

Presale:

Imperial Fund Mortgage Trust 2021-NQM2

August 19, 2021

Preliminary Ratings

Class	Preliminary rating(i)	Preliminary amount (\$)	Credit enhancement (%) (ii)	Initial interest rate (%) (iii) (iv)	Class type
A-1	AAA (sf)	161,924,000	31.80	Fixed	Senior/pro rata
A-2	AA (sf)	17,807,000	24.30	Fixed	Senior/pro rata
A-3	A (sf)	27,541,000	12.70	Fixed	Senior/pro rata
M-1	BBB (sf)	10,328,000	8.35	Fixed	Mezzanine/sequential
B-1	BB+ (sf)	8,073,000	4.95	Fixed	Subordinate/sequential
B-2	B (sf)	6,885,000	2.05	Net WAC	Subordinate/sequential
B-3	NR	4,867,844	0.00	Net WAC	Subordinate/sequential
A-IO-S	NR	Notional(v)	N/A	(vi)	Excess servicing
X	NR	Notional(v)	N/A	(vii)	Monthly excess cash flow
R	NR	N/A	N/A	N/A	Residual

Note: This presale report is based on information as of Aug. 19, 2021. 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. (i)The collateral and structural information in this report reflects the term sheet dated Aug. 18, 2021. The preliminary ratings address the ultimate payment of interest and principal. (ii)This credit enhancement is solely from subordination. Excess spread also provides credit enhancement. (iii)Interest can be deferred on the classes, and the coupons are subject to the pool's net WAC rate. The class B-2 and B-3 coupons equal the net WAC rate. (iv)The accrual period for the initial distribution date will be the two calendar months immediately preceding the September 2021 distribution date. (v)The notional amount equals the loans' aggregate stated principal balance. (vi)The excess servicing strip minus compensating interest and advances owed to the servicer. (vii)The excess of the interest accrued at net WAC rate on the mortgage loans over the aggregate interest accrued at the respective pass-through rates on the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 certificates plus any prepayment premiums. WAC--Weighted average coupon. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	Aug. 25, 2021.
Cutoff date	July 1, 2021.
First payment date	Sept. 27, 2021.
Final scheduled payment date	Sept. 25, 2056.
Certificates' amount, including unrated classes	\$237.4 million, in aggregate.

PRIMARY CREDIT ANALYST

Meghan Benegar
Centennial
+ 1 (303) 721 4658
meghan.benegar
@spglobal.com

SECONDARY CONTACT

Joseph J McKeever
New York
+ 1 (212) 438 2260
joseph.mckeever
@spglobal.com

SURVEILLANCE CREDIT ANALYST

Truc T Bui
San Francisco
(1) 415-371-5065
truc.bui
@spglobal.com

ANALYTICAL MANAGER

Vanessa Purwin
New York
+ 1 (212) 438 0455
vanessa.purwin
@spglobal.com

Profile (cont.)

Collateral type	First-lien, fixed- and adjustable-rate fully amortizing residential mortgage loans that are secured by single-family residential properties, planned-unit developments, condominiums, and two- to four-family residential properties to prime and nonprime borrowers. The pool has 523 non-qualified or exempt mortgage loans backed by 533 properties. Two of the loans are cross-collateralized loans backed by 12 properties.
Collateral	U.S. residential mortgage loans.
Credit enhancement	For each class of rated certificate, subordination of the certificates that are lower in the payment priority and excess spread.

Participants

Issuer	Imperial Fund Mortgage Trust 2021-NQM2.
Sponsor/R&W provider/servicing administrator	Imperial Fund II LLC.
Depositor	Imperial Fund II Mortgage Depositor LLC.
Servicer	A&D Mortgage LLC.
Subservicer	Specialized Loan Servicing LLC.
Master servicer	Nationstar Mortgage LLC.
Securities administrator and certificate registrar	Citibank N.A.
Custodian	Wilmington Trust N.A.
Trustee	Wilmington Savings Fund Society FSB.
Initial purchasers	Barclays Capital Inc. and Performance Trust Capital Partners LLC.
Originator	A&D Mortgage LLC (contributing 98.6% of the pool balance) and other originators (contributing 1.40% by balance).

Primary Originator Making Up More Than 10% Of The Collateral

Entity	By balance (%)	Due diligence (%)	Originator ranking
A&D Mortgage LLC	98.60	100.00	AVERAGE

Servicers

	By balance (%)	S&P Global Ratings' select servicer	Operation	Originators
A&D Mortgage LLC	100.00	No	Primary servicer	All loans
Nationstar Mortgage LLC	100.00	Yes	Master servicer	All loans
Specialized Loan Servicing LLC	100.00	Yes	Subservicer	All loans

Rationale

The preliminary ratings assigned to Imperial Fund Mortgage Trust 2021-NQM2's (IMPRL 2021-NQM2) mortgage pass-through certificates reflect our view of:

- The pool's collateral composition and geographic concentration (see the Collateral Summary section below);
- The transaction's credit enhancement, associated structural mechanics, and representation and warranty (R&W) framework;
- The mortgage originators, primarily A&D Mortgage LLC; and
- The impact the COVID-19 pandemic will likely have on the performance of the mortgage borrowers in the pool and the liquidity available in the transaction.

Environmental, Social, And Governance (ESG)

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For RMBS, we view the exposure to environmental credit factors as average, social credit factors as above average, and governance credit factors as below average (see "ESG Industry Report Card: Residential Mortgage-Backed Securities," published March 31, 2021). In our view, the transaction's exposure to social and environmental credit factors is in line with the sector benchmark.

For RMBS, we generally consider social credit factors as above average because housing is viewed as one of the most basic human needs, and conduct risk presents a direct social exposure for lenders and servicers because regulators are increasingly focused on ensuring fair treatment of borrowers. Social risk is generally factored into our base-case assumptions for RMBS transactions. Our assumptions also consider physical climate risks such as floods, storms, or wildfires, which could severely damage properties, reduce their value, and hurt recoveries if borrowers default. This transaction exhibits some geographic concentration in certain core-based statistical areas (CBSAs), which may expose parts of the portfolio to extreme weather events, and it has a relatively higher exposure to environmental credit factors than our sector benchmark.

The transaction has a relatively higher exposure to environmental credit factors than our sector benchmark, in our view. The collateral backing the certificates has relatively higher geographic concentration risk, based on the concentration of loans in each of the core-based statistical areas (CBSAs). Although geographic risk exposure may exist due to economic concentrations or lack of diversification, geographic concentration may also expose a transaction to physical climate risks such as floods, storms, or wildfires, which could severely damage properties and reduce their value and affect recoveries if borrowers default. In contrast, well-diversified portfolios reduce exposure to extreme weather events. The transaction includes certain other features that provide mitigants to environmental exposures, including requirements for homeowners or flood insurance and 100% of the loans in the pool were subject to a third-party due diligence review.

Overview

IMPRL 2021-NQM2 is Imperial's third transaction (including two under Imperial Fund I LLC) and the sponsor's (Imperial Fund II LLC) first non-qualified mortgage (non-QM) RMBS transaction. A&D Mortgage, an affiliate of the sponsor, originated all but 12 of the loans in the pool. A&D Mortgage (with Specialized Loan Servicing LLC as the subservicer) services the loans. Non-QM loans comprise about 66.0% of the pool, with 34.0% being ATR-exempt investor property loans.

