

# MARC affirms AAA rating on Cagamas bonds

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**PETALING JAYA:** Malaysian Rating Corp Bhd (MARC) has affirmed its AAA rating on Cagamas MBS Bhd's RM2.06bil bonds (CMBS 2005-2) with a stable outlook.

MARC's rating affects Cagamas' RM1.315bil in outstanding bonds. The rating considered the strong credit enhancement levels for the outstanding bonds based on the transaction's collection account balance of RM382.7mil and collateral pool balance of performing mortgages of RM1.828bil.

"In addition, the rating affirmation reflects satisfactory collateral performance, in particular, its healthy prepayment levels and low default rates," it said in a statement.

Cagamas is a special purpose vehicle incorporated to acquire Government staff housing loans from the Government via the issuance of asset-backed securities.

According to MARC, Cagamas has acquired RM2.898bil worth of hous-

ing loans from the Government, known collectively as Portfolio 2005-2, which mainly comprises the mortgages of public sector employees.

"At the close of the transaction, the over-collateralisation for the securitisation was 140.72%," MARC said. As at March 12, 2013, the portfolio's outstanding balance stood at RM1.847bil, translating to an average loan size of RM56,997.20 for 32,407 fixed-rate mortgages.

Meanwhile, performing loans fell to 88.89% from 94.22% a year ago due to the significant increase in one-month delinquent loans amounting to RM152.3mil. The rating agency expects the delinquencies to normalise in the subsequent months.

After 29 quarters of performance, Portfolio 2005-2's cumulative default remains at 0.65%, lower than MARC's projection of 2.47%.

"The majority of defaults experienced have been the result of suspended salary and pension deductions arising from the changes in borrowers' employment statuses," it said.

Meanwhile, it registered a cumula-

tive prepayment rate of 10.41%.

MARC said that CMBS 2005-2's credit enhancement level of 168.15%, supported by cash and permitted investments of RM382.7mil, would continue to offer credit protection to the transaction. "With the current funds in the collection account, CMBS 2005-2 should have sufficient liquidity to redeem the upcoming RM320mil Tranche 4 bonds maturing on Dec 11, 2015," MARC said.

Under the AAA stress scenario, which assumes that defaults are three times the base case anticipated for the transaction, the portfolio could still adequately service the outstanding bonds. The AAA stress scenario includes a 50% reduction in prepayment rates and a 100% increase in prepayment rates.

"The stable outlook reflects MARC's expectation that Portfolio 2005-2 would continue to demonstrate a stable performance in light of the high over-collateralisation ratio at transaction close, which allows CMBS 2005-2 to withstand adverse performance of the collateral pool," it stated.