

RMBS: Assessing Value & Risk (Europe)

A two-day workshop to develop an in-depth analytic approach to assessing the credit risk, structural aspects and returns of RMBS asset classes.

TARGET AUDIENCE

For investors, issuers, fund management professionals and those involved in RMBS credit risk management.

COURSE OBJECTIVES

Participants will be equipped to:

- Use a structured approach to evaluate the risk profile of RMBS by assessing the collateral, originator, servicer and structure
- Understand the impact of key variables on risk assessment models
- Critique transaction structures to identify and assess the risks and mitigants
- Monitor deal performance to anticipate rating potential rating migration
- Evaluate the relative risks and rewards of RMBS across the rating spectrum.
- Understand the potential ramifications of the current regulatory environment on RMBS liquidity and structural dynamics.

This course will provide an in-depth understanding of the credit and structural aspects of both existing and developing European RMBS (cash and where applicable, synthetic).

CONTENT

INTRODUCTION

- Analytic approach to credit
- A structured approach to analysis: purpose, payback, risks and structure
- Applying the approach to true sale and, where appropriate, synthetic RMBS
- Originator and investor motivations / sources of repayment
- Historical and current perspectives
- The need for vigilance: opportunities and threats in current climate.

RISKS TO REPAYMENT

Collateral analysis

- Understanding RMBS collateral features: prime, non-conforming, U.S. versus Europe
- Key variables which will impact the likelihood of default and severity of loss
- Stressing historical performance data: sizing gross credit enhancement
- Model approach: loan by loan analysis to determine loss levels
- Adjustments to assumptions: why and to what extent
- Cash flow modelling: the impact of timing on stress scenarios
- Deriving gross credit enhancement levels

Originator evaluation

- Who how, where, why, and for how long?
- Underwriting procedures and policies
- How the business model might impact origination / securitisation

Servicer evaluation

- Types of servicers and their roles: primary, master and special
- Servicer ratings: why, how and impact on credit enhancement
- Creditworthiness and the business model
- Third party servicers and replacement risk.

STRUCTURE

Profile

- Waterfall structures: determining priority of payments
- Unravelling payment flows: sources and applications of funds
- Pay structures: sequential, pro rata and turbo features
- Allocation of funds pre- and post-enforcement
- Expected and legal maturity, "soft bullet" and optional redemption features

Credit enhancement (CE)

- Understanding and evaluating the different types of CE
- Linking waterfall structures to changing levels and forms of CE
- Loss allocation amongst different forms of credit enhancement
- Benefits and risk associated with third party CE(private and government)
- Ensuring CE mechanisms protect investor interests

Structural safeguards

- Substitution and replacement: eligibility criteria
- Access to liquidity: evaluating liquidity providers and alternative structures
- Swaps and caps: mitigating risk and guaranteeing excess spread
- Trust structures: triggers, funding/seller shares, loan substitution

Legal safeguards

- Isolation of assets
- Events of default, reps and warranties

Pricing

- Current market conditions: impact on spreads across asset types, tranches and regions
- Benchmarking returns
- Moving down the curve: value versus risk(current perspectives).

MONITORING PERFORMANCE

- Surveillance: collateral, servicer/origination and counterparty
- Interpreting performance to identify early warning signals
- Credit trends: understanding and anticipating pockets of risk.
- Differentiating between markets and their relevant industry standards
- Potential impact of regulatory and industry review of reporting standards.

REGULATORY DEVELOPMENTS

- Understanding the dynamics and interplay of global, regional and national regulation
- Impact of legislation/regulation on:
 - Mortgage markets and borrower behaviour
 - RMBS investors
 - Issuers and transaction structure.

Learning Paths

