structured as a true sale of the receivables from the mortgage loan seller (Pretium Mortgage Credit Partners I Loan Acquisition L.P.) to the sponsor (PMCP Sponsor LLC), a sale from the sponsor to the depositor (PMCP Depositor LLC), and then a true sale from the depositor to the issuing trust (DRMT 2021-1). The issuing trust transfers the notes to the depositor. The depositor sells the offered notes to the initial purchasers, which will sell them to third-party investors. The depositor sells the non-offered notes, as well as the notes required to be held to satisfy the risk retention rules, to the sponsor or affiliate.

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

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Strengths And Weaknesses

We believe the following characteristics strengthen the DRMT 2021-1 transaction:

- The third-party due diligence providers--AMC Diligence LLC (AMC) and Clayton Services LLC (Clayton), both of which are on our list of reviewed providers--performed due diligence on 100% of the pool's loans. Their review encompassed regulatory compliance, credit (underwriting) compliance, property valuations, and data quality.
- The class A-1, A-2, and A-3 notes (the senior classes; collectively, class A notes) benefit from a credit support floor wherein no principal is paid to the subordinate classes until the class A notes are retired. Additionally, principal is paid sequentially among the senior classes in periods when the cumulative loss trigger or delinquency trigger has failed, further protecting the more senior classes.

We believe the following factors weaken the DRMT 2021-1 transaction:

- As of Jan. 13, 2021, 95 loans (29.8% of the pool by balance) have been granted forbearance or have had payments deferred by the servicer due to the COVID-19 pandemic. Of these loans, 49 have completed their forbearance plans and have repaid the forborne amounts in full after their forbearance period ended and are presently current. Twenty-five other loans have had a modification/deferment, and nine loans are currently delinquent after their forbearance period ended We applied a 1.15x pool-level loss coverage adjustment to account for the risk associated with loans in active (or recently completed) forbearance or deferment in this pool.
- The mortgage pool includes property-focused investor loans that were underwritten to an investment property business purpose program (43.1% by balance) using DSCRs ranging from 0.35x to 2.82x. The average DSCR for these loans was 1.12x. Depending on the ratio, we applied an adjustment factor ranging from 3.15x to 6.00x to the foreclosure frequencies for these loans.
- Income on certain mortgage loans (42.2% by balance) was verified using "alternative" income documentation (personal or business bank statements and CPA letters). All of such loans were underwritten to self-employed borrowers. We view income verification using alternative documentation to be a weaker standard than "full" documentation of income. Consequently, we increased our loss coverages for these loans by applying an adjustment to the foreclosure frequencies. We applied an adjustment factor of 2.00x and 1.75x to the foreclosure frequencies for loans using 12-23 months of bank statements, and at least 24 months of bank statements, respectively.
- Income on certain mortgage loans (0.9% by balance) was verified using asset depletion. We applied an adjustment factor of 3.00x to the foreclosure frequencies for these loans.
- Non-QM loans, which have an increased risk of ATR challenges and associated loan losses, comprise 48.9% of the pool. We applied an adjustment to loss severities per our QM criteria to account for this risk.
- As of the cutoff date and excluding loans in forbearance, 10.5% of the pool by balance is either presently delinquent or has been delinquent in the last 12 months. We applied a foreclosure frequency adjustment to each loan based on the level of delinquency per our criteria.
- Some loans (10.1% by pool balance) in the pool include an IO period, including five fixed-IO loans (4.3% by pool balance) and nine ARM-IO loans (4.7% by pool balance) and one balloon loan (1.2% by pool balance) with a five-year IO period and five years to maturity. We increased the foreclosure frequencies and loss severity of these loans per our criteria to account for this

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risk.

- The loan purpose for 145 loans (36.8% by pool balance) is a cash-out refinance, with an average cash-out amount of $172,700; 34 loans have cash-out amounts greater than $200,000.
- Two loans in the pool (1.0% by pool balance) are secured by a mixed-use property and a five-to-10 unit residential property, one each. To account for this risk, we increased the foreclosure frequencies and loss severity of these loans per our criteria.
- We applied a pool-level loss coverage adjustment of 1.02x because two loans (1.2% by balance) had a bankruptcy discharged or dismissed in the past two years or had a housing-related PCE (foreclosure, short-sale, or deed-in-lieu) in the past three years from the Jan. 1, 2021, cut-off date.
- Some mortgage loans (44.2% of the pool by balance) were made to borrowers with current FICO scores below 700 (including our assumption of a 659 FICO score for borrowers who lack a FICO score). The mortgage pool's loss estimate has been increased to account for the increased default risk of these loans.
- The mortgage loan aggregator and seller make the R&Ws for this transaction. We have not reviewed the representations made by the originators because those were not assigned to the trust. The R&W framework is weak because the testing of any breaches (other than any loans showing ATR-related losses), is at the controlling holder's (the majority owner of class XS and initially, either the sponsor or an affiliate of the sponsor) option. In addition, the early payment default (EPD) covenant the sponsor provided is weaker than typically seen in other non-QM transactions. The weaknesses of the framework is somewhat mitigated by third-party due diligence on 100% of the loans, along with the alignment of interest between noteholders and the sponsor, which holds the first-loss piece and retains risk via a 5% slice (horizontal) of the capital structure. Consequently, we applied an R&W factor of 1.10x, which increased our loss expectations at all rating categories by 10.0%.

Credit Analysis And Assumptions

Our analysis of the DRMT 2021-1 collateral pool considered a number of factors, including certain loan-level characteristics. The details of our analysis are described below.