Noteworthy Features

Geographic concentration

The pool is geographically concentrated with 48.8% of the loans in Florida (with the Miami and Ft. Lauderdale metropolitan divisions or core-based statistical areas [CBSAs], as applicable, representing 22.2%, and 9.9%, respectively). Our Herfindahl-Hirschman Index geographic adjustment factor is calibrated based on the distribution of loans in our historical mortgage data set, which reflects similar concentrations in California but not Florida. As a result, we applied an additional 1.08x adjustment factor to loss coverage over and above our Herfindahl-Hirschman Index adjustment factor for a total geographic adjustment factor of 1.19x to account for the elevated concentration in Florida.

Loans in forbearance

As of July 31, 2021, none of the loans in the pool is under a COVID-19-related forbearance plan or was previously under one. Therefore, no additional adjustment was required on the pool. We will continue to monitor the credit behavior related to temporary forbearance as the situation evolves and more performance information becomes available, and we may adjust our loss coverage levels accordingly, which could impact the ratings. We will also continue to monitor macroeconomic and housing conditions and update our mortgage market outlook and associated archetypal foreclosure frequencies as applicable.

High concentration of alternative and other documentation loans

The transaction includes 283 loans (63.3% by pool balance) that were verified using alternative documentation, such as personal or business bank statements, CPA letters, and profit and loss (P&L) statements. It also includes 173 property-focused investor loans (21.9% by pool balance) underwritten to an investment property business-purpose program that did not consider the borrowers' income or employment in the underwriting process. We view income verification using alternative and other documents to be a weaker standard than "full" documentation of income and, consequently, increased our loss coverages for these loans by applying an adjustment to the foreclosure frequencies.

Cross-collateralized loans

This transaction contains two cross-collateralized loans backed by 12 properties (0.4% by pool balance). We analyzed the cross-collateralized loans as separate properties, with the balance allocated for each loan in proportion to each property's appraisal value. The DSCR for these loans is calculated by aggregating the qualifying rental income and expenses for all properties securing the loan.

The two cross-collateralized loans have a property release provision where the borrower would need to pay 120% of the individual property loan amount to remove it from the cross collateralized loan. We typically expect to see a predetermined property release provision to reduce the incentive for borrowers to release the liens on stronger properties and leave only the relatively weaker properties to back their loans.

Optional redemption

An optional redemption can occur on the August 2024 (three years after the closing date) distribution date. This feature differs from the prior transactions, which had a redemption option of the earlier of three years after the closing date or when the loans' aggregate stated principal balance is less than or equal to 30.0% as of the cutoff date.

Collateral Summary

IMPRL 2021-NQM2's assets consist primarily of fixed- and adjustable-rate fully amortizing non-QM loans secured by first liens. The mortgage pool comprises of 523 mortgage loans backed by 533 properties. The principal balance is approximately \$237.4 million as of the cutoff date.

The collateral pool, from a credit perspective, is weaker than the S&P Global Ratings archetypal prime pool, but it is generally in line with our expectations of a non-QM residential mortgage pool (see table 1). The pool's 'AAA' and 'B' loss coverage requirements were determined to be 24.65% and 2.30%, respectively. In our analysis, we considered the following mortgage loan characteristics to be weaker:

- Primarily non-QM loans,
- Alternative income documentation loans,
- Geographic concentration of the pool,
- Occupancy status (second home or investor property),
- Loan purpose (cash-out refinances),
- Loan type (adjustable-rate mortgage [ARM] loans),
- Self-employment status of borrowers, and
- Residency status of borrowers (see the Strengths And Weaknesses section below for more details).

Table 1

Collateral Characteristics

	IMPRL 2021-NQM2	IMPRL 2021-NQM1	IMPRL 2020-NQM1	Verus 2021-4	GCAT 2021-NQM3	Archetypal pool(i)
Closing pool balance (mil. \$)	237.4	214.2	145.6	466.9	290.6	N/A
Closing loan count (no.)	523(ii)	493	457	751	516	N/A
Avg. loan balance (\$)	453,969	434,530	318,520	600,156	563,092.72	N/A
WA original CLTV (%)	69.7	72.4	70.7	70.1	69.3	75.0
WA current CLTV (%)	69.6	72.0	70.1	69.8	69.0	75.0
WA FICO score	731(iii)	733	716	739	734	725
WA current rate (%)	4.9	5.5	5.9	5.1	5.1	N/A
WA original term (mos.)	359	360	360	376	362	360
WA seasoning (mos.)(iv)	0.9	3.0	7.0	4.5	3.8	0-6
WA debt-to-income (%)	33.1	31.6	32.6	35.6	32.3	36.0

Table 1

Collateral Characteristics (cont.)

	IMPRL 2021-NQM2	IMPRL 2021-NQM1	IMPRL 2020-NQM1	Verus 2021-4	GCAT 2021-NQM3	Archetypal pool(i)
WA DSCR (non-zero)	1.2	1.3	1.1	1.6	1.0	N/A
Owner occupied (%)	61.1	69.2	49.1	62.1	74.6	100.0
Investor property (%)	34.0	28.0	50.9	33.2	22.3	
Single-family (including unattached and attached PUD) (%)	80.8	80.2	62.0	82.6	82.4	100.0
Fixed rate (%)	95.9	74.5	51.9	88.3	87.7	0.0
Adjustable-rate loans (%)	4.1	25.5	48.1	11.8	12.3	0.0
Loans with IO payments (%)	2.2	6.0	2.8	25.0	10.8	0.0
Purchase (%)	63.6	76.0	60.5	57.0	60.0	100.0
Cash-out refinancing (%)	22.9	12.2	31.1	21.9	21.5	0.0
Full documentation (%)	14.6	14.8	10.9	29.0	18.4	100.0
Alternative/bank statement documentation (%)	63.3	65.1	52.4	40.1	61.6	0.0
Other/asset depletion/DSCR documentation (%)	22.1	20.2	36.6	31.0	20.1	0.0
Self-employed borrowers (%)	70.8	70.5	51.1	55.9	75.1	0.0
Loans with co-borrowers (%)	16.0	13.9	17.3	20.5	25.9	0.0
Loans to borrowers with multiple mortgages %(v)	4.8	6.8	8.1	8.5	1.9	N/A
Loans to foreign borrowers (%)(foreign national & non-permanent resident aliens)	7.6	9.8	16.8	3.4	6.7	0.0
Modified loans %(vi)	0.0	0.0	0.0		0.0	0.0
PCEs %(vi)	1.7	0.5	0.4	0.3	0.5	0.0
Current (%)	100.0	100.0	100.0	97.0	98.9	100.0
30+ day delinquent (%)	0.0	0.0	0.0	3.0	1.1	0.0
Forbearance (including active and completed) (%)	0.0	0.6	0.6	2.8	5.9	0.0
Length of P&I advancing (mos.)(vii)	3	3	3	3	3	Full
Pool-level adjustments (multiplicative factors)						
Geographic concentration	1.19	1.24	1.24	1.10	1.02	1.00
Mortgage operational assessment	1.00	1.00	1.00	1.00	1.05	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)	1.03	1.01	1.01	1.00	1.01	1.00

Table 1

Collateral Characteristics (cont.)

