



Fitch Places 533 UK RMBS Tranches on Rating Watch Positive

Link to Fitch Ratings' Report: Fitch Places 533 UK RMBS Tranches on RWP
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875688)

Fitch Ratings-London-18 December 2015: Fitch Ratings has placed 533 tranches of UK RMBS on Rating Watch Positive (RWP). The rating action follows the publication of the Criteria Addendum: UK - Residential Mortgage Assumptions on 16 December 2015 and incorporates prime, buy-to-let and non-conforming pass-through transactions.

The RWP applies to all UK prime, buy-to-let and non-conforming RMBS tranches that are not already rated 'AAAs' or those that do not already have the highest achievable rating as a result of counterparty-related restriction.

The new criteria are likely to improve the breakeven overcollateralisation for the ratings of covered bonds issued out of the UK, but will not lead to upgrades, as UK covered bonds are either rated 'AAA' or at their maximum achievable rating above their issuer's IDR.

A full list of ratings can be found on www.fitchratings.com or by clicking the link above.

KEY RATING DRIVERS

Revision in Base Foreclosure Frequency

The updated criteria for the analysis of UK mortgage portfolios include a reduction in the foreclosure frequency (FF) assumptions for both prime and non-conforming loans. The revision in assumptions follows 40 years of robust performance, tightened lender underwriting policies following the 2007/2008 financial crisis and the effects of the Mortgage Market Review, which is designed to prevent the re-emergence of high-risk lending products.

The non-conforming sector, in particular, has changed substantially as loans with certain characteristics that contributed to higher defaults are no longer being originated. The loans originated before 2008 that remain outstanding benefit from seasoning and a track record of at least seven years of payment history.

In addition to the general reduction in FF assumptions for UK mortgages, other criteria changes have also lowered the FF assumptions by limiting the negative adjustments for adverse borrower or loan characteristics. These include:

- Lower roll rates for loans in arrears to default;
- Reduced adjustment for borrowers with adverse credit history or income verification from five years after origination;
- Reduced adjustments for borrowers without income verification, irrespective of employment type;
- Removal of adjustments for right-to-buy loans.

The overall shrinkage in expected losses across the UK RMBS transactions as a result of the reduced FF assumptions will be offset for some transactions by the introduction of floors to our loss severity assumptions. The effect of the loss severity floors will be greatest for portfolios with a large proportion of low loan-to-value ratio loans.

RATING SENSITIVITIES

Fitch will assess the effect of the criteria changes on the ratings of the transactions. The analysis may result in either upgrades or affirmations of tranches that are placed on RWP. All ratings will be

reviewed within the next six months.

DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed in relation to this rating action.

Fitch has not checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions, as this rating action was the result of Fitch's criteria revision and therefore no performance data was used for the purpose of this action.

Sources of Information:

This rating action was the result of Fitch's criteria revision and therefore no transaction information was collected or reviewed for the purpose of this action.

Model

This rating action was the result of Fitch's criteria revision and therefore no models were used for the purpose of this action.

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Additional information is available at www.fitchratings.com.

For Business Mortgage Finance 6 PLC: Fitch may have provided another permissible service to the rated entity or its related third parties. Details of this service for ratings for which the lead analyst is based in an EU registered entity or a branch of an EU-registered entity (i.e. Moscow, Sweden and Dubai) can be found on the entity summary page for this issuer on the Fitch website.

Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175)
Criteria Addendum: UK Residential Mortgage Assumptions (pub. 16 Dec 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875200)
Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (pub. 20 Feb 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115)
EMEA RMBS Rating Criteria (pub. 16 Dec 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875102)

Global Criteria for Lenders' Mortgage Insurance in RMBS (pub. 23 Jun 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865195)

Global Structured Finance Rating Criteria (pub. 06 Jul 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

Additional Disclosures

Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=997052)

Endorsement Policy (<https://www.fitchratings.com/jsp/creditdesk/PolicyRegulation.faces?context=2&detail=31>)

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