Property cash flow underwriting

We considered the underwriting methods employed for the DSCR loans (43.1% by pool balance), given that the qualifying metrics do not use traditional borrower characteristics such as personal income and liabilities, but instead rely on the property's propensity to generate cash flow from tenants. These loans are underwritten using a DSCR generally calculated as rental income divided by mortgage payment liability (including taxes and insurance).

We consider the strength of the DSCR and apply adjustment factors to the foreclosure frequency with higher factors applied to lower DSCRs and lower factors to higher DSCRs. This factor ranges from 3.15x to 6.00x. The low end of the range (3.15x) was calibrated such that a DSCR loan with a high DSCR (i.e., greater than or equal to 1.27x) is treated similarly to a weak traditionally underwritten investor property (i.e., underwritten to the borrower's income) with less than 12 months of income verification and poor debt-to-income (DTI) attributes (i.e., where the maximum adjustment factors for full-income documentation and DTI are assumed), all else being equal, given the limited performance history of DSCR loans through an economic cycle.

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The weighted average DSCR loss coverage adjustment factor for this pool was 2.33x, which we believe adequately addresses the additional risk of DSCR loans that rely on the property cash flow rather than personal income and liabilities.

Documentation Type

The sponsor guidelines allow income verification using paystubs, W-2s/W-2 equivalents, tax returns, and alternative income documentation such as bank statements, profit-and-loss (P&L) statements, and CPA letters. The sponsor also considers asset depletion as borrower income and to qualify for monthly payments. For investment property loans underwritten to the property's rental income, the sponsor considers the properties' debt service coverage ratios (see table 4).

Table 4

Documentation Type (Income Verification Type/Length)

	Loan count (no.)	Current balance (%)	Alternative income verification length (WA no. of months)	Foreclosure frequency adjustment factors (x)	'AAA' foreclosure frequency without pool adjustment factors (%)
Full documentation					
Appendix Q/qualified mortgage	10	3.91		1.00	40.79
Full (24+ months)	29	8.56		1.00	46.15
Full (24+ months) WVOE only					
Full (12-23 months)	7	1.35		1.25	80.77
Full (12-23 months) WVOE only					
Full (1-11 months)					
Full (1-11 months) WVOE only					
Alternative documentation(i)					
24+ months					
Business bank statements	38	13.34	24.0	1.75	67.92
Personal bank statements	7	1.80	24.3	1.75	95.98
Personal and business bank statements					
P&L statements	1	0.73	24.0	1.75	100.00
12-23 months					
Business bank statements	53	20.18	12.1	2.00	55.30
Personal bank statements	21	6.17	12.0	2.00	71.72
Personal and business bank statements					
P&L statements					
1-11 months					
Business bank statements					
Personal bank statements					

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Table 4

Documentation Type (Income Verification Type/Length) (cont.)

	Loan count (no.)	Current balance (%)	Alternative income verification length (WA no. of months)	Foreclosure frequency adjustment factors (x)	'AAA' foreclosure frequency without pool adjustment factors (%)
Personal and business bank statements					
P&L statements					
Other documentation					
Other (DSCR)	226	43.10		3.15-6.00	73.97
Other (asset underwriting/depletion)	3	0.87		3.00	37.17

(i)The documentation source may include other secondary documentation types. WVOE--Written verification of employment. NOO--Non-owner occupied. OO--Owner occupied. WA--Weighted average. P&L--Profit and loss. DSCR--Debt service coverage ratio

As mentioned above, 43.1% of the pool by balance is made up of loans underwritten to a DSCR, based on a property's rental income cash flow. The DSCR calculations provided by the issuer for these loans ranged from 0.38x to 2.82x.

Thirty-five DSCR loans are cross-collateralized. These loans aggregate multiple properties under one loan and are typically made to experienced investors. The properties within a loan generally share homogenous features, such as loan purpose (rate or cash refinance), property type, and geographical location. The DSCR for these loans is calculated by aggregating the qualifying rental income and expenses for all properties securing the loan. We split these 35 loans into 153 property-level constituents where appropriate for our analysis. In general, these loans are slightly better than the typical DSCR loans (see table 5 for the average 'AAA' and 'B' foreclosure frequencies for the DSCR, non-DSCR, and cross-collateralized DSCR loans). The cross-collateralized loans allow the borrower to release the lien on any of the underlying properties by paying 115.00% of the original loan amount allocated to the specific property.

Table 5

Average 'AAA' And 'B' Foreclosure Frequencies For DSCR, Non-DSCR, And Cross-Collateralized DSCR Loans

	Loan count (no.)	% of balance	Avg. DSCR	Avg. foreclosure frequency (%) ('AAA')	Avg. foreclosure frequency (%) ('B')
Non cross-collateralized					
DSCR < 1	48	16.45	0.75	84.97	31.35
1 <= DSCR <= 1.27	59	9.28	1.13	65.92	16.03
DSCR > 1.27	84	7.32	1.52	62.67	17.26
Non-DSCR	169	56.90	0.00	59.85	20.89
Cross-collateralized DSCR (i)					
DSCR < 1	2	0.69	0.80	70.90	19.08
1 <= DSCR <= 1.27	4	3.36	1.16	89.12	48.54
DSCR > 1.27	29	5.99	1.61	62.67	14.62

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Table 5

Average 'AAA' And 'B' Foreclosure Frequencies For DSCR, Non-DSCR, And Cross-Collateralized DSCR Loans (cont.)

