

Think Tank Series 2020-1 Trust Ratings Raised On Two Note Classes; Five Affirmed

August 30, 2022

MELBOURNE (S&P Global Ratings) Aug. 31, 2022--S&P Global Ratings today raised its ratings on two classes of small-ticket commercial mortgage-backed, floating-rate, pass-through notes issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Series 2020-1 Trust. At the same time, we affirmed our ratings on five classes of notes (see list).

The rating actions reflect our view of the credit risk of the underlying collateral portfolios. Our analysis of credit risk is based on our "Principles Of Credit Ratings" criteria; however, where factors that affect borrower performance are similar to those for residential mortgage loans, we have applied similar assumptions (see "Think Tank Series 2020-1 Trust Small-Ticket CMBS Assigned Ratings," published Oct. 16, 2020). The asset pool has continued to amortize and has a pool factor of 59.9% as of July 31, 2022. The weighted-average current loan-to-value ratio is 62.5% and a weighted-average seasoning of 40.5 months.

The strength of the cash flows at each respective rating level is underpinned by the various structural mechanisms in the transaction. Cash flows can meet timely payment of interest and ultimate payment of principal to the noteholders under the rating stresses.

We have also factored into our analysis the relatively high level of self-employed borrowers and alternative-documentation loans in the pool. These characteristics increase our expectation of loss for the portfolio. Arrears have performed within our expectations. Loans in arrears between 30 and 60 days as of July 30, 2022, represent 0.9% of the portfolio by current balance. There have been no losses to date.

The credit support provided in percentage terms has increased as the pool has paid down due to the sequential pay structure. We expect this buildup in credit support will continue because we believe the transaction will not meet the pro-rata triggers in the coming months.

This portfolio could be more susceptible to changes in the economy, particularly rising interest rates and cost of living pressures, due to its exposure to self-employed borrowers and low-documentation loans. This has been a constraining factor for our ratings on the class D, class E, and class F notes.

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

PRIMARY CREDIT ANALYST

Fiona L Otway
Melbourne
+ 61 3 9631 2060
fiona.otway
@spglobal.com

SECONDARY CONTACT

Alisha Treacy
Melbourne
+ 61 3 9631 2182
alisha.treacy
@spglobal.com

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- 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
- 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 | RMBS: Assumptions: Australian RMBS Postcode Classification Assumptions, July 10, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria | Structured Finance | RMBS: Australian RMBS Rating Methodology And Assumptions, Sept. 1, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | RMBS: Methodology And Assumptions For Analyzing The Cash Flow And Payment Structures Of Australian And New Zealand RMBS, June 2, 2010
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Rating Assumptions Updated On Five Australian Small-Ticket CMBS Transactions, Feb. 17, 2022
- 2022 Outlook Assumptions For The Australian RMBS Market, Jan. 7, 2022
- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, Nov. 17, 2021
- ESG Industry Report Card: Residential Mortgage-Backed Securities, March 31, 2021
- Australian Prime And Nonconforming RMBS: What's The Difference? Nov. 17, 2019
- Australia And New Zealand Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, April 17, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- RMBS Performance Watch: Australia, published quarterly
- RMBS Arrears Statistics: Australia, published monthly
- ABS Performance Watch: Australia, published quarterly

Ratings Raised

Think Tank Series 2020-1 Trust

- Class B: to AAA (sf) from AA (sf)
- Class C to AA (sf) from A (sf)

Ratings Affirmed

Think Tank Series 2020-1 Trust

- Class A1: AAA (sf)
- Class A2: AAA (sf)
- Class D: BBB (sf)
- Class E: BB (sf)
- Class F: B (sf)
- Class G Not rated
- Class H: Not rated

REGULATORY DISCLOSURES

Please refer to the initial rating report for any additional regulatory disclosures that may apply to a transaction.

AUSTRALIA

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