	IMPRL 2021-NQM2	IMPRL 2021-NQM1	IMPRL 2020-NQM1	Verus 2021-4	GCAT 2021-NQM3	Archetypal pool(i)
COVID-19 forbearance adjustment	1.00	1.00	1.00	1.03	1.05	N/A
Combined pool-level adjustments(viii)	1.35	1.38	1.38	1.25	1.25	1.00
Loss estimation						
'AAA' loss coverage (%)	24.65	26.95	37.15	22.65	20.75	7.50
'AAA' foreclosure frequency (%)	45.34	47.43	66.61	46.07	42.53	15.00
'AAA' loss severity (%)	54.37	56.82	55.77	49.16	48.79	50.00
'BBB' loss coverage (%)	7.95	8.85	12.00	7.80	6.90	1.92
'BBB' foreclosure frequency (%)	24.69	25.96	37.86	25.52	23.47	6.41
'BBB' loss severity (%)	32.20	34.09	31.70	30.56	29.40	30.00
'B' loss coverage (%)	2.30	2.60	3.60	2.55	2.35	0.65
'B' foreclosure frequency (%)	10.01	10.59	16.56	11.03	10.15	3.25
'B' loss severity (%)	22.98	24.55	21.74	23.12	23.15	20.00

(i)As defined in our Feb. 22, 2018, criteria and the associated guidance published on April 17, 2020, which contains our updated base-case-scenario related loss coverages, foreclosure frequencies, and loss severities. (ii) 523 loans backed by 533 properties. The collateral pool contains two cross-collateralized loans backed by 12 properties. (iii)FICO reflects the most recent scores obtained. We assume 687 (one standard deviation from the original pool average) for foreign borrowers who are missing FICO scores. (iv)Measured from the origination date. (v)Limited to borrowers who have multiple mortgage loans included in the securitized pool. (vi)Limited to modified and PCE loans considered in our analysis. (vii)Months of P&I advancing on a delinquent mortgage loan to the extent such advances are deemed recoverable. (viii)Combined pool-level adjustments are the product of each pool-level adjustment listed above. IMPRL--Imperial Fund Mortgage Trust. Verus--Verus Securitization Trust. WA--Weighted average. CLTV--Combined loan-to-value ratio. DSCR--Debt service coverage ratio. PUD--Planned-unit development. IO--Interest-only. PCEs--Prior credit events. P&I--Principal and interest. N/A--Not applicable.

The loans in the pool have 15- and 30-year original terms to maturity, and the weighted average seasoning is approximately one month. By balance, the pool consists of 95.9% fixed-rate mortgage and 4.1% ARM loans. ARM interest-only loans represent 1.66% of the total pool, while fixed interest-only loans represent 0.55%.

The mortgage pool has a weighted average original combined loan-to-value (CLTV) ratio of 69.7%. The weighted average FICO score for the collateral pool is 731, which includes certain S&P Global Ratings assumptions (see table 2 for a breakdown of the pool by borrower FICO score). In the pool, there are 17 loans to borrowers without a FICO score. We assessed these loans in our credit analysis using a FICO score of 687, which is approximately the mortgage pool's average original FICO score less one standard deviation. For the 44 loans to foreign or non-permanent resident alien borrowers (7.6% by pool balance), we applied a 1.5x multiple to the foreclosure frequencies.

Mortgage loans backed by primary residences and investment properties comprise approximately 61.1% and 34.0% of the pool by balance, respectively. The mortgage loans in the pool are backed by single-family residences (71.3% by pool balance, including townhouses and single-family attached residences), condominiums (14.9%), planned-unit developments (9.6%), and two- to four-family homes (4.3%) (see table 1).

Table 2

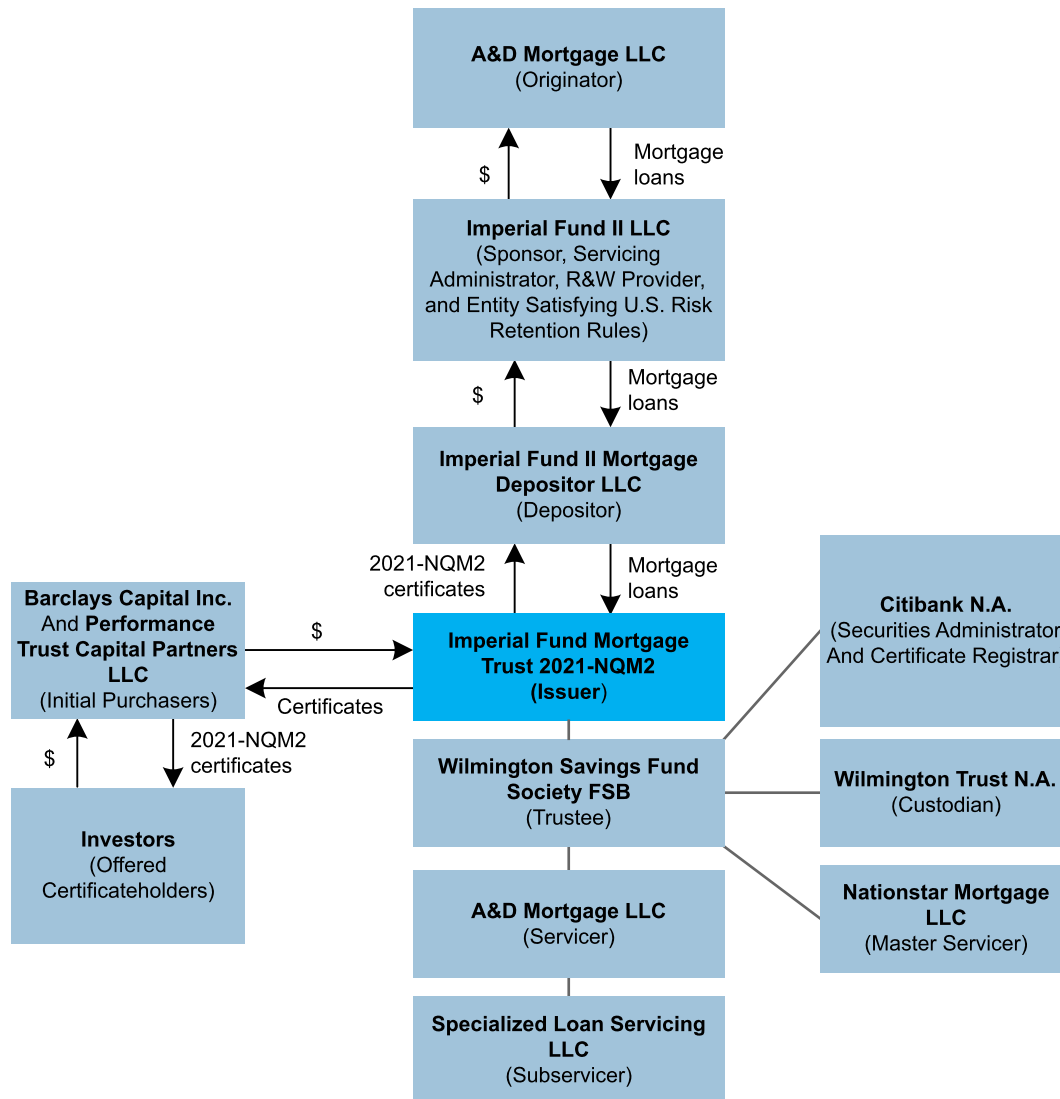
Updated Credit Score Statistics

FICO score	Current balance (%)	No. of loans	Average current balance (\$000s)
750+	34.7	189	435.3
725-749	25.6	117	518.4
700-724	16.2	83	462.8
675-699	13.6	71	454.3
650-674	6.4	39	391.7
625-649	2.3	15	367.8
600-624	0.9	7	291.9
575-599	0.4	2	492.8
550-574	0.0	0	0.0
Below 550	0.0	0	0.0
Total	100.0	523	454.0

Transaction Structure

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

Transaction Structure



R&Ws--Representations and warranties.

