FitchRatings

RATING ACTION COMMENTARY

Fitch Rates CSMC 2021-RPL8

Wed 29 Sep, 2021 - 4:42 PM ET

Fitch Ratings - New York - 29 Sep 2021: Fitch Ratings assigns final ratings to the residential mortgage-backed notes to be issued by CSMC 2021-RPL8 Trust (CSMC 2021-RPL8).

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
CSMC 2021-RPL8				
• A-1	LT	AAAsf Rating Outlook Stable	New Rating	AAA(EXP)sf Rating Outlook Stable
• A-1A	LT	AAAsf Rating Outlook Stable	New Rating	AAA(EXP)sf Rating Outlook Stable
• A-1X	LT	AAAsf Rating Outlook Stable	New Rating	AAA(EXP)sf Rating Outlook Stable
• A-2	LT	AAsf Rating Outlook Stable	New Rating	AA(EXP)sf Rating Outlook Stable
• M-1	LT	Asf Rating Outlook Stable	New Rating	A(EXP)sf Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

TRANSACTION SUMMARY

The notes are supported by one collateral group that consists of 4,796 seasoned performing loans (SPLs) and re-performing loans (RPLs) with a total balance of approximately $689 million, including $64 million in deferred balances.

Distributions of principal and interest (P&I) and loss allocations are based on a traditional senior-subordinate, sequential structure. The sequential-pay structure locks out principal to the subordinated notes until the most senior notes outstanding are paid in full. The servicers will not be advancing delinquent monthly payments of P&I.

KEY RATING DRIVERS

RPL Credit Quality & Distressed Performance History (Negative): The collateral pool consists primarily of peak-vintage SPLs and RPLs. Based on Fitch's treatment of coronavirus-related forbearance and deferral loans, approximately 47% of the loans were treated as having clean payment histories for the past two years. As of the cutoff date, 2.9% of the loans in the pool are being treated as currently delinquent, which includes current deferrals. Roughly 86% of the loans have been modified. The borrowers have a weak credit profile (655 FICO Model and 43% Model DTI) and moderate leverage (70% sLTV).

Updated Sustainable Home Prices (Negative): Due to Fitch's updated view on sustainable home prices, Fitch views the home price values of this pool as 10.2% above a long-term sustainable level (versus 11.7% on a national level). Underlying fundamentals are not keeping pace with the growth in prices, which is a result of a supply/demand imbalance driven by low inventory, low mortgage rates and new buyers entering the market. These trends have led to significant home price increases over the past year, with home prices rising 18.6% yoy nationally as of June 2021.

Sequential Pay Structure (Positive): The transaction's cash flow is based on a sequential-pay structure whereby the subordinate classes do not receive principal until the senior classes are repaid in full. Losses are allocated in reverse-sequential order. Furthermore, the provision to re-allocate principal to pay interest on the 'AAAsf' and 'AAsf' rated notes prior to other principal distributions is highly supportive of timely interest payments to that class in the absence of servicer advancing.

No Servicer P&I Advances (Mixed): The servicer will not be advancing delinquent monthly payments of P&I, which reduce liquidity to the trust. P&I advances made on behalf of loans that become delinquent and eventually liquidate reduce liquidation proceeds to the trust. Due to the lack of P&I advancing, the loan-level loss severity is less for this transaction than for those where the servicer is obligated to advance P&I. Structural provisions and cash flow priorities, together with increased subordination, provide for timely payments of interest to the 'AAAsf' and 'AAsf' rated classes.

Updated Economic Risk Factor (Positive): Consistent with the Additional Scenario Analysis section of Fitch's "U.S. RMBS Coronavirus-Related Analytical Assumptions" criteria, Fitch will consider applying an additional scenario analysis based on stressed assumptions as described in the section to remain consistent with significant revisions to its macroeconomic baseline scenario or if actual performance data indicate the current assumptions require reconsideration. In response to revisions to Fitch's macroeconomic baseline scenario, observed actual performance data and the unexpected development in the health crisis arising from the advancement and availability of coronavirus vaccines, Fitch reconsidered the application of the coronavirus-related Economic Risk Factor (ERF) floors of 2.0 and instead used ERF floors of 1.5 and 1.0 for the 'BBsf' and 'Bsf' rating stresses, respectively.

Fitch's "Global Economic Outlook — March 2021" and related baseline economic scenario forecasts have been revised to 6.2% U.S. GDP growth for 2021 and 3.3% for 2022 following a 3.5% GDP contraction in 2020. Additionally, Fitch's U.S. unemployment forecasts for 2021 and 2022 are 5.8% and 4.7%, respectively, down from 8.1% in 2020. These revised forecasts support Fitch reverting to the 1.5 and 1.0 ERF floors described in its "U.S. RMBS Loan Loss Model Criteria."

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Fitch incorporates a sensitivity analysis to demonstrate how the ratings would react to steeper market value declines (MVDs) than assumed at the MSA level. Sensitivity analysis was conducted at the state and national level to assess the effect of higher MVDs for the subject pool.

