



## RATING ACTION COMMENTARY

# Fitch Revises Outlook on 7 UK RMBS Tranches and 1 Currency Swap Obligation

Wed 28 Jul, 2021 - 12:07 PM ET

Fitch Ratings - London - 28 Jul 2021: Fitch Ratings has revised the Outlooks to Stable from Negative on seven classes of notes and one currency swap obligation of four UK RMBS transactions, as detailed below:

## RATING ACTIONS

ENTITY/DEBT		RATING		PRIOR	
RMAC Securities No.1 Plc (Series 2006-NS3)					
● Class M2c XS0268027769	LT	A+sf Rating Outlook Stable	Revision Outlook	A+sf Rating Outlook Negative	
RMAC Securities No.1 Plc (Series 2007-NS1)					

## ENTITY/DEBT

## RATING

## PRIOR

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[VIEW ADDITIONAL RATING DETAILS](#)

## TRANSACTION SUMMARY

Paragon Mortgages No. 12 Plc (Paragon 12) is a buy-to-let (BTL) RMBS transaction backed by loans originated in the UK between 2005 and 2006 by Paragon Mortgage Limited and Mortgage Trust Limited, all subsidiaries of Paragon Bank Plc.

The RMAC Series are securitisations of BTL and non-conforming residential mortgages originated by GMAC-RFC (now called Paratus AMC).

## KEY RATING DRIVERS

**Excessive Counterparty Exposure Caps Ratings:** The revision of the Outlooks follows similar rating action on the account bank, Barclays Bank Plc's Long-Term Issuer Default Rating (IDR). The affected tranches' ratings are limited by Barclays Bank Plc's Long-Term IDR.

For Paragon 12, the only source of credit enhancement (CE) for the affected classes is a reserve held at the issuer account bank, so those tranches remain capped at Barclays Bank Plc's rating.

For the RMAC transactions, because the cap reflects Fitch's belief that the lack of a mandatory switch to a sequential amortisation of the notes in the late stages of the transactions could lead to an excessive dependence on the reserve fund held with the account bank. The reserve fund could be the only source of CE in scenarios where the collateral performance deteriorates but remains within the conditions for pro-rata payments.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The highest achievable 'A+sf' rating for these notes is equal to Barclays Bank Plc's Long-Term IDR. In Fitch's view, structural dependence on the counterparty is excessive as CE provided to these classes is a cash reserve held by the counterparty. An upgrade of the notes would be conditional on an upgrade of the Long-Term IDR of Barclays Bank Plc.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Negative rating action on Barclays Bank plc's IDR could trigger event-driven rating action on the notes.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10**

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

## **DATA ADEQUACY**

Paragon Mortgages (No. 12) Plc, RMAC Securities No.1 Plc (Series 2006-NS3), RMAC Securities No.1 Plc (Series 2006-NS4), RMAC Securities No.1 Plc (Series 2007-NS1)

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pool[s] ahead of the transaction's Paragon Mortgages (No. 12) Plc, RMAC Securities No.1 Plc (Series 2006-NS3), RMAC Securities No.1 Plc (Series 2006-NS4), RMAC Securities No.1 Plc (Series 2007-NS1) initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the

operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, and together with any assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

The notes are capped at Barclays Bank Plc's rating due to excessive counterparty exposure.

## **ESG CONSIDERATIONS**

RMAC 2006-NS3, 2006-NS4 and 2007-NS1 has an ESG Relevance Score of '4' for Human Rights, Community Relations, and Access & Affordability due to exposure to accessibility to affordable housing which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

RMAC 2006-NS3, 2006-NS4 and 2007-NS1 has an ESG Relevance Score of '4' for Customer Welfare - Fair Messaging, Privacy & Data Security due to exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security), which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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## **APPLICABLE CRITERIA**

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 29 Jan 2020\)](#)

[UK RMBS Rating Criteria \(pub. 02 Jul 2020\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 23 Sep 2020\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 13 Nov 2020\)](#)

[Global Structured Finance Rating Criteria \(pub. 24 Mar 2021\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

[Solicitation Status](#)

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## ENDORSEMENT STATUS

Paragon Mortgages (No. 12) Plc	UK Issued, EU Endorsed
RMAC Securities No.1 Plc (Series 2006-NS3)	UK Issued, EU Endorsed
RMAC Securities No.1 Plc (Series 2006-NS4)	UK Issued, EU Endorsed
RMAC Securities No.1 Plc (Series 2007-NS1)	UK Issued, EU Endorsed

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