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The transaction is structured as a two-step transfer of the assets from a statutory trust owned by the sponsor (Imperial Fund II LLC) to the depositor (Imperial Fund II Mortgage Depositor LLC) and a pledge from the depositor to the issuing trust (IMPRL 2021-NQM2). The issuing trust will transfer the certificates to the depositor. The depositor will sell the offered certificates to the initial purchasers, who will sell them to third-party investors. The depositor will transfer the non-offered certificates as part of the consideration for the mortgage loans at the direction of the statutory trust seller. The sponsor, who owns the statutory trust seller, will direct it to have the depositor transfer some portion of the non-offered certificates to the sponsor and to hold the remaining portion to satisfy the risk retention rules.

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.

Strengths And Weaknesses

We believe the following characteristics strengthen the IMPRL 2021-NQM2 transaction:

- The mortgage pool generally consists of loans to borrowers with considerable home equity, as demonstrated by the pool's weighted average original CLTV ratio of 69.7%.
- The third-party due diligence provider, Mission Global LLC, which is on our list of reviewed providers, performed due diligence on 100% of the loans in the pool with no material findings. The company's review encompassed regulatory compliance (where applicable), credit (underwriting) compliance, property valuations, and data quality.
- The class A-1, A-2, and A-3 certificates (the senior classes) benefit from a credit support floor in which no principal is paid to the mezzanine and subordinate classes until the senior classes are retired. In addition, principal is paid sequentially among the senior classes in periods when either the cumulative loss or the delinquency trigger has failed, further protecting the more-senior classes.

We believe the following factors weaken the IMPRL 2021-NQM2 transaction:

- The pool is geographically concentrated in Florida (48.8%), with the remainder dispersed throughout 19 states. We applied an overall geographic concentration factor of 1.19x (which includes an adjustment of 1.08x in addition to our Herfindahl-Hirschman Index factor) to account for this risk.
- Loans to foreign/non-permanent resident borrowers represented 44 loans (7.6% by pool balance). We applied a 1.5x factor to the foreclosure frequencies for these loans and used a proxy FICO score of 687 for the subset of 17 foreign borrowers without FICO scores.
- Income on certain mortgage loans (63.3% by pool balance) was verified using alternative methods, such as personal or business bank statements, P&L statements or CPA letters. We consider income verification using alternative methods 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, and at least 24 months of alternative income verification, respectively.
- Certain loans were underwritten to a cash flow investment property program (21.9% by pool balance) using debt service coverage ratios (DSCRs) ranging from 0.59 to 3.48. We applied an adjustment factor ranging from 3.15x to 6.00x to the foreclosure frequencies for these loans depending on the DSCR.
- Certain loans (23.6% by pool balance) were made to borrowers with current FICO scores below 700. The loss estimate of the mortgage pool has been calculated to account for the increased default risk of these loans.
- Most of the loans (70.8% by pool balance) were made to borrowers who are self-employed. Based on our criteria, we applied a 1.10x factor to the foreclosure frequencies for these loans (other than the loans underwritten to DSCR or asset utilization programs).
- Non-QM mortgage loans, which have an increased risk of ability-to-repay (ATR) challenges and associated losses, represent 66.0% of the pool by balance. We applied an adjustment to loss severities, based on our criteria, to account for this risk.
- The loan purpose on 22.9% of loans by balance is cash-out refinance, with an average cash-out

amount of approximately \$194,000; 39 loans have cash-out amounts greater than \$200,000.

- The sponsor, an unrated entity, makes the R&Ws. The R&W framework is weak because the testing of any breaches (other than any loans showing ATR-related realized losses, which are automatically reviewed) is at the option of the controlling holder (the majority owner of the class X certificates and, initially, the sponsor or an affiliate of the sponsor). In addition, the early payment default covenant provided by the sponsor is weaker than what we see in jumbo prime transactions, and the sponsor is an unrated entity that may be unable to fulfill repurchase obligations. Some of the risks and concerns with the framework are mitigated because third-party due diligence was performed on 100% of the loans, and the sponsor retains a horizontal residual interest no less than 5.00% of the fair market value of all certificates. Consequently, we applied a R&W adjustment, which increased our loss expectations at all rating categories by a factor of 1.10x.

Credit Analysis And Assumptions

Our analysis of the IMPRL 2021-NQM2 collateral pool considered several factors, including certain loan-level characteristics. The details of our analysis are described below.

Documentation type

The sponsor guidelines allow income verification using paystubs, W-2s/W-2 equivalents, tax returns, written verifications of employment documenting income, CPA or third-party prepared P&L statements, and personal or business bank statements or a letter from a CPA or licensed tax preparer documenting income. The sponsor also offers asset utilization programs that consider borrower accumulated assets as a source of repayment to qualify the borrower, as well as cash flow investor programs under which loans are underwritten, in part, to a DSCR, which is calculated using actual or estimated rent (see table 3).

Table 3

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	-	-	-	-	-
Full (24+ months)	34	6.97	-	1.00	17.16
Full (24+ months) WVOE only	19	4.42	-	1.00	26.98
Full (12-23 months)	11	2.76	-	1.25	28.57
Full (12-23 months) WVOE only	1	0.24	-	1.25	19.80
Full (1-11 months)	-	-	-	1.50	-
Full (1-11 months) WVOE only	1	0.19	-	1.50	49.28

Table 3

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 (%)
Alternative documentation(i)					
24+ months	-	-	-	-	-
Business bank statements	82	18.67	24.9	1.75	31.85
Personal bank statements	19	3.43	24.2	2.75	27.24
P&L statements(i)	67	16.52	24.8	2.75	35.19
Additional alternative (CPA letter/FN)	11	2.67	25.8	3.75	76.15
12-23 months					
Business bank statements	83	17.39	12.6	2.00	41.36
Personal bank statements	12	2.90	12.3	3.00	45.69
P&L statements(i)	9	1.75	13.0	2.00	29.75
Additional alternative (CPA letter/FN)	-	-	-	2.00	-
1-11 months	-	-	-		-
Business bank statements	-	-	-	2.25	-
Personal bank statements	-	-	-	2.25	-
P&L statements(i)	-	-	-	-	-
Other documentation					
Other (DSCR)	173	21.90		3.15-6.00	54.24
Other (applied 0.00 DSCR)	-	-	-	6.00	-
Other (asset depletion/qualification)	1	0.19	-	3.00	31.05

(i) The documentation source may include other secondary documentation types such as a CPA letter or supporting bank statements.

WVOE--Written verification of employment/employer letter. WA--Weighted average. P&L--Profit and loss. FN--Foreign national program.

For 66 loans (approximately 14.6% 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, and written verification of employment). We applied a documentation type adjustment factor ranging from 1.00x to 1.25x, depending on the length of the income verification.

We classified loans to borrowers that used non-traditional sources of income documentation, such as bank statements (business or personal), P&L statements, or CPA letters as alternative documentation loans. Alternative documentation, including CPA foreign income, was used on 283 mortgage loans (63.3% by pool balance), with most borrowers using 24 months of bank statements. We view income verification using alternative documentation to be a weaker standard than full documentation of income and, consequently, increased our loss coverages for these loans by an adjustment factor ranging from 1.75x to 2.00x, depending on the length of income verification.

