



Imperial Fund to expand non-QM issuance as A&D Mortgage footprint grows

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The Imperial Fund, an investment fund formed in the wake of the last financial crisis, is planning a return to the non-QM RMBS market in coming weeks – the next stop on its way to becoming a regular issuer, said Jeff Nabi, an executive director for capital markets.

The approximately USD 200m deal would be about a third bigger than Imperial's debut transaction last year, a sign that affiliate A&D Mortgage is gaining traction since the COVID-19 pandemic sidelined non-agency funding in March and April 2020.

What's more, term financing has improved since Imperial's first deal in October. Non-QM RMBS yield spreads are off their tightest levels of the year, but at about Swaps+ 85bps-90bps last week are still about 20bps-25bps tighter than where Imperial priced the seniors from its **IMPRL 2020-NQM1** in October, according to *Debtwire* ABS data.

The new deal will be backed almost entirely by mortgages originated by A&D, according to Nabi. The borrowers will likely have an average credit score around 730, and loans will probably have an average loan-to-value ratio in the low 70% range and a weighted average coupon above 5%, he said.

There has been a steady flow of non-QM deals over the past year but they've been dominated by loans originated before the financial market upheaval last spring, or filled with loans from deals called with the intention of refinancing. Ramping up non-QM originations has been a challenge in the past year because brokers have been gorging on swift and profitable agency loan refinancings, as [reported](#).

“A lot of people struggled on re-entry” in non-QM, Nabi said. “A lot of folks haven't come back.”

A&D is increasing its presence nationally with the hire of former loanDepot chief marketing officer David King last month and by more than doubling the number of account executives since a year ago, said CEO Max Slyusarchuk.

A more national presence may address the geographic concentration that S&P Global Ratings identified as a risk in Imperial's 2020 deal. More than 60% of that issue's collateral pool consisted of Florida loans, leading the credit rating company to add an additional "adjustment factor" to its loss coverage metric, according to the S&P presale report.

A&D has also revamped its product line to make its offerings more broker-friendly, and tightened some guidelines, Slyusarchuk said. Among changes to guidelines are that borrowers on investor properties must now show some reserves and have a credit score no lower than 640, compared with a minimum 600 before, he said. Borrower income documentation must be fresh within 60 days, versus 90 days before, he said.

by [Al Yoon](#)