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Banca Ifis closes NPL securitisation backed mostly by wage garnishment orders

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Banca Ifis has closed an NPL securitisation of unsecured loans backed by assignment orders, Ifis NPL 2021-1 SPV, according to a statement from the company and rating agency reports. The portfolio has a gross book value (GBV) of EUR 1.323bn. JPMorgan and Deutsche Bank arranged the deal, which is the first Italian NPL transaction backed by a portfolio that includes a large portion of loans paid directly from the salary or the pension of the defaulted borrower, referred as ODA.

The EUR 463m transaction (35% of GBV of the receivables) consists of a EUR 158.8m class Ax tranche and EUR 206.2m Ay tranche, rated A2 by Moody's and A- by Scope, which are paid pari-passu and pro-rata, and an EUR 74m B note rated B2/B+ and an unrated EUR 23.6m J note. The mezzanine and junior notes amortise sequentially and have been entirely subscribed by Ifis Npl Investing.

The senior notes will be admitted for trading on the Borsa Italiana ExtraMOT debt market, and will be refinanced on the institutional investors' market, according to Banca Ifis.

The transaction includes two distinct portfolios — the GBV EUR 490.3m secured portfolio and GBV EUR 832.83m ODA portfolio. It includes some EUR 43.36m of collections that will be used to repay the notes in their first interest payment date.

The EUR 490.3m secured portfolio includes standard NPLs originated by several Italian banks and financial institutions, 85.08% of which are secured, according to the Moody's presale. The loans have an average seasoning since the default of 13.2 years. Loans to corporates make up 54.2% of the portfolio, and to individuals 45.8%.

Residential properties with a first lien mortgage account for 61.2 % of total real estate market value, with the remaining 38.8% are commercial properties (land, hotels and touristic properties representing 13.9% and 1.5%, respectively).

According to Moody's, some 72.6% of the properties have a recent valuation performed in the last two years by an independent third-party appraiser. The remaining properties benefit from a valuation performed by an expert appointed by the court (Consulente Tecnico d'Ufficio or CTU, 14.8%), or were subject to statistical evaluations (13.6%).

Some 51.3% of the secured portion of the Secured Portfolio is either in the initial legal proceeding stage or information is missing, whereas around EUR 27.5 million (5.9%) of the real estate market value of this portfolio is in the cash distribution phase and EUR 8.9m of cash proceeds will be disbursed to the creditors.

Some 29.6% of the GBV of the secured loans are expected to undergo a bankruptcy process, which takes significantly longer than a foreclosure, while secured loans in foreclosure represent 56.3% of the GBV.

The ODA portfolio is secured on salary and pension assignment loans that due to a court order seize 20% of the borrowers' salary or pension in order to repay the debt and accrued interest and expensed until full repayment. Some 12.6% of the borrowers by GBV are public servants, 27.9% pensioners, and 59.5% private employees. The average age of the borrower groups is 55 years old for the public servants, 71 years old for the pensioners and 50 years old for private employees. Some 91% of the portfolio has a GBV of less than EUR 100,000 per borrower.

BonelliErede was legal advisor to Banca Ifis Group and Orrick Herrington & Sutcliffe advised the arrangers. Banca Finint is corporate servicer. Ifis will service both portfolios, Zenith is back-up servicer.