One hundred seventy-three loans in the pool (21.9% by pool balance) were underwritten under a lending program that considers investment property cash flow rather than a borrower's verified income. We classified these loans as "other documentation" loans with a DSCR flag and applied a 3.15x-6.00x adjustment to the foreclosure frequencies based on the provided DSCR that ranged from 0.59 to 3.48.

Two DSCR loans were cross-collateralized. Cross-collateralized 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, geographic concentration, and location. The DSCR for these loans is calculated by aggregating the qualifying rental income and expenses for all properties securing the loan. We split out these two loans into 12 property-level constituents for our analysis. Both cross-collateralized loans contain release provisions where the borrower would need to pay 120% of the individual property loan amount in order to remove it from the cross collateralized loan. This predetermined pay-off premium reduces the incentive for borrowers to release the liens on stronger properties and leave the relatively weaker properties to back their cross-collateralized loan.

One loan in the pool (0.19% by pool balance) was underwritten, in full or in part, using a lending program that considers accumulated assets rather than a verified income stream. We classified this loan as other documentation loan and applied a 3.00x adjustment to the foreclosure frequency.

Prior credit event (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 these borrowers' updated FICO scores likely reflect their PCEs, we made an incremental adjustment to the foreclosure frequencies to account for this unique characteristic, focusing primarily on bankruptcy discharges or dismissals within 24 months prior to the cutoff date and housing-related PCEs within 36 months prior to the cutoff date. For loans to borrowers with more seasoned PCEs, we believe that the risks associated with those PCEs are reflected in the updated FICO scores.

We applied a pool-level PCE-related loss coverage adjustment factor of 1.03x, which was derived using a 2.50x factor, for 10 loans (1.8% by pool balance) with borrower bankruptcies within 24 months and/or borrower foreclosures or short sales within 36 months of the cutoff date.

QM and ATR standards

The Consumer Financial Protection Bureau issued final regulations for mortgage loans with applications submitted on or after Jan. 10, 2014, specifying the standards for a QM. ATR-exempt investor property loans account for 34.0% of the pool and, non-QM/compliant comprise the remaining 66.0% (see table 4).

Table 4

Qualified Mortgage Breakout

QM status	Pool balance (\$)	% by pool balance	Loan count (no.)	Weighted average FICO
QM/non-HPML	0	0	0	N/A

Table 4

Qualified Mortgage Breakout (cont.)

QM status	Pool balance (\$)	% by pool balance	Loan count (no.)	Weighted average FICO
QM/HPML	0	0	0	N/A
Non-QM/compliant	156,662,512	65.98	293	730
Not covered/exempt	80,763,333	34.02	230	733

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

Under the ATR rule, as more fully described in our 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 criteria for each loan subject to the rule, which increased our loss coverage estimates at each rating category. 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, as part of our originator review of A&D Mortgage, we concluded that the originator's processes address the ATR risks.

Servicer advancing obligations

The servicer advances delinquent P&I payments on any delinquent mortgage loan (including any loan that may be delinquent due to COVID-19-related forbearance relief) until the earlier of the loan becoming greater than 90 days delinquent (limited P&I advancing/stop-advance loan) or the P&I advance is deemed unrecoverable. If the servicer fails to advance P&I, the master servicer will make those advances and if the master servicer fails to do so, the securities administrator will make such advances.

Unlike P&I advances, the servicer must advance delinquent taxes and insurance (and other property preservation advances) until the related property is liquidated or the servicer deems the advance to be unrecoverable. We adjusted the loss severities to account for this limited advancing.

Borrowers with multiple loans

Fourteen borrowers (4.8% by pool balance) have more than one loan in the pool. Additionally, the pool consists of two loans with cross-collateralized properties in the pool. In aggregate, these borrowers have 12 loans in the pool (0.4% by pool balance). No single borrower exceeds 0.7%, and the largest individual loan in the pool contributes 0.37% of the pool. As a result, we determined that no additional adjustments to the loss coverage or our tail risk analysis were required for borrowers with multiple loans.

Structural Features

Like other nonprime RMBS transactions, IMPRL 2021-NQM2 is a mix of pro rata and sequential structures. Principal is paid pro rata among the senior classes (subject to passing cumulative loss and delinquency trigger tests) and then sequentially to the mezzanine and subordinate classes. In

the periods when the cumulative loss or delinquency trigger test fails, principal is paid sequentially to the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 certificates.

Since the class A-1, A-2, and A-3 certificates can receive principal pro rata, the amount of protection to the class A-1 and A-2 certificates can decline over time. In our analysis, the delinquency or cumulative loss trigger may help protect the more-senior classes by allowing the payment mechanism to switch to sequential earlier, thus preserving subordination and requiring less upfront credit enhancement.

The transaction also uses monthly excess cash flow to cover the current period's realized losses and to reimburse any previously applied realized loss amounts.

The securities administrator will make monthly interest distributions from the interest remittances and principal from the principal remittances (see tables 5-7).

The interest remittance amount includes:

- The interest collected from borrowers or advanced on their behalf (including interest payments that accompany prepayments, any compensating interest, and interest portions of liquidation proceeds [net of expenses] and subsequent recoveries and repurchase amounts).
- Minus the aggregate servicing fees, master servicing fees, securities administrator fees, trustee fees, custodial fees, servicer advance reimbursements, and extraordinary expenses, which are generally subject to a \$350,000 annual cap.

Although the extraordinary expenses are passed through as reduced contractual interest due to certificate holders, we ran these expenses at a certain percentage of their capped amounts to stress excess spread as described further in the Interest stresses section below. We also considered the extraordinary expenses when analyzing projected interest reduction amounts, as described further in the Imputed Promises Analysis 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, and repurchase amounts).
- Minus fees, including extraordinary expenses (subject to the applicable caps) and servicer advance reimbursements that could not be paid from interest collections.

Table 5

Interest Payment Waterfall

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

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

Table 6

Principal Payment Waterfall

Priority	Payment
If the delinquency and cumulative loss trigger tests pass	
1	Unpaid interest and interest carryforward amounts sequentially to the class A-1, A-2, and A-3 certificates.
2	Principal pro rata to the class A-1, A-2, and A-3 certificates.
3	Unpaid interest and interest carryforward amounts to the class M-1 certificates.
4	Principal to the class M-1 certificates.
5	Unpaid interest and interest carryforward amounts to the class B-1 certificates.
6	Principal to the class B-1 certificates.
7	Unpaid interest and interest carryforward amounts to the class B-2 certificates.
8	Principal to the class B-2 certificates.
9	Unpaid interest and interest carryforward amounts to the class B-3 certificates.
10	Principal to the class B-3 certificates.
11	Any remaining amount paid as part of monthly excess cash flow.
If the delinquency or cumulative loss trigger tests fail	
1	Unpaid interest and interest carryforward amounts sequentially to the class A-1 and A-2 certificates.
2	Principal sequentially to the class A-1 and A-2 certificates.
3	Unpaid interest and interest carryforward amounts to the class A-3 certificates.
4	Principal to the class A-3 certificates.
5	Unpaid interest and interest carryforward amounts to the class M-1 certificates.
6	Principal to the class M-1 certificates.
7	Unpaid interest and interest carryforward amounts to the class B-1 certificates.
8	Principal to the class B-1 certificates.
9	Unpaid interest and interest carryforward amounts to the class B-2 certificates.
10	Principal to the class B-2 certificates.
11	Unpaid interest and interest carryforward amounts to the class B-3 certificates.
12	Principal to the class B-3 certificates.
13	Any remaining amount paid as part of monthly excess cash flow.

