

ARC Ratings, S.A. downgrades and withdraws the rating of the Class A Notes to 'A(sf)' issued by Belmont Green Funding 5 Ltd, following structural amendments and affirms the final public rating of 'BBB(sf)' accorded to the Class C Notes

<u>ISSUER</u>	<u>ISSUE RATINGS</u>	
Belmont Green Funding 5 Limited	BBB(sf)	Class C Notes (BBB(sf), with stable outlook)
<u>RATING DATE</u>	<u>NEXT REVIEW DATE</u>	
26 March 2020	26 March 2021	

ARC Ratings, S.A. (ARC) has downgraded the final, public rating of the Class A Notes to 'A(sf)' and simultaneously withdrawn the rating at the Issuer's request. Additionally, ARC has affirmed the final, public rating of 'BBB(sf)' to the Class C Notes issued under a Senior Loan Note Agreement by Belmont Green Funding 5 Limited, with stable outlook following structural amendments. This rating addresses the timely payment of interest and the ultimate repayment of principal on the Class C Notes.

The main amendments consisted of firstly combining the Class A and B tranches into a single, unrated Class A tranche (the rating for which is no longer required), secondly the extension of the Availability Period and Facility Termination End Dates and lastly a change in the swap hedge mechanism. ARC will review the impact on the rating should the utilisation of LIBOR be abandoned or should a switch to SONIA occur during the transaction.

COMPANY PROFILE

Belmont Green Finance Limited (the 'Originator/Seller') is a company incorporated under the laws of England and Wales, with limited liability and has been trading as Vida Homeloans since 2016. Vida Homeloans is a wholesale-funded mortgage lender that only distributes through intermediaries. Belmont Green Funding 5 Limited (the 'Issuer') is a private limited company incorporated under the laws of England and Wales.

TRANSACTION OVERVIEW & CAPITAL STRUCTURE

The Issuer may have an exposure of up to GBP 150,000,000 of Senior Loan Notes backed by a pool of UK residential mortgages. The Senior Loan Notes amount currently stands at GBP 73,353,498.25 as of January 2020. The issued Notes were initially divided into three tranches – Class A, B and C, however, the structure has changed to only include an unrated Class A tranche (formed by the combination of the old Class A and Class B Notes) and a Class C tranche. During the Availability Period, the capital structure will be dynamic in nature in accordance with the Minimum Subordination Amount and Advance Rate requirements to ensure the ratings are maintained. The Issuer will utilise the proceeds from the Note Issuances to acquire the Mortgage Loans.

The Issuer has implemented three major amendments to the transaction. ARC conducted the appropriate analysis and modelling to assess the impact of these amendments. Specifically, ARC utilised an RMBS approach by firstly assessing the current state of the mortgage portfolio and secondly through a cash flow model implementing suitable default, recovery and interest rate stresses. ARC notes that there were no changes to the capital structure of the Class C Notes. As such, ARC has downgraded the Class A tranche to an 'A(sf)' rating and has simultaneously withdrawn this rating. It was further concluded that these amendments ultimately had no rating impact on the 'BBB(sf)' rating previously accorded to the Class C Notes.

As of the last three months, ARC has observed no breaches in the Concentration Tests or Borrowing Base Tests. Moreover, cumulative losses have remained at 0% from the Transaction Closing Date.

SENSITIVITY ANALYSIS

Additionally, ARC conducted sensitivity analysis on the defaults and recoveries to assess any potential rating movements on the Class C Notes. ARC noted that significant negative movements in both defaults and recoveries were needed to impact the rating.

SUMMARY OF RATING METHODOLOGIES

ARC has applied the ARC Ratings' Global Structured Finance Rating Criteria (updated in September 2019) in conjunction with the ARC Ratings' Residential Mortgage Backed Securities (RMBS) Rating Criteria (updated in May 2019). Both Criteria are freely available on www.arcratings.com.

THIS DISCLOSURE IS FOR INFORMATION PURPOSES ONLY

ARC Ratings, S.A.

11 Hollingworth Court
Turkey Mill, Ashford Road
Maidstone, Kent ME14 5PP
UNITED KINGDOM

Phone: +44 (0)1622 397350
E-mail: arcratings@arcratings.com
Site: www.arcratings.com



Key Contacts:

Paolo Angeles
Structured Finance Analyst
Lead Analyst
paolo.angeles@arcratings.com

Ashley Thomas
Structured Finance Analyst
Back-up Analyst
ashley.thomas@arcratings.com

Mark Vrdoljak
Head of Structured Finance &
Panel Chairperson
mark.vrdoljak@arcratings.com

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

Ratings assigned by ARC Ratings represent opinions on the capacity and willingness of an entity to make all required payments on a given obligation in a timely manner. The meaning of each rating category is explained in www.arcratings.com.

The rating(s) assigned by ARC Ratings in this report was / were sought by the entity whose financial commitments are being rated.

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Ratings do not constitute a recommendation to buy or sell, but only one of the factors to be weighted by investors.

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