



**MORNINGSTAR CREDIT RATINGS, LLC**  
**RULE 17G-7 DISCLOSURES & CERTIFICATION**  
**VERUS 2018-INV2**  
**12/20/2018**

As required by Rule 17g-7(a) of the Securities Exchange Act of 1934, this form provides the mandatory disclosures and attestation that are to accompany a rating action issued by Morningstar Credit Ratings, LLC ("Morningstar").

In the context of Rule 17g-7(a), a 'rating action' means:

- publication of an expected or preliminary credit rating before publication of the initial credit rating,
- an initial credit rating,
- an upgrade or downgrade of credit rating of an existing credit rating, and
- an affirmation or withdrawal of an existing credit rating if the affirmation or withdrawal is the result of a review of the credit rating assigned by Morningstar using its documented methodologies for determining credit ratings.

Morningstar's documented credit rating methodologies and detail analysis of a particular offering are viewable at [www.morningstarcreditratings.com](http://www.morningstarcreditratings.com).

The information contained within this disclosure form is intended as a supplement and not as a substitute of the report detailing Morningstar's rating action and analysis.

It is important to note that this disclosure form should not be construed as an offer, sale or distribution of this offering by Morningstar. Morningstar encourages investors to perform their own and/or obtain their own counsel to review this offering.

*1. Symbol, number, or score used to rate credit rating categories and notches, and the identity and description of the security as required by Rule 17g-7(a)(1)(ii)(A):*

This is a U.S. residential mortgage backed security transaction. The credit rating categories for each tranche of this transaction are outlined in the "Preliminary Ratings" section of the related Presale Report for this transaction located at [www.morningstarcreditratings.com](http://www.morningstarcreditratings.com).

**Related Documents**

- Verus 2018-INV2 - Presale Report

*2. Version of the procedure or methodology used to determine the credit rating as required by Rule 17g-7(a)(1)(ii)(B):*

The following methodology documents, available at [www.morningstarcreditratings.com](http://www.morningstarcreditratings.com), were used to determine these credit ratings:

- Morningstar Credit Ratings Definitions and Other Related Opinions and Identifiers (September 2018)
- U.S. RMBS General Ratings Methodology (April 2018)

*3. Main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Rule 17g-7(a)(1)(ii)(C):*



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Morningstar determined the ratings for each Class of Certificates by performing a quantitative and a qualitative collateral and structural analysis. This analysis utilized the Morningstar Credit Model and is based on its published criteria (for details, go to [www.morningstarcreditratings.com](http://www.morningstarcreditratings.com)).

*4. Potential limitations of the credit rating, including the types of risks excluded from the credit rating and not commented on as required by Rule 17g-7(a)(1)(ii)(D):*

Credit ratings are ultimately opinions evaluating the likelihood of the timely receipt of distributions of interest by certificate holders to which they are entitled and, the ultimate distribution of principal by the Rated Final Distribution Date. These ratings do not address: (a) the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) and its impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (b) the possibility that a certificate holder might suffer a lower than anticipated yield, (c) the likelihood of receipt of prepayment charges, assumption fees, prepayment premiums, prepayment fees or penalties, default interest or post-anticipated repayment date additional interest, (d) the likelihood of experiencing prepayment interest shortfalls, an assessment of whether or to what extent the interest payable on any class of securities may be reduced in connection with any prepayment interest shortfalls, or of receiving compensating interest payments, (e) the tax treatment of the certificates or effect of taxes on the payments received, (f) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part, (g) an assessment of the yield to maturity that investors may experience, or (h) other non-credit risks, including, without limitation, market risks or liquidity.

These credit ratings do not take into consideration an assessment of credit support providers, loan seller(s), guarantors, trustees, certain accounts or investments, insurers, liquidity providers, hedge providers, arranger(s), originator(s) and/or prior holder(s) of the loan(s) included in the respective transaction, or other similar entities or items.

No two securities possess exactly the same credit characteristics, nor are they likely to have identical future opportunities. Therefore, two securities with the same rating should not be construed to be of exactly the same credit quality, but similar in credit quality. Each rating category contains a degree of variability in relative credit quality, and therefore some fluctuation within the bounds of each rating category exists without requiring upgrade or downgrade. Because economic forces and opportunities are continually changing, a security's credit rating is not static.