Table 7

Monthly Excess Cash Flow Waterfall

Priority	Payment
1	Sequentially to the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 certificates up to the realized loss amount for the current period until each class' certificate balance is reduced to zero.
2	Up to the cumulative applied realized loss amount: sequentially to the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 certificates, in that order, until each class' certificate balance is reduced to zero; and then sequentially to the class A-1, A-2, A-3, M-1, B-1, B-2 and B-3 certificates, in that order, to reimburse the realized loss amounts previously allocated to them (to the extent each class' applicable balance hadn't increased due to prior applications of certificate reimbursement amounts).

Table 7

Monthly Excess Cash Flow Waterfall (cont.)

Priority	Payment
3	To the cap carryover reserve account, from the monthly excess amount otherwise distributable to the class X certificates, the aggregate cap carryover amount(i) for classes A-1, A-2, A-3, M-1, and B-1 for that distribution date; and, from the cap carryover reserve account, any unpaid cap carryover amounts sequentially to the class A-1, A-2, A-3, M-1, and B-1 certificates.
4	Amounts due to the class X certificates; then reimburse extraordinary trust expense amounts that exceed annual caps, pro rata, to the relevant transaction parties; and then any remaining amounts as described in the PSA.

(i)The cap carryover 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 carryover amounts also accrue interest at the fixed coupon. Our preliminary ratings do not address the payment of cap carryover amounts. PSA--Pooling and servicing agreement. WAC--Weighted average coupon.

Interest on classes A-1, A-2, A-3, M-1, and B-1 is based on the lower of the stated fixed coupon on the certificates and the net weighted average coupon (WAC) rate (defined as the mortgage interest rate net of fees and extraordinary expenses). In line with our criteria, our preliminary ratings address the lower of these two rates. Interest to classes B-2 and B-3 is equal to the net WAC rate.

Under the transaction documents, the issuer can defer interest payments on the certificates. A failure to pay the interest amounts due on the certificates will result in the interest being deferred. Deferred interest (interest carry-forward amounts) accrues at the lower of the coupon and net WAC rate for classes A-1, A-2, A-3, M-1, and B-1 and at the net WAC rate for classes B-2 and B-3. Our preliminary ratings address the receipt of all principal and interest payments (including interest carry-forward amounts) by the certificates' final maturity date.

The preliminary ratings, however, do not address the payment of cap carryover 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 certificates' 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 criteria, we do not consider whether these cap carry-over amounts are paid in our cash flow analysis.

In IMPRL 2021-NQM2, the mezzanine and subordinate certificates are paid principal sequentially after all senior certificates 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 IMPRL 2021-NQM2 does not deplete since no principal payments are made to the subordinate classes while the senior classes are outstanding.

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. However, we believe the transaction is adequately enhanced for the assigned preliminary ratings, considering any tail risks because the transaction starts with 12.70% of enhancement for the senior classes, which then grows as a percentage of the current balance as they get paid down (see the Large Loan And Tail Risk Considerations section for more details). Further, the delinquency and cumulative loss triggers (see tables 8 and 9) 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) by switching the principal payment priority among the senior classes to sequential.

Table 8

Cumulative Loss Trigger Event

Distribution date occurring in the following periods	The aggregate realized loss amounts since the cutoff date (as a % of the cutoff date pool balance) exceeds the following (%)
September 2021 through August 2024	2.00
September 2024 through August 2025	3.00
September 2025 through August 2026	6.00
September 2026 and thereafter	8.00

Table 9

Delinquency Trigger Event

Distribution date occurring in the following periods	The six-month average of 60+ day delinquent loans and loans modified (excluding deferred loans) in past 12 months (as a % of the current pool balance) exceeds the following (%)
September 2021 through August 2024	18.00
September 2024 through August 2026	25.00
September 2026 and thereafter	30.00

If the certificates' 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 certificates until each class' principal balance has been reduced to zero.

If the pool balance exceeds the aggregate class balance of the certificates (after the allocation of principal payments and monthly excess cash flow to pay down the certificates), the balances of the class A-1, A-2, A-3, M-1, B-1, B-2, and B-3 certificates will be written up sequentially in that order to the aggregate amount of applied realized losses previously allocated.

Geographic Concentration

S&P Global Ratings analyzes the pool's geographic concentration risk based on the concentrations of loans in each of the 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 59.0% of the aggregate pool, with two out of the top five located in Florida and accounting for 32.1% of the pool. Overall, Florida accounts for 48.8% of the pool. Given our Herfindahl-Hirschman Index geographic adjustment factor is calibrated based on the distribution of loans in our historical mortgage data set, which reflects similar concentrations in California but not Florida, we applied an additional 1.08x adjustment factor to loss coverage over and above our Herfindahl-Hirschman Index adjustment factor for a total geographic adjustment factor of 1.19x to account for the elevated concentration in Florida. The Herfindahl-Hirschman Index is a concentration measure based on the sum of the squared CBSA concentrations related to a benchmark concentration.

Table 10

Geographic Concentration

CBSA code(i)	CBSA	State	% by balance
33124	Miami-Miami Beach-Kendall	Florida	22.22
35004	Nassau County-Suffolk County	New York	10.00
22744	Fort Lauderdale-Pompano Beach-Sunrise	Florida	9.85
35614	New York-Jersey City-White Plains	New York-New Jersey	8.73
31084	Los Angeles-Long Beach-Glendale	California	7.97
Top five CBSAs -		-	59.03

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 then leave the senior classes 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, certain transactions provide for a credit enhancement floor, specifying principal payments are not be made to subordinate classes if the credit support available to the senior classes falls below a threshold. IMPRL 2021-NQM2 does not explicitly provide a credit enhancement floor. However, due to the sequential payment mechanism to the mezzanine and the subordinate classes, which comprise 12.70% of the capital structure, the 'AAA (sf)', 'AA (sf)', and 'A (sf)' preliminary rated classes effectively have a floor of 12.70%. Since subordination to the senior classes is locked out from receiving any principal payments received on the mortgage loans, the 12.70% should be available to absorb losses in the event defaults begin to occur after an extended period of benign performance, which is the scenario our tail risk analysis is intended to address. Further, when cumulative losses or delinquencies trip the cumulative loss or the delinquency triggers, the payment priority becomes fully sequential.

To analyze the appropriateness of this effective credit enhancement floor, we use the 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-weight the loans in the transaction by focusing on those loans with the largest expected loss exposure, assuming default. The resulting projected losses at the 'AAA(sf)', 'AA(sf)' and 'A(sf)' level are below the 12.70% effective floor provided in the transaction.

After considering the credit enhancement provided in the transaction, the delinquency and cumulative loss triggers, and the certificates' expected paydown, we believe the rated certificates are sufficiently protected from tail risk as the transaction seasons.

Mortgage Operational Assessment (MOA) Review

We conducted an MOA review of the originator, A&D Mortgage, and assigned an overall AVERAGE ranking to A&D Mortgage after reviewing the company's origination process for non-QM residential mortgages. The ranking reflects our AVERAGE qualitative subranking and AVERAGE quantitative subranking.

Based on the results of our MOA, the loss coverage adjustment factor for A&D Mortgage is 1.00x. We applied this neutral adjustment factor to the collateral in this transaction when estimating the projected losses.

