



'Surging bank exits' from mortgages boosting NPL, RPL sales — Mission Capital

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Investors could see another USD 20bn of legacy performing and credit-impaired residential loan pools come to market through year end as banks and other sellers capitalize on higher prices, according to Mission Capital data and David Tobin, a principal at the firm.

The UPB of USD 34.06bn offered in 31 sales through July has already exceeded last year's USD 24.8bn, done in 33 sales, Mission Capital data shows. The number was skewed by Capital One's USD 17bn portfolio sale, but Mission Capital still sees offerings accelerating as banks step up sales of seasoned loans, Tobin said.

Banks are deciding to part ways with non-performing and re-performing loans that were marked down long ago, he said. For some banks, this represents a broader exit from the mortgage market that is beset with declining economies of scale, slowing originations and ongoing regulatory burdens, he said.

What's more, valuations on those loans have climbed. A loan marked down to 70 cents per dollar of UPB might trade today at 90 cents, he said.

"The gain on sale income is incredibly attractive for banks," he said.

Bank sales have grown to 62% of total sales this year from 33% in 2017, according to a recent Mission Capital report. Recent bank sellers include CIT, SunTrust, Regions, Santander, BB&T, First Tennessee, BMO Harris, Fifth Third, Bank of the West, and BankUnited, according to the report. Beal Bank, the institution founded by billionaire Andrew Beal whose affiliates also made bets on distressed RMBS, has sold loans, according to the Mission report.

The "surging bank exits" are complemented by increasing insurance company activity and sales of second mortgages and HELOCs, according to Mission. On 30 August, Mission will take bids on a USD 492m pool of mostly second liens originated before 2008, as reported.

Mission expects bank activity will bring total sales this year to USD 54.25bn, even with a notable slowdown in offerings from the US Department of Housing and Urban Development, according to its report.

Fannie Mae has also been out "in force" with large sales of NPL and RPLs, the report states. The GSE has a 6 September deadline for bidding on USD 3.59bn, 18,400 loan RPL pool, just two months after a USD 6.17bn sale was won by Credit Suisse and its clients, including Pimco, as reported.

by Al Yoon

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