



Deephaven drew nearly USD 1bn orders for latest non-QM RMBS

02 November 2017 | 16:38 EDT

Deephaven Mortgage's USD 306.7m DRMT 2017-3 posted some record tight levels for a non-QM RMBS on Wednesday after drawing multiple times the necessary orders across the deal, according to an investor and a syndicate source.

The USD 178.3m in offered A-1s priced at S+ 67bps, where investors indicated 2.5 times interest in the bonds, the sources said. While strong, the levels may not be what meets the eye, either, as several investors have said they routinely inflate their interest to dealers in order to get close to desired allocations.

The spread on the AAA rated bonds was 8bps tighter than comparable debt from the COLT 2017-2 issue in September and levels near S+ 100bps for similar deals earlier in the year, the sources said.

Elsewhere in Deephaven's deal, the USD 29.3m in offered A-2s were four times oversubscribed at the S+ 80bps pricing and the USD 39.8m in offered A-3s were 6.5 times oversubscribed at the S+ 90bps pricing, the sources said.

Standard & Poor's and Morningstar took different views of the credit of several classes, including the A-2s and A-3s. Morningstar rated the two classes AAA and AA, respectively, above the AA and A of S&P, according to the syndicate source. Bullish features of the deal included low LTVs and low debt-to-income ratios, while bearish ones included that 38.5% of loans were underwritten using bank statements instead of tax returns to verify income, according to Morningstar.

Deephaven's USD 17.6m offered M-1s were 7.5 times oversubscribed at the S+ 145bps pricing, the sources said. Morningstar rated the mezzanine bonds A-, stronger than the BBB grade applied by S&P.

There was no indication of oversubscription on the subs. A USD 14.6m offered B-1 priced at S+ 275bps while a USD 10.2m B-2 priced with a yield of 6.25%, the sources said. The subs were rated only by S&P, at BB for the B-1 and B for the B-2.

The tightening in non-QM illustrates the increased demand for higher-yielding assets across the credit markets this year, especially for those tied to housing that benefits from both rising employment and home prices. But current spread levels have also raised concerns of a correction in securitized mortgage credit among some investors, including Annaly Capital Management executives on a conference call this morning.

by Al Yoon

PROPRIETARY

ABS

Financial Services

USA

DRM

Class	Size (mln)	Avg Life	MRN	Exp	Ber
A-1	USD 187.70	2.05y	AAA	10/2047	I-S'
A-2	USD 30.82	2.05y	AAA	10/2047	I-S'
A-3	USD 41.87	2.05y	AA	10/2047	I-S'
M-1	USD 18.56	4.05y	A-	10/2047	I-S'
B-1	USD 15.34	4.05y	NR	10/2047	I-S'
B-2	USD 10.73	4.05y	NR	10/2047	YLI
B-3	USD 1.69		NR	10/2047	

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