The likelihood, timing, or frequency of prepayments (both voluntary and involuntary) and its impact on interest payments or the degree to which such prepayments might differ from those originally anticipated is also not considered in the determination of letter ratings or outlooks.

*5. Information on the uncertainty of the credit rating as required by Rule 17g-7(a)(1)(ii)(E):*

The analysis underlying Morningstar's credit ratings assigned to the issued certificates relies on the reliability, accuracy and quality of data provided by the deal arranger received via the transaction 17g-5 website maintained by the deal arranger as well as information provided by third-party data vendors. As a condition of engagement to provide ratings on an issuance, the deal arranger typically agrees to provide materially accurate, complete, and reliable information related to the transaction.

Morningstar relies on third-party data from issuers, servicers, trustees and other third-party information to complete its analysis. This information is generally not verified by Morningstar and is provided "AS IS" without any representation, warranty or guaranty to its accuracy.



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6. *Whether third party due diligence services were used in determining the credit rating as required by Rule 17g-7(a)(1)(ii)(F):*

Morningstar used third-party due diligence services in the determination of the credit ratings in this transaction. Please refer to the attached third-party certification.

Related Documents

- 20181210 AMC 15E VERUS 2018-INV2
- 20181210 Clayton 15E VERUS 2018-INV2
- 20181210 CRES 15-E Verus 2018 INV2 v2

7. *How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Rule 17g-7(a)(1)(ii)(G):*

For new issue ratings, servicer and remittance reports are not used. Morningstar monitors its credit rating on an ongoing basis as it deems appropriate and modifies its credit ratings, as necessary to reflect any changes in Morningstar's opinions on the creditworthiness of the security. Unless otherwise set forth in the methodology for the applicable ratings group, Morningstar ratings committees review their monitored credit ratings at least once every 12 months.

8. *Description of the types of data relied upon as required by Rule 17g-7(a)(1)(ii)(H):*

Typically, Morningstar receives data from the issuer as posted to the 17g-5 site and/or via e-mail. Generally, Morningstar considers the following reports in their analysis.

- Loan Tape - loan level collateral data
- Legal Documents
- Intex Modeling

9. *Assessment of the quality of information available and considered as required by Rule 17g-7(a)(1)(ii)(I):*

The following process, available as Exhibit 2 to Morningstar's Form NRSRO, is as follows:

Unless otherwise required under Morningstar's policies and procedures,

- Morningstar does not independently verify or perform due diligence on the underlying assets, or any publicly available information or any non-public information provided by arrangers, servicers, data vendors and other third-party sources of information.

-- In addition, Morningstar does not audit or verify the truth or accuracy of any such information.

- As a result, any ratings reports provided by Morningstar related to such information are made without representation or warranty of any kind.

- Master Servicer, Special Servicer or Trustee related limitations and the inability to inquire further about specific transaction details will ultimately impact the quality of information used in the ratings process.



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*10. Information relating to the conflicts of interest as required by Rule 17g-7(a)(1)(ii)(J):*

Morningstar was paid by the obligor being rated or the issuer, underwriter, depositor or sponsor of the security or money market instrument being rated to determine credit ratings only.

*11. Explanation or measure of the potential volatility of the credit rating as required by Rule 17g-7(a)(1)(ii)(K):*

In general, one major factor that could lead to a change in credit ratings is interest rates. As an example, based on our testing of Morningstar economic committee approved HIGH and LOW interest rate paths, we note that the ratings could increase up to three notches in the high interest rate path versus the low interest rate stress path. Morningstar has rated the bonds based on the more stressed low interest rate path for this transaction.

*12. Information on the content of the credit rating as required by Rule 17g-7(a)(1)(ii)(L):*

Morningstar's letter-grade ratings convey our opinion about the relative likelihood of default and general credit quality of a financial obligation or the issuer or obligor behind such an obligation. Our rating scale provides a rank ordering of relative creditworthiness whereby higher ratings are expected to display lower default frequencies than lower ratings over any given time period. Our ratings, however, do not connote a specific default probability or loss given default.