	Loan count (no.)	% of balance	Avg. DSCR	Avg. foreclosure frequency (%) ('AAA')	Avg. foreclosure frequency (%) ('B')
Non-DSCR	-	-	-	-	-

(i)Thirty-five cross-collateralized loans are backed by 153 properties. DCSR--Debt service coverage ratio.

For loans that meet QM standards or for which income is otherwise underwritten in accordance with Appendix-Q of the Consumer Financial Protection Bureau's (CFPB) Regulation Z, we generally apply a documentation type adjustment factor of 1.00x. Ten loans (3.9% by pool balance) meet these requirements.

For 36 loans (approximately 9.9% of the pool balance), traditional (full) documentation was used for fully verifying and calculating the borrowers' qualifying income (e.g., pay stubs, W-2s, personal and business tax returns, IRS transcripts). We applied a documentation type adjustment factor ranging from 1.00x to 1.25x, depending on the length of the income verification, for these loans.

We classified all loans underwritten to nontraditional sources of borrower income documentation, such as bank statements (business or personal), CPA or accountant prepared letters documenting income, and P&L statements as alternative documentation loans. Alternative documentation was used on 120 loans (42.2% by pool balance), all of which used 12 or more months of income verification. We view income verification using alternative documentation to be a weaker standard than full documentation of income. As result, we increased our loss coverages for these loans by an adjustment factor ranging from 1.75x to 2.00x, depending on the length of verification.

Three loans in the pool (0.9% by pool balance) were underwritten considering accumulated assets rather than a verified income stream. We classified these loans as "other" documentation loans and applied a 3.00x adjustment to the foreclosure frequencies.

Investor property concentration

We considered whether there were any additional risks related to foreclosure and liquidation timelines for investor properties compared to owner-occupied properties because the pool was backed by 43.8% business-purpose investor properties. We considered the variance in foreclosure/liquidation timelines and determined that the delta of the timelines between investor and non-investor properties did not pose an additional risk to the pool. In particular, the foreclosure/liquidation timelines we used in our analysis are based on historical data that include investor properties. Our servicer evaluation group indicated that there have not been material differences in the timelines historically. Moreover, investor properties in the transaction may actually provide additional or more stable cash flows to the trust, given the assignment or attornment of leases on certain properties and the corresponding cash flow from those during the real estate-owned period.

QM and ATR standards

The CFPB issued final regulations for mortgage loans with applications submitted on or after Jan. 10, 2014, specifying the standards for a QM. Per the designation provided by the sponsor and verified by the due-diligence firms, most loans are categorized as non-QM/compliant (48.9% by

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balance) or not covered/exempt (47.2% by balance), with 10 loans classified as QM/safe harbor (3.9% by balance).

Table 6

Qualified Mortgage Breakout

QM status	Pool balance ($)	% by pool balance	Loan count (no.)
QM/non-HPML	5,711,435	3.9	10
QM/HPML	-	-	-
Non-QM/compliant	71,523,986	48.9	140
Not covered/exempt	68,928,660	47.2	245

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

Under the ATR rule (as more fully described in our QM criteria; see Appendix I of "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018), the originator and any assignee are jointly and separately liable for certain damages that may be incurred from noncompliance with the rule. We applied our QM criteria for each loan subject to the rule, which increased our loss coverage estimates at each rating category for the portion of non-QM loans. The data the issuer provided to S&P Global Ratings, including additional fields that validate the loan's QM designation, were reviewed by the due diligence firms under the third-party due diligence firms' scope to verify that documentation exists to support the QM designation. In addition, we reviewed an ATR and QM-specific questionnaire that the aggregator provided in conjunction with our aggregator review, and we concluded that the aggregator's processes address the ATR risks.

Servicer advancing obligations

For any loan that is not in forbearance, Selene, the primary servicer of 64.6% of the mortgage loans, must advance delinquent P&I payments for any delinquent mortgage loan until that loan is greater than 180 days' delinquent, at which time Selene is no longer obligated to advance delinquent P&I payments (limited P&I advances). If the P&I advancing party fails to advance P&I, the master servicer, Wells Fargo Bank N.A., is obligated to make those advances. Unlike P&I advances, the servicer must make advances of delinquent taxes and insurance (and other property preservation advances) for any delinquent mortgage loan until the related property is liquidated or the servicer deems the advance to be nonrecoverable. We adjusted the loss severities in our model to account for this limited P&I advancing.

Citadel and Lima One, as primary servicers of the remaining 35.4% of the pool, are not obligated to and will not advance delinquent P&I payments on any delinquent mortgage loan they service. No other transaction participant will have the obligation to make any P&I advances for any mortgage loan serviced by them. Both Citadel and Lima One will make advances of delinquent taxes and insurance (and other property preservation advances) for any delinquent mortgage loan until the related property is liquidated or the servicer deems the advance to be nonrecoverable.

PCE classification and analysis

The borrowers on a portion of the mortgage loans have had one or more PCEs, such as bankruptcies or housing-related PCEs (foreclosures, short-sales, deed-in-lieu of foreclosure, etc.) that may have limited their access to loan products offered by the various agencies. Although

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these borrowers' updated FICO scores likely reflect their PCEs, we made an incremental adjustment to the foreclosure frequencies to account for this unique pool characteristic. We believe that a borrower's behavior surrounding a PCE could indicate what it would do when faced with a similar situation in the future, and suggests a greater likelihood that it would default, notwithstanding this and other adverse performance already incorporated in its FICO score. Therefore, these borrowers may behave similarly to borrowers who are 30-days delinquent.