A&D Mortgage is an independent mortgage company founded in 2005 (initially as A&D Financial Corp. Inc. and rebranded to A&D Mortgage LLC in 2012) and headquartered in Hollywood, Fla. The company originates non-QM and conventional, conforming residential mortgage loans that adhere to the standards established by Fannie Mae and Freddie Mac, which are both government-sponsored enterprises, and Federal Housing Authority (FHA), a government agency. The company has a strong presence in Florida, and in 2012 started expanding its retail channel and initiated its wholesale business. A&D Mortgage is currently licensed to originate mortgage loans in 22 states. The company also originates in 25 states where licensing is not required for business purpose mortgage loans. It has 165 employees.

A&D Mortgage primarily focuses on third-party originations (wholesale) and retail channels. In January 2019, the company added a small mini-correspondent business line that operates within its third-party origination channel. As of June 2021, A&D Mortgage's origination channels consisted of wholesale (86.1%), retail (12.0%), and correspondent (1.9%).

Our overall AVERAGE ranking reflects our qualitative and quantitative review of A&D Mortgage. Our qualitative review focused on three primary areas regarding A&D Mortgage's loan residential production:

- Management and organization, including risk management and financial position;
- Origination process and underwriting, including the property valuation process; and
- Internal controls, encompassing third-party management, prefunding data quality, post-funding quality control (QC), and regulatory compliance.

For our quantitative analysis, we reviewed acquisition volume, loan characteristics, and loan performance history (including securitization performance), as well as delinquencies, early payment defaults, and repurchases.

The AVERAGE qualitative subranking reflects our assessment of the following strengths and weaknesses.

The strengths include:

- The experienced senior management team, which has an average of 19 years of industry experience;
- The company's long operational track record (A&D Mortgage has been originating non-QM loans since 2015, and nonprime and agency loans since 2005);
- The detailed policies and procedures;
- The use of non-delegated underwriting for its third-party origination channel;
- The extensive use of third-party tools to verify borrower and loan information;
- The use of multiple appraisal management companies;
- The comprehensive internal control processes, which includes robust pre- and post-funding QC and compliance functions;
- The use of an independent vendor for its post-funding reviews for at least 10% of originated loans (currently 100% of its non-QM production is reviewed post funding);
- The company's review of 100% of loan production prior to funding, which exceeds the industry average (however, there is no certainty that higher QC prefunding reviews will continue with further growth and expansion);
- The established internal auditing platform, which is managed by a third-party vendor and overseen by A&D Mortgage's senior management team; and
- The internal audit and pre- and post-funding QC reports with no material findings.

These strengths are partially offset by the following potential weaknesses:

- A&D Mortgage is 100% owned by its CEO, and there are corporate governance concerns related to the concentrated ownership structure. However, the company has a succession plan in place.
- There is no formal independent risk management function, but a senior-level cross-functional

team oversees the company's risk and product development initiatives.

- Certain employees have limited tenure with the company (albeit with significant industry experience) following the company's expansion through its product lines and national footprint.
- A&D Mortgage's loan production is highly concentrated in Florida. However, this may decrease as the company continues to acquire licenses to originate mortgage loans in several states. A&D Mortgage is currently licensed to originate in 22 states.

Our AVERAGE quantitative subranking is based on our review of historical loan performance data provided by A&D Mortgage and information from external sources. We compared the company's loan performance with those of other conforming, government, and non-QM residential mortgage loan originations from like vintages to inform our view.

We reviewed the loan performance of A&D Mortgage's 2017, 2018, and 2019 originations that were included in various non-QM securitizations as of March 2020, which showed the company's delinquencies were in line with those of its industry peers. We also reviewed the performance of the sponsor's prior non-QM transactions, IMPRL 2020-NQM1 and IMPRL 2021-NQM1, which consisted of collateral originated by A&D Mortgage. While the overall performance has been better than other comparable non-QM transactions, we note that the transaction is less seasoned and, therefore, may not be as reflective of ultimate performance.

Overall, A&D Mortgage's historical delinquencies, early payment defaults, and repurchases were in line with our expectations for post-crisis residential originations.

Third-Party Due Diligence Review

The third-party due diligence providers performed due diligence on 100% of the loans in the transaction. The provider--Mission Global LLC--is on our list of reviewed diligence providers. The scope of their review of the loans encompassed compliance(where applicable), credit, valuation, and data integrity. Certain loans that were underwritten to a DSCR were not reviewed for regulatory compliance.

Some loans fell within the scope of the TRID rule. For these loans, the third-party firms followed the Structured Finance Assn. (SFA) 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). 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).

Compliance with underwriting guidelines (credit review)

- Most of the due diligence firms' initial findings were resolved by the receipt of missing information in the trailing documents.
- All loans received a risk grade of 'A' or 'B'.
- Based on our review of the due diligence firm's findings, there is no adjustment to credit enhancement for credit due diligence.

Property valuation review

- All loans received a final property valuation review risk grade of 'A' or 'B'.
- Secondary valuations were received for all loans. These were used to support valuations within a negative 10.00% variance. For two of the loans where the secondary valuation product was more than 10% less than the original appraised value, the related lower value was used for calculation of LTV.
- Based on our review of the due diligence firm's findings, there is no adjustment to credit enhancement for valuation due diligence.

Regulatory compliance review

- Most of the due diligence firm's initial findings were resolved by the receipt of missing information in the trailing documents.
- No compliance grade C's were observed in the pool.

After reviewing the third-party due diligence results, we applied a neutral adjustment of 1.00x to the loss coverage at all rating categories.

R&Ws

Our review of the R&Ws for IMPRL 2021-NQM2 focused on whether the representations made by the R&W provider were substantially consistent with the set of representations in our criteria (see Appendix IV of "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018). We also 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 certificateholders. 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 provider's ability to fulfill their obligations in the event of a breach.

The sponsor acquired the loans from an affiliated originator, A&D Mortgage. The R&Ws assigned to the trust related to the individual mortgage loans are made by the sponsor.

Framework

The R&Ws related to the individual mortgage loans are generally consistent with our published criteria. Knowledge qualifications are limited, and the documents have provisions that deem an inaccuracy on the R&W as a breach--notwithstanding the sponsor's lack of knowledge regarding the substance of a knowledge-qualified R&W. Certain R&Ws include carve-out language that the representation or covenant does not apply to any mortgage loan subject to a COVID-19 related forbearance plan which was not material to our analysis.

The R&Ws are made as of the closing date and are in effect throughout the transaction's life. There is no sunset provision that limits the time frame in which the representations are in effect. The sponsor is required to remedy a breach if it materially and adversely affects the value of the mortgage loans. However, TRID-related breaches must be remedied without consideration of materiality. The enforcement mechanism dictates that for loans that incur a realized loss, the controlling holder (i.e., the majority holder of the class X certificates, which is initially the sponsor or an affiliate of the sponsor) must review all potential breaches related to ATR defects. Loans

with TRID violations, as determined by the courts, or defective documentation must be cured, repurchased, or substituted within 60 days of notice. The servicer will inform the controlling holder of potential violations related to ATR and TRID.

For all other loans that incur a realized loss, the controlling holder has the option to perform a review. For loans that are reviewed, the controlling holder has the option to use a third party to perform the review. If the controlling holder does not exercise the option to review, 25% or more of the certificateholders (in aggregate) may choose to start a review. Relevant parties may commence a binding arbitration to resolve disputes.