*13. Information on the sensitivity of the credit rating as required by Rule 17g-7(a)(1)(ii)(M):*

1. (a) While we do review the true sale opinion and related reps/warranties/disclosures, if a court were to hold there was no true sale for any reason, this would result in a withdrawal of the ratings.

(b) If we do review the nonconsolidation opinion(s) and related reps/warranties/disclosures, and a court were to hold that there was substantive consolidation of one or more of the parties addressed in such opinion(s), this could result in a reduction or withdrawal of the ratings.

2. For floating rate deals, Morningstar may assume a maximum fixed rate payable by the borrower. If this assumption is not true (i.e., rates spike and inadequate or no rate cap protection), then property may not generate enough cash flow to cover the higher interest rate and this could lead to a loan default and ultimately, impact the ratings.

3. While we do review the seller reps/warranties and disclosure, if, for any reason, (i) seller does not ultimately own the asset, have a first priority lien, is subject to an HOA super lien and/or does not deliver the needed documents to the trust or (ii) the title policies contain any judgments, tax liens, or other issues that would materially adversely affect any borrower, property owner, property or the mortgagee's lien and security interest in any collateral for any loan, the transaction could end up with no collateral or impaired collateral which impacts recoveries and ultimately, the ratings.

4. Morningstar assumes information provided by (or required to be provided by) any party related to the transaction is true, accurate, reliable, timely and complete and that such information is actually provided to and received by Morningstar. If this is not true, the ratings may be impacted or downgraded. We assume Morningstar will be notified timely of any information, documents, opinions, amendments, modifications, waivers or other actions or inaction material to the ratings, which if not true for any reason, could result in a reduction or withdrawal of the ratings.

5. If we review the disclosure, reps, warranties, exceptions, Morningstar does fundamentally assume that there is no force majeure event and that any guarantor will honor its repurchase and other guaranty obligations, which if not true for any reason, could result in a reduction or withdrawal of the ratings.

6. Morningstar assumes parties will perform their duties and obligations as required under the relevant transaction documents, which if not true for any reason, could result in a reduction or withdrawal of the ratings.

7. We are assuming compliance by all parties with applicable laws, regulations and preservation of the deal structure. In other



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words, Morningstar is not conducting securities laws, ERISA, tax, environmental, investment company act, patriot act etc. analysis on the deals so Morningstar at some level assumes the arranger has structured a sound deal and complied with laws, which if not true for any reason, could result in a reduction or withdrawal of the ratings.

8. Morningstar may rely on the data tape and due diligence provided by various third-party servicers including valuations of the properties based on broker price opinions and appraisals and the adequacy and appropriateness of insurance coverage, and if not true for any reason, could result in a reduction or withdrawal of the ratings.

14. Information on credit rating assigned to an asset-backed security as required by Rule 17g-7(a)(1)(ii)(N):

(1)(I)-(ii) Representations, Warranties, and Enforcement Mechanisms

<https://ratingagency.morningstar.com/PDD.aspx?i=%2fpm5g7NL4yc%3d&m=i0Pyc%2bx7qZZ4%2bsXnymazBA%3d%3d>

(1)(iii) Attestation

The person signing this attestation had responsibility for this rating action and to the best of their knowledge:

- No part of the credit rating was influenced by any other business activities; ,
- The credit rating was based solely upon the merits of the obligor or security being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor or security.

/s/ Kevin Dwyer

\_\_\_\_\_  
Signature

12/20/2018

\_\_\_\_\_  
Date

15. Third-Party Due Diligence Certification.

<https://ratingagency.morningstar.com/PDD.aspx?i=HXuyoSeOVok%3d&m=i0Pyc%2bx7qZZ4%2bsXnymazBA%3d%3d>

<https://ratingagency.morningstar.com/PDD.aspx?i=J1ouzhELaf8%3d&m=i0Pyc%2bx7qZZ4%2bsXnymazBA%3d%3d>

<https://ratingagency.morningstar.com/PDD.aspx?i=gbTZJ4ldOkY%3d&m=i0Pyc%2bx7qZZ4%2bsXnymazBA%3d%3d>