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

We applied a pool-level PCE-related loss coverage adjustment factor of 1.02x, which was derived from the 2.50x weighted average factor (deed-in-lieu) for two loans (1.2% by balance), and a 1.00x factor for the remaining loans in the mortgage pool.

Geographic Concentration

S&P Global Ratings analyzes the pool's geographic concentration risk based on the concentrations of loans in each of the core-based statistical areas (CBSAs) as defined by the U.S. Office of Management and Budget (see Appendix II of "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018). In this transaction, the top five CBSAs account for approximately 26.6% of the aggregate pool. Because of this concentration, we applied a Herfindahl adjustment factor (a concentration measure based on the sum of the squared CBSA concentrations related to a benchmark concentration) of 1.00x to our base loss coverage estimate.

Table 7

Geographic Concentration

CBSA code(i)	CBSA	State	% by balance
31084	Los Angeles-Long Beach-Glendale	California	10.28
35614	New York-Jersey City-White Plains	New York-New Jersey	4.24
33124	Miami-Miami Beach-Kendall	Florida	4.11
11244	Anaheim-Santa Ana-Irvine	California	4.00
36740	Orlando-Kissimmee-Sanford	Florida	3.97
Top five	--	--	26.60

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

Large Loans And Tail-Risk Considerations

As the number of loans in the transaction decreases, the effect of a single loan's losses becomes greater. If conditional prepayment rates are slow and collateral pool losses are not realized until later in a transaction's life (back-loaded losses), pro rata pay mechanisms can leave the senior notes exposed to event risk later in the transaction's life (for more information on tail risk in RMBS transactions, see "Older RMBS Transactions Face Increased Tail Risk As Their Pools Shrink," published Aug. 9, 2012). To mitigate this risk, the transaction documents for shifting interest

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structures typically provide for a credit enhancement floor, specifying that principal payments not be made to subordinate classes if the credit support available to the senior classes falls below a threshold. This transaction does not explicitly define a credit enhancement floor. However, due to the sequential payment mechanism to the subordinate classes, which make up 23.0% of the capital structure, the preliminary 'AAA (sf)', 'AA (sf)', and 'A (sf)' rated classes effectively have a floor of 23.0% initially. Although subordination can be depleted due to realized losses over time, the effective floor to the more senior classes can increase when losses go over certain thresholds and trip the cumulative loss or delinquency triggers, making the payment priority fully sequential.

To analyze the appropriateness of this effective credit enhancement floor, we use an approach outlined in "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018. Per this approach, instead of focusing on the largest loans by balance at issuance, we risk-weighted the loans in the transaction by focusing on those with the largest expected loss exposures, assuming default.

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

Mortgage Operational Assessment (MOA) Review

Deephaven

We conducted a MOA of Deephaven's acquisition process for non-QM mortgage loans and assigned our overall AVERAGE MOA ranking to Deephaven. The ranking reflects our AVERAGE qualitative subranking and AVERAGE quantitative subranking. Based on the results of our MOA, we determined a loss coverage adjustment factor of 1.00x for Deephaven. This accounts for the company's highly experienced management team, 100% due diligence review of its loan acquisitions, and mature aggregation platform relative to other non-QM peers, measured against the lack of a formal independent risk management group or internal audit function, and the fact that its loan performance history has not experienced a housing or economic downturn.

The company was founded in June 2012 and acquired by Varde Partners Inc. in November 2014. In September 2019, Pretium Partners LLC (Pretium) acquired Deephaven from Varde Partners LLC. Pretium is a specialized alternative investment manager focused on real estate and corporate credit. The company was founded in 2012 to capitalize on secular investment and lending opportunities that arose after the global financial crisis as a result of structural changes within the economy, the residential housing sector, and mortgage finance markets. Pretium has built an integrated analytical and operational ecosystem within the U.S. residential housing, mortgage, and corporate credit markets. It manages $16 billion in assets, of which over $12 billion is invested through either single-family rentals or residential credit.

Pretium is active in residential credit and manages a residential whole loan strategy that has acquired loans with a total unpaid principal balance of approximately $9.1 billion through December 2020. The company has strategically built and acquired affiliates and key partners to optimize performance and drive its returns across residential credit. Pretium has built a vertically integrated residential credit platform, supporting the entire lifecycle of the asset class--origination, asset management, servicing, and disposition.

Deephaven purchases non-QM loans from preapproved correspondents and also originates loans sourced from preapproved brokers through its wholesale channel. In 2017, Deephaven rolled out its Wholesale channel, in which the company is able to originate and fund non-QM loans that are

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sourced through a network of approved brokers. It expects continued growth on the correspondent side. The company is also licensed to originate mortgage loans in 45 states as of December 2020. All of the company's functions take place in Charlotte, N.C.

Deephaven conducts 100% due diligence on loans that it acquires using third-party review firms that are on S&P Global Ratings' reviewed list (see "S&P Global Ratings Publishes List Of Third-Party Due Diligence Firms Reviewed For U.S. RMBS As Of Aug. 5, 2019," published Aug. 5, 2019). The scope of the review, which is consistent with market standards, comprises a full re-underwrite on these loans (credit, compliance, property valuation, and fraud). All loans must be submitted to an automated fraud and data check tool.

In addition to the third-party due diligence firm's review, Deephaven's underwriting team performs a pre-close eligibility credit and collateral review on certain loans. Compliance reviews are conducted by a third-party due diligence firm before the company purchases the loans. Deephaven said it will add post-purchase quality control reviews if it starts allowing a less-than-100% due diligence review by the third-party firm. The company also noted it has done very few loans on a nondelegated basis. For 100% of the loans originated through the wholesale channel, third-party due diligence firms perform post-funding compliance reviews.