This defined negative rating sensitivity analysis demonstrates how the ratings would react to steeper MVDs at the national level. The analysis assumes MVDs of 10.0%, 20.0% and 30.0% in addition to the model-projected 39.3% at 'AAA'. The analysis indicates that there is some potential rating migration with higher MVDs for all rated classes, compared with the model projection. Specifically, a 10% additional decline in home prices would lower all rated classes by one full category.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Fitch incorporates a sensitivity analysis to demonstrate how the ratings would react to steeper MVDs than assumed at the MSA level. Sensitivity analysis was conducted at the state and national level to assess the effect of lower MVDs.

This defined positive rating sensitivity analysis demonstrates how the ratings would react to positive home price growth of 10% with no assumed overvaluation. Excluding the senior class, which is already rated 'AAAsf', the analysis indicates there is potential positive rating migration for all of the rated classes. Specifically, a 10% gain in home prices would result in a full category upgrade for the rated class excluding those being assigned ratings of 'AAAsf'.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Fitch was provided with Form ABS Due Diligence-15E (Form 15E). Fitch relied on an independent third-party due diligence review performed on 100% of the pool. The third-party due diligence was consistent with Fitch's "U.S. RMBS Rating Criteria." SitusAMC, Opus Capital Markets Consultants LLC (Opus) Consolidated Analytics (CA) and Clayton Services LLC (Clayton) were engaged to perform the review. Loans reviewed under this engagement were given compliance grades, and a data integrity review was conducted. RRR was engaged to perform tax and title reviews on 100% of the loans and, additionally, a custodian review was performed on 100% of the loans by Wells Fargo Bank, N.A. and Deutsche Bank. Minimal exceptions and waivers were noted in the due diligence reports. Refer to the Third-Party Due Diligence section of presale for more details.

DATA ADEQUACY

Fitch also utilized data files that were made available by the issuer on its SEC Rule 17g-5 designated website. Fitch received loan-level information based on the American Securitization Forum's (ASF) data layout format, and the data are considered to be comprehensive. The ASF data tape layout was established with input from various industry participants, including rating agencies, issuers, originators, investors and others, to produce an industry standard for the pool-level data in support of the U.S. RMBS securitization market. The data contained in the ASF layout data tape were reviewed by the due diligence companies, and no material discrepancies were noted.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

REPRESENTATIONS, WARRANTIES AND ENFORCEMENT MECHANISMS

A description of the transaction's representations, warranties and enforcement mechanisms (RW&Es) that are disclosed in the offering document and which relate to the underlying asset pool is available by clicking the link to the Appendix. The appendix also contains a comparison of these RW&Es to those Fitch considers typical for the asset class as detailed in the Special Report titled 'Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions'.

FITCH RATINGS ANALYSTS

Court Lake
Associate Director
Primary Rating Analyst
+1 646 582 4750
court.lake@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Ryan O'Loughlin
Director
Secondary Rating Analyst
+1 212 908 0387
ryan.o'loughlin@fitchratings.com

Bianca Rexach
Analyst
Surveillance Rating Analyst
+1 646 582 4645
bianca.rexach@fitchratings.com

Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Roelof Slump
Managing Director
Committee Chairperson
+1 212 908 0705
roelof.slump@fitchratings.com

MEDIA CONTACTS

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 29 Jan 2020)

Criteria for Rating U.S. and Canadian Residential and Small Balance Commercial Mortgage Servicers (pub. 07 Feb 2020)

U.S. RMBS Coronavirus-Related Analytical Assumptions —Effective July 10, 2020—Oct. 1, 2021 (pub. 10 Jul 2020) (including rating assumption sensitivity)

U.S. RMBS Loan Loss Model Criteria (pub. 27 Oct 2020) (including rating assumption sensitivity)

U.S. RMBS Cash Flow Analysis Criteria (pub. 26 Feb 2021) (including rating assumption sensitivity)

U.S. RMBS Surveillance and Re-REMIC Rating Criteria (pub. 05 Mar 2021) (including rating assumption sensitivity)

Global Structured Finance Rating Criteria (pub. 24 Mar 2021) (including rating assumption

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Third-party Model (1)

U.S. RMBS Cash Flow Assumptions Model, v2.10.4 (1)

US RMBS Loan Loss Model (Excel platform), v5.9.7 (1)

READ MORE ON THIS TOPIC

CSMC 2021-RPL8 - Appendix

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

ABS Due Diligence Form 15E 1

ABS Due Diligence Form 15E 2

ABS Due Diligence Form 15E 3

ABS Due Diligence Form 15E 4

ABS Due Diligence Form 15E 5

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

CSMC 2021-RPL8	EU Endorsed, UK Endorsed

DISCLAIMER

INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

READ LESS

COPYRIGHT

 In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with

Corporations Act 2001
Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Structured Finance Structured Finance: RMBS North America United States