Article Title: General Criteria: U.S. Government Support In Structured Finance And Public Finance Ratings Data: (EDITOR'S NOTE: —On Sept. 3, 2021, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.) 1. S&P; Global Ratings is publishing its methodology for the treatment of the U.S. government, in its role as an insurer or guarantor, and government agency loan-level support in structured finance (SF) and U.S. public finance (PF) transactions. This article discusses the "credit quality of the securitized assets" principle described in “Principles Of Credit Ratings,” published Feb. 16, 2011. SCOPE OF THE CRITERIA 2. These criteria apply to all new and existing SF and PF securities backed by pools of assets that may have partial loan-level support from obligations or guarantees from the U.S. government or one of its agencies, entities, or programs ("U.S. government support"). For securities solely reliant on U.S. government obligations to pay the securities in full with no other mitigating factors, the exposure will be analyzed as a form of full credit substitution. In this case, the ratings on the securities would be no higher than the U.S. sovereign rating. (See "U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria," published May 15, 2019, and "Methodology And Assumptions: Assigning Ratings To Bonds In The U.S. Based On Escrowed Collateral," published Nov. 30, 2012. 3. Some examples of the securities that are expected to fall within this category include student loan asset-backed securities (ABS) where the student loans are guaranteed by the U.S. Department of Education Federal Family Education Loan Program (FFELP), residential mortgage-backed securities (RMBS), and U.S. Housing Finance Agency (HFA) bonds backed by loans insured or guaranteed by the U.S., a government-related entity (GRE), or a government agency such as the Federal Housing Administration (FHA), the Veteran's Administration Loan Guarantee Program (VA), and the U.S. Department of Agriculture Rural Housing Loan Program (RHLP). Examples also include commercial mortgage-backed securities (CMBS) backed by pools of commercial mortgages where a limited portion of the loans have been defeased with securities issued, insured, or guaranteed, either directly or indirectly, by the U.S. government. These criteria do not apply to issues secured by federal leases, future federal cash flows such as grant anticipation revenue obligations, and Section 8 financings. SUMMARY OF CRITERIA 4. These criteria describe the treatment of partial loan-level support to loans backing 'AAA' rated securities, where such support is provided by U.S. government agencies or entities rated by S&P; Global Ratings, or with a credit estimate in the case of an agency or entity that is not rated. Such forms of partial support may include insurance or guarantees, for example. For securities with collateral pools that are partially reliant on U.S. government support, these criteria adopt the criteria for the loan-level treatment of primary mortgage insurance when the insurer is rated lower than the securities (see table 2 of "Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds," published Dec. 7, 2014). These percentages appear in the table below. 5. Since pools of loans back the rated securities, and the U.S. support (e.g., FHA insurance) is on a per loan basis, the exposure to U.S. government support is limited. The exposure is limited in magnitude, and given the granularity of the loan pools, the risk is spread over time. That is, it is very unlikely that all the underlying loans would default at the same time. 6. The dependence on U.S. government support of certain loans in the collateral pool may be completely offset by credit enhancement, liquidity, or other structural features. That is, a security may be able to maintain a stand-alone 'AAA' rating if, in its analysis, S&P; Global Ratings determines there is sufficient credit support or other structural features to cover the loan-level exposure to U.S. government support. 7. This paragraph has been deleted. 8. This paragraph has been deleted. 9. This paragraph has been deleted. 10. This paragraph has been deleted. METHODOLOGY AND ASSUMPTIONS 11. The ratings on securities with pools of loans backed in part by U.S. government support, directly or indirectly through one of its agencies, entities, or programs are linked to the rating or credit estimate of the agency, entity, or program. To address this loan-level exposure, the criteria apply the same discount to the amount of U.S. government support to the loans as any other private provider, such as a mortgage insurer. Accordingly, the criteria adopt the methodology used for the analysis of primary mortgage insurance (PMI) in RMBS transactions. Loan-level U.S. government support will generally affect securities in a similar manner to PMI in RMBS; therefore, we believe the PMI methodology is the most appropriate. 