Although Deephaven is one of the more mature aggregators in the non-QM sector with a longer track record of loan performance (formed in 2012 and started purchasing loans in March 2013), it has not yet experienced a housing or economic downturn. In 2019 and 2020, Deephaven's acquisitions were approximately $2.6 billion and $580 million per year, respectively, up from $3.3 million in 2013. Through December 2020, Deephaven's acquisitions totaled over $6.6 billion since it started aggregating loans.

As expected, given the loans' limited seasoning, the company reported that the loans in its portfolio have experienced minimal 60-plus-day or 90-plus-day delinquencies, or early payment defaults, and no losses.

Key assessment factors

Deephaven's strengths include:

- An experienced management team averaging over 20 years of industry experience;
- A requirement to conduct 100% due diligence (prepurchase) on all acquisitions, which includes a full review of credit, compliance, property valuation, and fraud;
- An absence of legacy issues, allowing the company to build a holistic approach to reviewing sellers; and
- Servicing retention on loans that it acquires.

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

- Its loan performance history has not experienced a housing or economic downturn; and
- No formal independent risk management function or internal audit department.

We determined a total MOA loss coverage adjustment factor for the aggregate pool of 1.00x.

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Third-Party Due Diligence Review

AMC and Clayton performed third-party due diligence on 100% of the loans in the transaction. The scope encompassed compliance, credit, and valuation reviews. After reviewing the third-party due diligence results, we applied a final rounded adjustment of 1.00x to the loss coverage at all rating categories.

Some loans fell within the scope of the TRID rule. For these loans, the third-party firms followed the Structured Finance Industry Group (SFIG) RMBS 3.0 TRID Compliance Review Scope in conducting their final loan reviews (see "Standard & Poor's Comfortable With SFIG Draft Proposal Regarding TRID Due Diligence," published April 25, 2016). According to our published third-party due diligence criteria, we adjust our loss expectations based on our view of the firms' findings (see Appendix III of "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018).

Highlights of the findings include:

- Secondary valuations were received for all but one loan, and these were used to support valuations within the allowable negative 10.0% variance. In addition to the one loan graded "C" for missing a secondary valuation, two loans were graded "C" because the secondary valuations were outside of the -10% tolerance, in which case we made upward adjustments to estimate loss coverage.
- One loan was graded "C" for credit compliance because the due-diligence firm determined the hazard insurance coverage amount to be insufficient.

R&Ws

According to our criteria (see Appendix IV of "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018), S&P Global Ratings reviewed the R&Ws made by the mortgage loan aggregator and seller in this transaction. We evaluated the strength of these R&Ws and considered whether any breach could have a materially adverse impact on the interests of the transaction's noteholders. If the R&Ws in the transaction documents do not address the issues in our published R&W framework, we will determine whether we believe it is appropriate to assess additional credit enhancement. Lastly, we will consider the R&W providers' ability to fulfill their obligations in the event of a breach.

The aggregator, Deephaven, acquired the loans in this transaction from various originators. The mortgage loan aggregator does not pledge the originators' R&Ws to the trust but rather makes R&Ws on the mortgage loans itself. For certain R&Ws that the aggregator provides as of the date it sold its loans to the sponsor's affiliate, the seller, Pretium Mortgage Credit Partners I Loan Acquisition L.P., provides such R&Ws covering the gap period from such date to the date the loans are sold, to the issuing trust.

We consider the R&W framework to be weaker than those seen in recent prime jumbo transactions because the testing of any breaches (other than any loans showing losses related to ATR) is not automatic, but rather at the option of the controlling holder (initially, the sponsor or an affiliate of the sponsor). The controlling noteholder's expense for the R&W review will be reimbursed from the trust's interest remittance amount. However, 25.0% or more of the noteholders will be able to initiate reviews at their expense if the controlling holder chooses not to review or if the noteholders disagree with the findings of the controlling holder on any review.

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

The issuer will include an EPD covenant with a timeframe longer than typically seen in recent prime jumbo transactions. An EPD event is an event that occurs with respect to a mortgage loan when a payment (other than any payment during a forbearance period that has been granted to a mortgagor due to the COVID-19 Outbreak) that is due during one of the first three months after the origination date becomes 60 or more days' Mortgage Bankers Assn. (MBA) delinquent. An EPD mortgage loan is a mortgage loan that has experienced an EPD event, except to the extent no scheduled monthly payment (other than any payment during a forbearance period that has been granted to a mortgagor due to the COVID-19 Outbreak) with respect to the mortgage loan is more than 30 days' MBA delinquent on any date between the EPD event and the sixth due date following the origination date. Within 90 days after the sponsor receives an EPD notice, the sponsor must repurchase the related EPD mortgage loan from the issuer at a price equal to the repurchase price.

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

Although the MOA's result reflects a solid aggregation platform, in our opinion, a party with potentially limited repurchasing ability is providing R&Ws. Therefore, we applied a 1.10x loss coverage adjustment to compensate for the risk associated with the financial capacities of the R&W provider. We believe this adjustment is appropriate in the context of the due diligence performed on the loans and the collateral's relative credit quality.

