

# Think Tank Series 2021-1 Trust Ratings Raised On Five Note Classes; Two Affirmed

July 26, 2023

MELBOURNE (S&P Global Ratings) July 26, 2023--S&P Global Ratings today raised its ratings on five classes of residential mortgage-backed, floating rate, pass-through notes issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Residential Series 2021-1 Trust. At the same time, we affirmed our ratings on two classes of notes (see list).

The rating actions reflect our view of the credit risk of the underlying collateral portfolio. Credit support provided in percentage terms has increased as the pool has paid down. As of June 30, 2023, the pool factor is about 51.2%.

On Jan. 5, 2023, we republished the Australian RMBS Rating Methodology and Assumptions criteria. This updated the property thresholds to reflect the property market developments since the original publication of the criteria. As a result, the percentage of properties that attracted the large property market-value-decline penalty has reduced to just under 13% of the pool compared to about 48.8% of the pool at close. This has resulted in a decrease to the loss severity and ultimately the minimum level of credit enhancement required across each rating level.

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 arrears performance, the relatively high level of self-employed borrowers, and low and alternative documentation loans in the pool. These characteristics increase our expectation of loss for the portfolio. The arrears performance has been stable and has historically tracked below the Standard & Poor's Performance Index (SPIN) for nonconforming loans. As of June 30, 2023, loans greater than 30 days in arrears represent 1.95%, of which 1.13% are more than 90 days in arrears. There have been no charge-offs to any of the notes.

The transaction is currently paying down on a sequential basis. Credit support will continue to build up for the notes until the pro rata tests are met. Once the pro rata triggers are met, principal would be passed through to each class of rated notes. Principal payments to the unrated class G notes will not occur until all rated notes are fully repaid, the balance of the class G notes remaining constant over the life of the transaction.

A constraining factor on the degree of upgrades is the rising interest-rate environment and softening macroeconomic conditions that will likely lead to higher arrears across the market. The composition of the portfolio and the subset of borrowers are likely to be more susceptible to such changes in the economy, particularly rising interest rates and cost-of-living pressures.

These qualitative factors constrain our ratings beyond quantitative factors alone.

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## 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
- 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

- 2022 Outlook Assumptions For The Australian RMBS Market, Jan. 6, 2023
- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, Nov. 28, 2022
- 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

## Ratings Raised

### Think Tank Residential Series 2021-1 Trust

- Class B: to AAA (sf) from AA (sf)
- Class C: to AA (sf) from A (sf)
- Class D: to A (sf) from BBB (sf)
- Class E: to BBB- (sf) from BB (sf)
- Class F: to B+ (sf) from B (sf)

## Ratings Affirmed

### Think Tank Residential Series 2021-1 Trust

- Class A1: AAA (sf)
- Class A2: AAA (sf)

#### 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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