12. The PMI criteria provide various degrees of support that an insurer would provide on specific loans based on the insurer rating and the rating on the supported securities. (For a complete discussion of the PMI criteria, see "Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds," published Dec. 7, 2014). 13. For example, if an insurer rated 'AA+' was insuring a mortgage loan in a 'AAA' rated RMBS, the criteria would assume the insurer would pay 85% of its obligation in a 'AAA' stress scenario. More precisely, since mortgage defaults occur over time, the insurer would pay claims as they were presented. At some point, the insurer would no longer be able to pay claims. By haircutting the expected insurance payment, the loss severity on the mortgage loan would be higher than it would be without the haircut. This results in higher credit enhancement for the RMBS at the 'AAA' level. Similarly, in a CMBS multi-loan pool where some of the loans have been defeased with U.S. Treasury obligations, the criteria would consider 85% (for a 'AA+' rated entity) of the defeased obligations paid--the remaining exposure would have to be covered by credit enhancement to achieve a 'AAA' rating on the CMBS. In this case, since the underlying commercial mortgage loans were defeased at different times with different securities, the timing of missed payments would be spread out as well. 14. While all direct U.S. government obligations are expected to have ratings or credit characteristics consistent with the U.S. sovereign rating, certain indirect U.S. government exposures may have ratings or credit characteristics at or below the U.S. sovereign rating based primarily on the specific U.S. government agency or entity involved and our view regarding the ultimate likelihood of the U.S. government's support of the agency's or entity's obligations. Accordingly, the analysis of indirect U.S. government obligations will rely on the credit characteristics of the specific government agency or entity. Credit Given To Capacity To Pay Based On The ICR Of Providers Of Insurance, Asset Guarantees, And Supports (%) ISSUER CREDIT RATING ON PROVIDERS OF INSURANCE, ASSET GUARANTEES, AND SUPPORTS Ratings on securities AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- AAA 100 85 75 65 55 45 35 25 15 5 - - - - - - AA+ 100 100 90 80 70 60 50 40 30 20 - - - - - - AA 100 100 100 90 80 70 60 50 40 30 - - - - - - AA- 100 100 100 100 90 80 70 60 50 40 - - - - - - A+ 100 100 100 100 100 90 80 70 60 50 30 10 - - - - A 100 100 100 100 100 100 90 80 70 60 40 20 - - - - A- 100 100 100 100 100 100 100 90 80 70 50 30 10 - - - BBB+ 100 100 100 100 100 100 100 100 90 80 60 40 20 - - - BBB 100 100 100 100 100 100 100 100 100 90 70 50 30 10 - - BBB- 100 100 100 100 100 100 100 100 100 100 80 60 40 20 - - BB+ 100 100 100 100 100 100 100 100 100 100 100 80 60 40 20 - BB 100 100 100 100 100 100 100 100 100 100 100 100 80 60 40 20 BB- 100 100 100 100 100 100 100 100 100 100 100 100 80 60 40 B+ 100 100 100 100 100 100 100 100 100 100 100 100 100 100 80 60 B 100 100 100 100 100 100 100 100 100 100 100 100 100 100 80 B- 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 REVISIONS AND UPDATES This article was originally published on Dec. 7, 2014. Changes introduced after original publication: Following our periodic review completed on Nov. 4, 2016, we updated the contact information and deleted outdated sections that were no longer relevant. Following our periodic review completed on Nov. 3, 2017, we updated the contact information. On Dec. 28, 2018, we republished this criteria article to make nonmaterial changes. We updated the contact information, updated references to outdated criteria articles, and corrected a minor typo. On Sept. 19, 2019, we republished this criteria article to make nonmaterial changes to outdated references to criteria articles. On Sept. 11, 2020, we republished this criteria article to make nonmaterial changes to outdated references to criteria articles. On Sept. 3, 2021, we republished this criteria article to make nonmaterial changes to outdated references to criteria articles. RELATED CRITERIA AND RESEARCH Related Criteria U.S. Federally Enhanced Housing Bonds Rating Methodology, Nov. 12, 2019 U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019 U.S. FFELP Student Loan ABS: Methodology And Assumptions, April 4, 2019 Methodology And Assumptions For Rating U.S. RMBS Issued 2009 And Later, Feb. 22, 2018 Methodology And Assumptions: U.S. RMBS Surveillance Credit And Cash Flow Analysis For Pre-2009 Originations, March 2, 2016 Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015 Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds, Dec. 7, 2014 Methodology And Assumptions: Assigning Ratings To Bonds In The U.S. Based On Escrowed Collateral, Nov. 30, 2012 Rating Methodology And Assumptions For U.S. And Canadian CMBS, Sept. 5, 2012 Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012 Principles Of Credit Ratings, Feb. 16, 2011 Methodology For Surveilling U.S. RMBS Reverse Mortgage

Transactions, Aug. 25, 2010 Single-Family Whole Loan Programs, June 14, 2007