Structural Features

Like other nonprime RMBS transactions, DRMT 2021-1 has a structure that is a mix of pro rata and sequential structures, with principal paid pro rata among the senior classes (subject to passing a cumulative loss and delinquency trigger test) and then sequentially to the subordinate classes. In the periods that a cumulative loss trigger or delinquency trigger fails, principal is paid sequentially to classes A-1, A-2, and A-3. The transaction also uses excess monthly cash flow to cover current-period realized losses and reimburse any applied realized loss amounts. This feature allows classes M-1, B-1, B-2, and B-3 to have an initial credit enhancement provided by subordination that is lower than our estimated loss coverage amounts.

The paying agent will make monthly interest distributions from the interest remittances and principal from the principal remittances (see tables 5, 6, and 7).

The interest remittance amount includes the interest collected from borrowers or advanced (for loans serviced by Selene) on their behalf (including interest payments that accompany prepayments, any compensating interest, and interest portions of liquidation proceeds [net of expenses], subsequent recoveries, redemption prices, repurchase amounts and amounts withdrawn from the interest reserve account) minus servicing fees, master servicing fees, trustee fees, custodial fees, the servicer advance reimbursements permitted under the securitization

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servicing agreement or indenture, reimbursable expenses incurred by the controlling holder, and extraordinary expenses, which are generally subject to a $525,000 annual cap. Although the extraordinary expenses are passed through as reduced contractual interest due to the noteholders, we ran these expenses at their capped amounts to stress the excess spread provided by the unrated class XS notes. We also considered the extraordinary expenses when analyzing projected interest reduction amounts, as described further in the imputed promises section below.

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

Table 8

Interest Payment Waterfall

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

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

Table 9

Principal Payment Waterfall

Priority	Payment (cumulative loss and delinquency triggers pass)
1	Unpaid interest and interest carry-forward amounts sequentially to the class A-1, A-2, and then A-3 notes.
2	Principal pro rata to the class A-1, A-2, and A-3 notes until reduced to zero.
3	Unpaid interest and interest carry-forward amounts to the class M-1 notes.
4	Principal to the class M-1 notes until reduced to zero.
5	Unpaid interest and interest carry-forward amounts to the class B-1 notes.
6	Principal to the class B-1 notes until reduced to zero.
7	Unpaid Interest and interest carry-forward amounts to the class B-2 notes.
8	Principal to the class B-2 notes until reduced to zero.
9	Unpaid interest and interest carry-forward amounts to the class B-3 notes.
10	Principal to the class B-3 notes until reduced to zero.
11	Any remaining amounts paid as part of monthly excess cash flows.
Priority	**Payment (cumulative loss or delinquency triggers tripped)**
1	Unpaid interest and interest carryforward amounts to the class A-1 notes.
2	Principal to the class A-1 notes until reduced to zero
3	Unpaid interest and interest carryforward amounts to the class A-2 notes.
4	Principal to the class A-2 notes until reduced to zero.
5	Unpaid interest and interest carryforward amounts to the class A-3 notes.

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Table 9

Principal Payment Waterfall (cont.)

6	Principal to the class A-3 notes until reduced to zero.
7	Unpaid interest and interest carryforward amounts to the class M-1 notes.
8	Principal to the class M-1 notes until reduced to zero.
9	Unpaid interest and interest carryforward amounts to the class B-1 notes.
10	Principal to the class B-1 notes until reduced to zero.
11	Unpaid interest and interest carryforward amounts to the class B-2 notes.
12	Principal to the class B-2 notes until reduced to zero.
13	Unpaid interest and interest carryforward amounts to the class B-3 notes.
14	Principal to the class B-3 securities until reduced to zero.
15	Any remaining amounts paid as part of monthly excess cash flows.

Table 10

Monthly Excess Cash Flow Waterfall

Priority	Payment
1	Sequentially to classes A-1, A-2, A-3, M-1, B-1, B-2, and B-3, up to the amount of any realized losses in the current period.
2	Sequentially to classes A-1, A-2, A-3, M-1, B-1, B-2, and B-3, up to the amount of any cumulative applied realized losses until their respective note amount is reduced to zero.
3	Sequentially to classes A-1, A-2, A-3, M-1, B-1, B-2, and B-3, up to the amount of any remaining cumulative applied realized loss amounts, to reimburse for applied realized loss amounts previously allocated thereto.
4	To the cap carry-over reserve account, up to the aggregate cap carry-over amount for classes A-1, A-2, A-3, M-1, B-1, B-2 and then, sequentially, from amounts on deposit in the cap carry-over reserve account, to classes A-1, A-2, A-3, M-1, B-1, B-2 any unpaid cap carry-over amounts(i).
4	To the class XS notes.
5	To the transaction parties, on a pro rata basis, any fees, expenses, or indemnification amounts not previously paid due to application of the annual cap and any subcaps.
6	On any Payment Date prior to the earlier of optional redemption of the notes, if any, and the final scheduled payment date, to the interest reserve account, any remaining amounts.
7	Any remaining amounts to the class R notes.

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

Interest on classes A-1, A-2, A-3, M-1, B-1, and B-2 is based on the lower of the coupon on the notes and the net weighted average coupon (WAC) rate (defined as the mortgage interest rate net of fees and extraordinary expenses). In line with our imputed promises analysis, our preliminary ratings address the lower of these two rates (see "S&P Global Ratings Definitions," published Jan. 5, 2021). Interest on class B-3 is equal to the net WAC rate.

