

DRAFT: Dilosk RMBS No. 5 DAC Class B-Dfrd To E-Dfrd, And X1-Dfrd Irish RMBS Ratings Raised; Other Ratings Affirmed

November 16, 2023

Overview

- We reviewed Dilosk RMBS No.5 DAC in line with the latest available data.
- Following our review, we raised our ratings on the class B-Dfrd, C-Dfrd, D-Dfrd, E-Dfrd, and X1-Dfrd notes and affirmed our ratings on the class A and F-Dfrd notes.
- Dilosk RMBS No.5 is an RMBS transaction that securitizes a portfolio of owner-occupied and buy-to-let mortgage loans, secured over residential properties in Ireland. The sole originator of the loans is Dilosk DAC, a nonbank lender.

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DUBLIN (S&P Global Ratings) Nov. 17, 2023--S&P Global Ratings today raised its credit ratings on Dilosk RMBS No.5 DAC's class B-Dfrd notes to 'AA+ (sf)' from 'AA (sf)', C-Dfrd notes to 'AA (sf)' from 'A+ (sf)', D-Dfrd notes to 'A+ (sf)' from 'BBB+ (sf)', E-Dfrd notes to 'BBB- (sf)' from 'BB+ (sf)', and X1-Dfrd notes to 'BBB+ (sf)' from 'B- (sf)'. At the same time, we affirmed our 'AAA (sf)' rating on the class A notes and our 'B- (sf)' rating on the class F-Dfrd notes.

Today's rating actions reflect our full analysis of the most recent transaction information that we have received and the transaction's structural features.

The transaction's performance remains strong with minimal arrears of 0.14% as of the latest investor report. Both the general reserve fund and the class A liquidity reserve fund remain at their respective targets.

After applying our global residential loans criteria, our weighted-average foreclosure frequency has decreased mainly due to our reduction of the originator adjustment applied to Dilosk DAC. We have reduced this based on the strong historic and recent performance of its loans and its overall proven track record since the initiation of its lending. Our weighted-average loss severity also decreased primarily due to the reduced current weighted-average loan-to-value ratio following increased HPI growth since the closing of the transaction.

Credit Analysis Results

Rating level	WAFF (%)	WALS (%)
AAA	23.42	23.15

Credit Analysis Results (cont.)

Rating level	WAFF (%)	WALS (%)
AA	15.73	18.28
A	11.88	10.34
BBB	7.86	6.63
BB	4.02	4.41
B	3.1	2.68

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

Considering the results of our credit and cash flow analysis, the increased available credit enhancement, and the transaction's performance, we consider that the available credit enhancement for the class B-Dfrd, C-Dfrd, D-Dfrd, E-Dfrd, and X1-Dfrd notes is commensurate with higher ratings than those currently assigned. We therefore raised our ratings on these classes of notes.

Our analysis indicates that these classes of notes could withstand our stresses at higher ratings than those assigned. However, the ratings on these classes of notes are constrained by additional factors. Specifically, we considered the high proportion of loans that are on fixed-rate products and are due to revert to a floating rate in the coming years, the potential future vulnerability of some borrowers in a rising interest rate environment, and the challenges of increased cost of living pressures. Our ratings also consider potentially higher prepayments, which may particularly affect the buy-to-let loans in the portfolio.

The results of our cash flow analysis support the currently assigned 'AAA (sf)' rating on the class A notes. We therefore affirmed our 'AAA (sf)' rating on this class of notes. For the class B-Dfrd notes, while these notes pass our 'AAA' rating stress in all scenarios, the deferrable nature of this class is not consistent with our 'AAA' rating definition. We therefore affirmed our 'AA+ (sf)' rating on the class B-Dfrd notes.

While the class F-Dfrd notes continue to pass at 'B' in our standard cash flow stress, these notes face shortfalls at this level in higher constant prepayment rate (CPR) and longer recovery timing stress scenarios. We therefore affirmed our 'B- (sf)' rating on the class F-Dfrd notes.

Although the results of our cash flow analysis support higher ratings for the class C-Dfrd and D-Dfrd notes, the respective ratings on these class of notes takes into consideration the relative credit enhancement available for these notes. Therefore, we limited our upgrade on the class C-Dfrd notes to two notches and the class D-Dfrd notes to three notches.

Dilosk RMBS No.5 is an RMBS transaction that securitizes a portfolio of owner-occupied and buy-to-let mortgage loans, secured over residential properties in Ireland. The transaction closed in October 2021.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020

- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- 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
- 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: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- EMEA Structured Finance Chart Book: October 2023, Oct. 26, 2022
- Credit Conditions Europe Q4 2023: Resilience Under Pressure Amid Tighter Financial Conditions, Sept. 26, 2023
- European RMBS Index Report Q2 2023, Aug 15, 2023
- European Housing Markets Face Sustained Correction, Economists Say, July 20, 2023
- European RMBS Outlook 2023, Jan. 12, 2023
- Economic Research: European Housing Prices, Jan. 11, 2023
- Irish Nonbank Lenders May Capture More Of The Irish Mortgage Market, Oct. 25, 2022
- 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

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