

First Flexible No. 6 U.K. RMBS Transaction Ratings Raised On Two Classes; Three Affirmed

June 27, 2019

Ratings List

Issuer

First Flexible No. 6 PLC

Class	Rating to	Rating from
M1	BBB (sf)	BB- (sf)
M2	BBB (sf)	BB- (sf)

Class	Rating
A1	AA- (sf)
A2	AA- (sf)
A3	AA- (sf)

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Overview

- We have reviewed First Flexible No. 6 following the implementation of our revised counterparty criteria and assumptions for rating U.K. RMBS transactions.
- Following our review, we raised our ratings on the class M1 and M2 notes and affirmed our ratings on all other classes of notes
- First Flexible No. 6 is a U.K. RMBS buy-to-let transaction that securitizes mortgages that Mortgages Trust originated.

LONDON (S&P Global Ratings) June 27, 2019--S&P Global Ratings today raised its credit ratings on First Flexible No. 6 PLC's class M1 and M2 notes. We have affirmed our ratings on all other classes of notes (see list).

Today's rating actions follow the implementation of our counterparty criteria and assumptions for assessing pools of residential loans (see "Related Criteria"). They also reflect our full analysis of the most recent transaction information that we have received and the transaction's current structural features.

Upon revising our structured finance counterparty criteria, we placed our ratings on all classes of notes under criteria observation (see "Ratings Placed Under Criteria Observation Due To Revised Counterparty Risk Criteria," and "Counterparty Risk Framework: Methodology And Assumptions,"

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published on March 8, 2019). Following our review of the transaction's performance, the application of our structured finance counterparty criteria, and our updated assumptions for rating U.K. residential mortgage-backed securities (RMBS) transactions (see "S&P Global Ratings Updates Assumptions For Rating U.K. RMBS Transactions" published on June 7, 2019), our ratings on these notes are no longer under criteria observation.

JPMorgan Chase Bank N.A. provides the currency swap contract, which was not in line with our previous counterparty criteria. Under our new criteria, our collateral assessment is moderate, and considering the downgrade language in the swap documents and the current resolution counterparty rating (RCR) on JPMorgan Chase Bank N.A., the maximum supported rating on the notes is 'AA- (sf)', which is the RCR plus one notch.

After applying our updated U.K. RMBS criteria, the overall effect in our credit analysis results in a decrease in the weighted-average foreclosure frequency (WAFF) at all rating levels. This is mainly due to the changes to adjustments of buy-to-let (BTL) loans, including no longer applying interest-only adjustments to BTL loans. Our weighted-average loss severity (WALS) assumptions have decreased at all rating levels driven by the revised jumbo valuation thresholds and the introduction of a separate Greater London category.

Below are the results of the credit analysis:

Credit Analysis Results

Rating level	WAFF (%)	WALS (%)
AAA	17.71	33.06
AA	12.57	22.86
A	9.99	8.66
BBB	7.42	3.93
BB	4.85	2.24
B	4.21	2.00

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

We have determined that our assigned ratings on this transaction's classes of notes should be the lower of the rating as capped by our counterparty criteria and the rating that the class can attain under our credit and cash flow analysis. Therefore, we have affirmed our ratings on the class A1, A2, and A3 notes at 'AA- (sf)'. Under our credit and cash flow analysis, the class M notes--the junior notes--could withstand our stresses at a higher rating level than 'BBB'; however, the rating was constrained by these classes' sensitivity to sequential payments. Therefore, we have raised our ratings on these classes to 'BBB (sf)' from 'BB- (sf)'.

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Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019

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- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- U.K. RMBS Index Report Q1 2019, May 28, 2019
- European Economic Snapshots: Domestic Demand Still A Safety Net, April 12, 2019
- Ratings On The United Kingdom Affirmed At 'AA/A-1+'; Outlook Remains Negative, Oct. 26, 2018
- Outlook Assumptions For The U.K. Residential Mortgage Market, Sept. 4, 2018
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- All Ratings Affirmed In U.K. RMBS Transaction First Flexible No. 6 Following Review, June 4, 2015

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