Under the transaction documents, the issuer can defer interest payments on these securities. A failure to pay the interest amounts due on the securities will result in the interest being deferred. Deferred interest (interest carry-forward amounts) accrues at the lower of the fixed rate and net WAC rate for classes A-1, A-2, A-3, M-1, B-1, and B-2, and at the net WAC rate for class B-3. Our

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preliminary ratings address ultimate principal and interest payments (including interest carry-forward amounts) by the notes' final maturity date.

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

The subordinate notes are paid principal sequentially after all senior notes have been paid off. Unlike the credit enhancement seen in shifting-interest RMBS structures, which may deplete due to scheduled and prepaid principal paid to the subordinate classes, the credit enhancement in DRMT 2021-1 does not deplete since no principal payments are made on the subordinate notes while the senior classes are outstanding.

Although principal is paid pro rata among the senior classes from the start, and there is no defined credit enhancement floor that would switch the senior classes' payment priority to sequential, we are comfortable that the transaction is adequately enhanced for the assigned preliminary ratings. This includes any tail-risk considerations, given that the transaction starts with 23.0% enhancement for the senior classes, which then grows as a percentage of the current balance as the senior classes are paid down (see the Large Loan And Tail-risk Considerations section above in this report). Additionally, the delinquency trigger and cumulative loss rate trigger (see tables 11A and 11B) protect the more senior classes in tail-risk situations if defaults were to increase much later in the transaction's life (a back-ended default curve) by switching the payment priority among the senior classes to sequential.

Table 11A

Delinquency Trigger Event

Distribution date occurring in the following periods	60+ day DQ loans plus loans modified in past 12 months (six-month average as a % of the current pool balance)
March 2021–February 2026	25.0
March 2026 and after	30.0

DQ--Delinquency.

Table 11B

Cumulative Loss Trigger Event

Distribution date occurring in the following periods	Applied realized loss amounts since closing date as a % of the cut-off date pool balance
March 2021–February 2024	2.0
March 2024–February 2025	3.0
March 2025–February 2026	6.0
March 2026 and after	8.0

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

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

Cash Flow And Scenario Analysis

We reviewed the transaction structure and performed a cash flow analysis to simulate various rating stress scenarios to determine the preliminary ratings for each class consistent with our criteria, accounting for the available credit enhancement (see table 13). We analyzed a variety of scenarios for each rating category, including combinations of:

- Front and back-loaded default timing curves;
- Two-year recovery lag assumptions;
- Fast and slow prepayment assumptions;
- High, low, and forward interest rate curve assumptions; and
- Delinquency assumptions to stress liquidity for potential forbearance.

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

Table 12

Cash Flow Assumptions

		Scenario					
		AAA	AA	A	BBB-	BB	B-
Recovery lag (mos.)		24	24	24	24	24	24
Prepayments (%)(i)							
Low CPR		1	2	3	4	5	6
High CPR		20	20	20	20	20	20
Scenario 1: Delinquency curve	20% of the loans assumed to default under the default timing curve in a given month and remain delinquent for three months that affect asset cash flows/liquidity in addition to our standard delinquency curve that tests triggers.						
Scenario 2: Delinquency curve	Delinquencies at 35% for first six months to stress liquidity and triggers followed by standard delinquency curve to test triggers.						
Foreclosure frequency (%)		74.90	67.84	56.97	43.12	35.78	20.53
Loss severity (%)		58.01	52.77	42.65	36.53	32.28	28.49
Loss coverage (%)		43.45	35.80	24.30	15.75	11.55	5.85

(i)Using a standard prepayment convention. CPR--Conditional prepayment rate. N/A--Not applicable.

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Notwithstanding the use of excess interest within the transaction structure, we applied front- and back-loaded rather than bulleted (e.g., semiannual or annual lump sum) default timing curves in our analysis. This reflects our view of the potential volatility of cash flows given the loans are newly originated or acquired by a reviewed aggregator, subject to third-party due diligence, and include structural considerations, such as pro rata principal allocations among the A-1, A-2, and A-3 classes and partial P&I advancing by the servicer. We applied the foreclosure frequencies, loss severities, and combinations of the stresses noted above in our cash flow runs, and observed some periodic missed interest due to the liquidity stress associated with no advancing. To pass our rating category specific stresses, the interest deferrals (or interest carry-forward amounts) resulting from any missed interest payments on the securities have to be paid in full by the maturity date. All deferred interest was paid back with interest under the applicable rating-specific stresses in our cash flow projections. The results show that each preliminary rated class in the transaction is enhanced to a degree consistent with the respective assigned preliminary rating.

Table 13

Structural Assessment

Class	Rating	Initial class size (%)	Initial credit enhancement (%)	Loss coverage (%)	Percentage point difference between credit enhancement and loss coverage
A-1	AAA (sf)	58.60	41.40	43.45	(2.05)
A-2	AA (sf)	6.20	35.20	35.80	(0.60)
A-3	A (sf)	12.20	23.00	24.30	(1.30)
M-1	BBB- (sf)	6.60	16.40	15.75	0.65
B-1	BB (sf)	4.45	11.95	11.55	0.40
B-2	B- (sf)	6.65	5.30	5.85	(0.55)
B-3	NR	5.30	0.00	N/A	N/A

NR--Not rated. N/A--Not applicable.

Servicer stop advance stresses

The transaction documents do not provide for any P&I advance obligation on 35.4% of the loans. Therefore, no P&I advances were being modeled in our cash flow projections. This assumption results in no projected monthly cash flows on defaulted loans that have not yet been liquidated (we assume a 24-month lag between default and liquidation). In addition, based on our criteria, we assumed 20.00% of the loans defaulted under our default timing curve in a given month and remained delinquent for three months before curing. Our cash flow projections take into account these liquidity stresses and the transaction's ability to make monthly interest payments and, if necessary, interest carryforward amounts by the final maturity date on the preliminary rated classes. We also modeled a delinquency curve, based on our criteria, to test the delinquency trigger.

