



Tagging Info

**Fitch Affirms 15 Buy-to-Let UK RMBS Transactions** Ratings  
04 Jul 2011 6:45 AM (EDT)**Link to Fitch Ratings' Report:** [Fitch Affirms 15 Buy-To-Let Transactions](#)

Fitch Ratings-London-04 July 2011: Fitch Ratings has affirmed all tranches of eight Paragon Mortgages transactions, four Auburn Securities transactions, Edgbaston RMBS 2010-1 plc, Deva Financing plc and Hawthorn Finance Limited Series 2008-A. The transactions are predominantly backed by buy-to-let loans (between 85%-100% of the outstanding collateral balance) aside from Deva Financing plc, where owner-occupied loans constitute 56% of the outstanding balance. A full list of rating actions is available at [www.fitchratings.com](http://www.fitchratings.com) or by clicking on the link above.

Lending in the buy-to-let market has been limited over the past two years. Lending criteria has tightened, and the permitted loan-to-value ratio (LTV) on new loans has trended down. The majority of the buy-to-let borrowers in these 15 transactions hold interest-only products, and as a result, the loan amount has reduced at a slow pace. The original weighted average LTV of the transactions that closed prior to 2008 tended to exceed 80%, which therefore leaves the borrower reliant on house price appreciation to attain a LTV that would be eligible for consideration by a lender in the current market. Furthermore, with a high proportion of borrowers (with the exception of Edgbaston, which has 42% of the pool on fixed-rate products) on a variable-rate, the monthly mortgage instalments have remained low for the past two to three years, reducing the incentive for borrowers to refinance into a loan that would almost certainly demand a higher margin. This has led to low constant prepayment rates across all transactions, reaching as low as 2%-3%.

The affirmations reflect the fact that repossession activities remain limited and loans in arrears by greater than three months have been relatively stable, ranging from 0.19% for Edgbaston to 2.04% for Auburn 6. This does not include Deva Financing plc, which is the only transaction that has experienced a constant increase in arrears since close, to a level of 5.76% as per the May report from 4.16% a year ago. Unlike the other transactions, Deva Financing contains a significant proportion (52.3%) of self-certified borrowers, but the agency does not believe that it is this borrower subset that has unduly contributed to arrears. It considers that the 2007 vintage loans are the main factor driving this arrears trend. Nonetheless, Fitch considers the current credit enhancement available to the class A note commensurate with its current rating of 'AAA'sf'. In addition, the revolving periods for both Deva Financing plc and Hawthorn Finance Limited Series 2008-A are scheduled to expire in Q411.

Fitch has revised the Outlook on the six class B tranches in Paragon 11, 12 & 13 to Stable from Positive. The current low constant prepayment rates mean it is unlikely that credit enhancement will build up to sufficient levels in the next 18 months to attain a higher rating. Nonetheless, performance continues to be relatively strong, and Paragon's extensive use of receiver of rent policies have helped contribute to a low level of arrears across all eight transactions.

The agency deems the investor reports for the four Auburn transactions less than satisfactory, but following the receipt of further information, all tranches have been affirmed. Fitch will work with the issuer to try and improve the reporting standards.

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The sources of information used to assess these ratings, in addition to those mentioned in the applicable criteria, were investor and servicer reports.

Applicable criteria, 'EMEA Residential Mortgage Loss Criteria' and 'EMEA Residential Mortgage Loss Criteria Addendum - UK' both dated 23 February 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

EMEA Residential Mortgage Loss Criteria  
EMEA Residential Mortgage Loss Criteria Addendum - UK

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