Framework assessment

Except for TRID-related breaches, the R&Ws are subject to a "material and adverse effect" standard, which can be subjective. Except for loans that incur losses and have potential ATR defects, the R&W framework does not call for automatic breach reviews for loans that become severely delinquent or incur a realized loss; a mitigating factor is that 25% or more of the certificateholders may choose to commence a review. In addition, while the early payment default covenant is generally consistent with those in other rated nonprime transactions, it is weaker than what is typically observed for prime transactions.

We believe the R&W framework is weak--like those in other non-QM transactions--because it lacks automatic reviews on severely delinquent loans and the use of an independent third party is not required. Furthermore, the sponsor is an unrated entity and may be unable to fulfill repurchase obligations. Therefore, we applied a 1.10x adjustment to our loss coverage estimates to reflect

Cash Flow And Scenario Analysis

We reviewed the transaction structure and performed a cash flow analysis to simulate various rating stress scenarios (see table 11 for the cash flow assumptions for the relevant rating levels and table 12 for the preliminary ratings for each class consistent with our criteria, accounting for the available credit enhancement). 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;
- Extraordinary expenses;
- High, low, and forward interest rate curve assumptions; and
- Delinquency assumptions to stress liquidity for potential forbearance.

For more detail on our cash flow stresses, see our criteria "Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later," published Feb. 22, 2018.

Table 11

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
Extraordinary trust expenses (% of capped amounts) (ii)	100.0	100.0	95.0	40.0	30.0	17.5
Foreclosure frequency (%)	45.34	39.99	32.22	24.69	19.94	10.01
Loss severity (%)	54.37	48.89	38.49	32.20	27.58	22.98
Loss coverage (%)	24.65	19.55	12.40	7.95	5.50	2.30
Scenario 1: delinquency curve	Standard delinquency curve for testing triggers without cash flow stress					
Scenario 2: delinquency curve	Delinquencies at 35% for the first six months to stress liquidity and triggers, followed by standard delinquency curve to test triggers					

(i) Using a standard prepayment convention. (ii) Applied monthly from period 13 to 60. CPR--Conditional prepayment rate. N/A--Not Applicable

Table 12

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)	68.20%	31.80	24.65	7.15
A-2	AA(sf)	7.50%	24.30	19.55	4.75
A-3	A(sf)	11.60%	12.70	12.40	0.30
M-1	BBB(sf)	4.35%	8.35	7.95	0.40
B-1	BB+(sf)	3.40%	4.95	5.50	(0.55)
B-2	B(sf)	2.90%	2.05	2.30	(0.25)
B-3	NR	2.05%	0.00	N/A	N/A

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

Notwithstanding the use of excess interest as credit enhancement in the transaction structure, we applied our front- and back-loaded default timing curves in our analysis rather than a bulleted (e.g., semiannual or annual lump sum) default timing curve. This reflects our view of the potential volatility of cash flows, given that the newly originated loans are originated by a reviewed originator, subject to third-party due diligence, and include structural considerations such as a mix of pro rata and sequential principal allocations among all classes and limited 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 applicable rating specific stresses, the interest deferrals (or interest carry-forward amounts) resulting from any missed interest payments on the certificates must 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 assigned preliminary ratings.

Servicer stop advance stresses

Although the transaction documents provide for up to three months of P&I advance obligation, we assumed that no P&I advances were being made in our cash flow projections on defaulted loans that have not yet been liquidated (we assume 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 preliminary rated classes.

We also applied a delinquency stress curve to address the potential liquidity stress to cash flows due to loans entering forbearance in light of the COVID-19 pandemic and the limited P&I advancing obligations from the servicer (until 90 days delinquent or unrecoverable). We assumed 35.00% of the closing pool balance is 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 been passed through to the transaction (approximately 144 months).

WAC deterioration stress

The transaction structure allows excess spread to provide some of the credit enhancement. We applied a WAC deterioration stress that steps up linearly from zero basis points (bps) to 80 bps over 10 years and remains at that level going forward to address the potential for the pool's WAC to decline as higher coupon loans prepay or default and thus stress the excess spread.

Interest stresses

In this transaction, extraordinary trust expense payments reduce the net WAC rate. This effectively allocates the extraordinary trust expenses pro rata across all senior and subordinate certificateholders by reducing their interest payments by the extraordinary trust expense amounts paid (subject to the annual cap). Although the extraordinary expenses are passed through as reduced contractual interest due to certificateholders, we ran these expenses from period 13 to 60 (four years) at a certain percentage of the capped amounts, as specified in our criteria for nonprime collateral. We do this to test the impact on the certificates' liquidity, which rely on excess spread as a form of credit enhancement.

Loans with interest rates indexed to one-year LIBOR represent approximately 4.08% of the pool balance. We applied our forward stresses in accordance with our criteria (see "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019).

Imputed Promises Analysis

When rating U.S. RMBS transactions where credit-related events can reduce interest owed to the tranches across the capital structure rather than allocate the credit-related loss to the available credit support, we impute the interest owed to the security holders based on our loan modification

guidance (see "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 either captured in our analysis or not considered credit-related and, therefore, is not included in our analysis.

The 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. Therefore, 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). Since this is a new issue transaction, we did not account for any cumulative interest reduction amount.

Consistent with the guidance, we assumed that 50.00% of the loans projected to default under the applicable rating stress scenario would be modified. We also assumed that 75.00% of the projected modifications are interest rate modifications, with an interest rate reduction of 2.00%. When added to the extraordinary trust expenses, this resulted in a maximum PIRA on the preliminary rated certificates that is below the 4.50% threshold. We stressed extraordinary trust expenses by the relevant extraordinary expense application factor over four years, from payment periods 13-60. Based on the results of our analysis, there was no impact on the certificates' 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, presents 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 maximum potential rating that can be assigned to a structured finance security for a given KTP before considering any provisions for a backup KTP, such as a master servicer. After assessing the severity, portability, and disruption risks for the servicer, we determined the ratings on these classes would not be affected.

According to our criteria, we rank severity and portability risk for nonprime residential mortgage collateral as moderate and low, respectively. For this transaction, the master servicer, Nationstar Mortgage LLC is the KTP. We consider the disruption risk for Nationstar Mortgage LLC as low. Given these risk assessments, our criteria do not cap the ratings on the transaction.

Our criteria "Methodology For Servicer Risk Assessment," published May 28, 2009, presents our methodology and assumptions for assessing additional operational risk related to servicers. A&D Mortgage is an approved seller and servicer with Fannie Mae and Freddie Mac. We consider the servicing of loans guaranteed by a government agency to represent a major part of its business. Nonetheless, in this transaction, A&D Mortgage will use a subservicer (Specialized Loan Servicing LLC [SLS]) to service the loans. SLS, which is on the S&P Global Ratings Select Servicer List, will be the party responsible for remitting the collections to the master servicer.

Related Criteria

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- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
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- Criteria | Structured Finance | RMBS: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later, Feb. 22, 2018
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- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
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- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
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- Economic Outlook U.S. Q3 2021: Sun, Sun, Sun, Here It Comes, June 24, 2021
- S&P Global Ratings Publishes List Of Third-Party Due Diligence Firms Reviewed For U.S. RMBS As Of June 10, 2021, June 10, 2021
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- Non-QM RMBS And COVID-19: Locking Down States' Exposure, June 1, 2020
- Guidance: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later, April 17, 2020
- S&P Global Ratings Is Assessing The Impact Of COVID-19 On Mortgage Market Outlooks For Global RMBS, April 17, 2020
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- 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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