To address the potential liquidity stress to cash flows due to loans entering forbearance or deferral in light of the COVID-19 pandemic and for which the P&I advancing party is not obligated to advance monthly P&I payments, we applied an additional delinquency stress scenario. We assumed 35.00% of the closing pool balance to be delinquent for the first six months, with any P&I payments related to this delinquent portion coming back to the transaction after all defaults have

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been passed through to the transaction (approximately 144 months).

WAC deterioration stress

To address the potential for a pool's WAC to decline over time as higher coupon loans prepay or default, we stress the pool's projected cash flows by reducing the interest accrued on the assets. Where appropriate, we review the distribution of loan coupons in the pool, based on measures such as the standard deviation, interquartile range, and maximum/minimum ranges, to assess the pool's homogeneity with respect to loan coupons.

Generally, the stress is based on the pool's WAC at the time of analysis versus 10 years later, based on an assumed reduction in pool balance of 10.0% per year applied to the loans with the highest coupons. This WAC difference is the maximum WAC deterioration assumed for the pool. The stress applied starts at 0 in the transaction's first month and increases linearly each month to the maximum through year 10, at which point it remains constant at the maximum through the deal's remaining life. This stress is applied in all cash flow stress scenarios at all rating levels. For this mortgage pool, the original WAC is 6.57%, and the WAC 10 years later, based on our assumptions above, is 5.46%, resulting in a maximum WAC deterioration of approximately 1.11% for this pool. However, we increased our WAC deterioration to 1.33% for this pool, to stress in our cash flow analysis any potential reduction in interest remittance amounts that may happen due to reimbursement of servicing advances from monthly general collections for loans serviced by Citadel.

Interest stresses

In this transaction, extraordinary trust expense payments reduce the net WAC rate, which effectively allocates the extraordinary trust expenses pro rata across all senior and subordinate noteholders by reducing their interest payments by the amount of the extraordinary trust expenses paid (subject to the annual cap). Although the extraordinary expenses are passed through as reduced contractual interest due to noteholders, we ran these expenses at their capped amounts to test any impact on the securities. We tested this because the securities depend on excess spread as a form of credit enhancement and the presence of certain structural features (such as limited P&I advancing), and because interest payments on the securities are deferrable.

Imputed Promises Analysis

We impute the interest owed to the security holders when rating U.S. RMBS transactions where credit-related events can reduce interest owed to the tranches across the capital structure rather than an allocation of that credit-related loss to the available credit support, based on our loan modification guidance, "Guidance: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Dec. 8 2020. WAC deterioration that occurs because of defaults, repurchases, or prepayments is not considered credit-related and, therefore, it is not considered as part of this analysis.

Because this transaction provides for credit-related loan modifications and extraordinary trust expenses to reduce the net WAC at which the transaction's bond coupons are capped, we applied the approach outlined in the guidance to assess the maximum potential rating (MPR) that could apply based on our projected interest reduction amount (PIRA). As this is a new issue transaction, there were no outstanding cumulative interest reduction amounts to be considered.

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Consistent with our guidance, we assumed that 50.00% of the nonmodified loans portion of the pool projected to default under the applicable rating stress scenario would be modified. We also assumed that 75% of the projected modifications are interest rate modifications, with an interest rate reduction of 2%. When added to the extraordinary trust expenses, this resulted in a maximum PIRA on the preliminary rated notes that is significantly below the 4.50% threshold. We stressed extraordinary trust expenses by the relevant extraordinary expense application factor over 48 months, starting from month 13 through 60 of the transaction's life. Based on the results of our analysis, there was no impact on the securities' MPR.

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

Operational Risk Assessment

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

As provided in the operational risk criteria, for severity risk and portability risk, there are three possible rankings: high, moderate, or low. For disruption risk, there are four possible rankings: very high, high, moderate, or low. The rankings for each of the three risks determine the MPR that can be assigned to a structured finance security for a given KTP before giving consideration to any provisions for a backup KTP, such as a master servicer.

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

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- 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 | RMBS: Assumptions Supplement For Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later, Feb. 22, 2018
- Criteria | Structured Finance | RMBS: Methodology And Assumptions For Rating U.S. RMBS

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Issued 2009 And Later, Feb. 22, 2018

- Criteria | Structured Finance | RMBS: U.S. Residential Mortgage Operational Assessment Ranking Criteria, Feb. 22, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, 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

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- Economic Research: Staying Home For The Holidays, Dec. 2, 2020
- Select Servicer List, Dec. 1, 2020
- S&P Global Ratings Publishes List Of Third-Party Due Diligence Firms Reviewed For U.S. RMBS As Of Nov. 5, 2020, Nov. 5, 2020
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- Servicer Evaluation: Selene Finance L.P., March 25, 2020
- U.S. Residential Mortgage Input File Format For LEVELS, March 6, 2020
- Credit Rating Model: LEVELS Model For U.S. Residential Mortgage Loans, Aug. 5, 2019
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- Global Structured Finance Scenario and Sensitivity Analysis 2016: The Effects of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Standard & Poor's Comfortable With SFIG Draft Proposal Regarding TRID Due Diligence, April 25, 2016
- Older RMBS Transactions Face Increased Tail Risk As Their Pools Shrink, Aug. 9, 2012

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