



Short loan MBS debuts

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Amicus has issued what is believed to be the first UK MBS to be backed entirely by short-term property loans. Three of the four tranches in the unrated Amicus Mortgage Finance 2015-1 were privately placed last week, amounting to £95m of the £100m transaction.

The £78m class A notes feature 22% credit enhancement and were sold at par. The junior £5m class D notes have been retained by Amicus.

"The loans in the pool are loans backed predominantly by UK residential property, with terms ranging from six to 18 months," says Gareck Wilson, partner at Brookland Partners - one of the co-arrangers on the deal. "The transaction will provide Amicus with three years of financing by including a replenishment period in the first 2.5 years."

The transaction also has a number of other credit enhancements, including deficiency ledgers and reserves. It has a scheduled maturity of July 2018 and is backed by a portfolio of predominantly first-lien loans with a weighted average loan to value of 60%.

HSBC is the other co-arranger on the transaction. The deal is the first for Amicus in the structured finance universe, but Wilson says that it could become a permanent feature in the future for the UK lender in order to diversify its funding sources and drive its growth strategies.

"The UK mortgage market is seeing a sustained and growing appetite for short-term property finance driven by the tightening of mainstream bank underwriting requirements; recent changes to planning laws; and the inability of some lenders to act sufficiently quickly to respond to demand," comments John Jenkins, ceo of Amicus. "There is clear investor demand for this type of short-term MBS. Many institutions are increasing their focus on the alternative finance sector as a means of enabling enhanced returns without taking on large risks. Given the continued appetite for short-term property finance, we anticipate significant growth in demand for short-term syndication of this class of debt through bond issuance."