



News Release

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FOR IMMEDIATE RELEASE

Morningstar Credit Ratings, LLC Publishes New U.S. Residential Mortgage-Backed Securities (RMBS) Ratings Methodology

NEW YORK, June 13, 2014—Morningstar Credit Ratings, LLC has published a new methodology for U.S. residential mortgage-backed securities (RMBS) ratings, outlining the process the company applies when rating RMBS transactions. In addition to prime jumbo, alternative-A, and subprime RMBS, the methodology covers agency risk-sharing securities and securities backed by non-qualified mortgages, nonperforming loans, and reperforming loans.

Vickie Tillman, president of Morningstar Credit Ratings, LLC, said, "We have taken a fresh, holistic approach to the RMBS rating process to help investors gauge the relative default risk of a security against its peers. The methodology integrates several RMBS collateral types into one comprehensive framework to provide consistency across Morningstar's RMBS ratings, including both new issuance and surveillance."

The new methodology incorporates an enhanced Morningstar Credit Model, a loan-level model the company built using state-of-the-art quantitative practices. The model encompasses robust performance data about the housing market.

The Morningstar Credit Model includes submodels based on mortgage types such as fixed-rate 30-year, fixed-rate 15-year, adjustable-rate, adjustable-rate interest only, and fixed-rate interest only. Separate submodels allow the Morningstar Credit Model to account for product-specific idiosyncrasies that provide a broader view on the credit.

In addition to enhanced modeling capabilities for borrower payment behavior, the Morningstar Credit Model uses anonymous data from Equifax, Inc., a global information solutions provider. The model also considers economic forecasts, including interest rate and housing price index forecasts—which are stressed at higher rating levels. Morningstar's rating process includes the review of originators, servicers,

and third-party due diligence providers, which will be incorporated into the Morningstar Credit Model to help assess the relative risk of the specified RMBS transaction.

Morningstar has 20 letter ratings ranging from 'AAA' to 'D' including plus and minus gradations to express its opinion about the credit quality of an RMBS based on Morningstar's policies and procedures.

Morningstar's RMBS ratings supplement the company's existing ratings of commercial mortgage-backed securities and single-family rental securitizations.

Morningstar's RMBS ratings methodology is available under the Analysis and Considerations section of its website at <https://ratingagency.morningstar.com>.

About Morningstar Credit Ratings, LLC and Morningstar, Inc.

Morningstar Credit Ratings, LLC is a Nationally Recognized Statistical Rating Organization (NRSRO) that specializes in structured credit research and ratings, and offers a wide array of services including new-issue ratings and analysis, operational risk assessments, surveillance services, data, and technology solutions.

Morningstar Credit Ratings, LLC is a subsidiary of Morningstar, Inc. (NASDAQ: MORN), a leading provider of independent investment research in North America, Europe, Australia, and Asia.

Morningstar, Inc. offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 456,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 12 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its registered investment advisor subsidiaries and had approximately \$164 billion in assets under advisement and management as of March 31, 2014. The company has operations in 27 countries.

Morningstar, Inc. is not an NRSRO and its credit ratings on corporate and municipal issuers are not NRSRO credit ratings.

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