FitchRatings

RATING ACTION COMMENTARY

Fitch Rates GSMBS 2021-PJ4

Fri 30 Apr, 2021 - 11:56 AM ET

Fitch Ratings - New York - 30 Apr 2021: Fitch Ratings has assigned final ratings to the residential mortgage-backed certificates issued by GS Mortgage-Backed Securities Trust 2021-PJ4 (GSMBS 2021-PJ4).

• A-X-9	LT	AAAsf Rating Outlook Stable	New Rating	AAA(EXP)sf Rating Outlook Stable
• B-1	LT	AAsf Rating Outlook Stable	New Rating	AA(EXP)sf Rating Outlook Stable
• B-2	LT	Asf Rating Outlook Stable	New Rating	A(EXP)sf Rating Outlook Stable
• B-3	LT	BBBsf Rating Outlook Stable	New Rating	BBB(EXP)sf Rating Outlook Stable
• B-4	LT	BBsf Rating Outlook Stable	New Rating	BB(EXP)sf Rating Outlook Stable
• B-5	LT	Bsf Rating Outlook Stable	New Rating	B(EXP)sf Rating Outlook Stable
• B-6	LT	NRsf	New Rating	NR(EXP)sf

VIEW ADDITIONAL RATING DETAILS

TRANSACTION SUMMARY

Fitch has assigned final ratings to the residential mortgage-backed certificates issued by GS Mortgage-Backed Securities Trust 2021-PJ4 (GSMBS 2021-PJ4) as indicated above. This is a Prime Jumbo transaction, with a shifting interest structure. The certificates are supported by 630 nonconforming mortgage loans with a total balance of approximately $622.1 million as of the cutoff date.

KEY RATING DRIVERS

High-Quality Mortgage Pool (Positive): The collateral consists almost entirely of 30-year and one 20-year fixed-rate mortgage (FRM) fully amortizing loans seasoned approximately four months in aggregate. The borrowers in this pool have strong credit profiles (770 model FICO) and relatively low leverage (a 74.7% sustainable loan to value ratio [sLTV]).

The 100% full documentation collateral comprises of 100% nonconforming prime-jumbo loans, while 100% of the loans are safe harbor qualified mortgages (SHQM). Of the pool, 98.4% are of loans for which the borrower maintains a primary residence, while 1.6% are for second homes. Additionally, 87.0% of the loans were originated through a retail channel.

Shifting-Interest Deal Structure (Mixed): The mortgage cash flow and loss allocation are based on a senior-subordinate, shifting-interest structure, whereby the subordinate classes receive only scheduled principal and are locked out from receiving unscheduled principal or prepayments for five years. While there is only minimal leakage to the subordinate bonds early in the life of the transaction, the structure is more vulnerable to defaults occurring at a later stage compared with a sequential or modified sequential structure.

To help mitigate tail risk, which arises as the pool seasons and fewer loans are outstanding, a subordination floor of 0.90% of the original balance will be maintained for the senior certificates, and a subordination floor of 0.60% of the original balance will be maintained for the subordinate certificates. Shellpoint Servicing will provide full advancing for the life of the transaction. While this helps the liquidity of the structure, it also increases the expected loss due to unpaid servicer advances.

Low Operational Risk: Operational risk is well controlled for in this transaction. Goldman Sachs is assessed as an 'Above Average' aggregator by Fitch due to its robust sourcing strategy and seller oversight, experienced senior management and staff, and strong risk management and corporate governance controls.

Fitch conducted reviews on more than 95% of the originators in this transaction, all of which are considered at least an 'Average' Originator by industry standards. Primary servicing responsibilities are performed by Shellpoint Mortgage Servicing (Shellpoint), rated 'RPS2' by Fitch. Fitch did not adjust its expected losses based on these operational assessments.

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 additional scenario analysis based on stressed assumptions as described in the section to remain consistent with significant revisions to Fitch's macroeconomic baseline scenario or if actual performance data indicates the current assumptions require reconsideration.

In response to revisions made 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 ERF floors of 2.0 and used ERF Floors of 1.5 and 1.0 for the 'BBsf' and 'Bsf' rating stresses, respectively.

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

RATING SENSITIVITIES

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 analyses was conducted at the state and national levels to assess the effect of higher MVDs for the subject pool and lower MVDs, illustrated by a gain in home prices.

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

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'.

This section provides insight into the model-implied sensitivities the transaction faces when one assumption is modified, while holding others equal. The modeling process uses the modification of these variables to reflect asset performance in up- and down environments. The results should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

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

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 40.0% 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.

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). Third-party due diligence was performed on 100% of the loans in the transaction. Due diligence was performed by AMC, Opus, Consolidated Analytics, and Digital Risk, which Fitch assesses as Acceptable - Tier 1, Acceptable - Tier 2, Acceptable - Tier 3, and Acceptable - Tier 2 respectively. The review scope is consistent with Fitch criteria, and the results are generally similar to prior prime RMBS transactions. Credit exceptions were supported by strong mitigating factors, and compliance exceptions were primarily cured with subsequent documentation.

DATA ADEQUACY

Fitch relied in its analysis 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, Consolidated Analytics, and Digital Risk were engaged to perform the review. Loans reviewed under this engagement were given compliance, credit and valuation grades and assigned initial grades for each subcategory.

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 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'.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

FITCH RATINGS ANALYSTS

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

Kevin Cousin
Associate Director
Secondary Rating Analyst
+1 646 582 3492

Caroline Otis
Senior Analyst
Surveillance Rating Analyst
+1 646 582 3547
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Suzanne Mistretta
Senior Director

Committee Chairperson
+1 212 908 0639

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 Rating Criteria -- Effective May 11, 2020–May 3, 2021 (pub. 11 May 2020) (including rating assumption sensitivity)

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

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Sep 2020)

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

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria - Effective from 13 November 2020 to 20 September 2021 (pub. 13 Nov 2020)

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), v5.9.4 (1)

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GS Mortgage-Backed Securities Trust 2021-PJ4 -- 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

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

GSMBS 2021-PJ4	EU Endorsed, UK Endorsed

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OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

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Structured Finance   Structured Finance: RMBS   North America   United States