Angel Oak Announces $150 Million Securitization of Non-Prime Mortgages

ATLANTA (December 17, 2015) -- Angel Oak Capital Advisors, LLC (Angel Oak Capital) announced today the completion of its first securitization of non-prime whole loans. The loans, which total $150.4 million in aggregate, were originated by two of Angel Oak Capital's affiliate companies – Angel Oak Mortgage Solutions and Angel Oak Home Loans.

The securitization is the culmination of four years of careful planning and efforts to redevelop a market that has been non-existent for over seven years.

"When Angel Oak was founded, we aimed to take advantage of dislocations in subprime residential mortgage-backed securities that were deeply undervalued following the financial crisis," noted managing partner and co-CEO Michael Fierman. "As those legacy products started to regain popularity, however, supply started to dry up. Strict credit standards put in place following the crisis made it extremely difficult for borrowers with imperfect credit to get a loan. This created a void in new originations and the corresponding securitized mortgage instruments."

The team at Angel Oak Capital noted this trend four years ago and developed a strategy to recreate the market. They launched two separate entities – Angel Oak Mortgage Solutions and Angel Oak Home Loans – to originate non-agency, non-prime non-qualified mortgages and qualified mortgage loans on both the wholesale and retail levels, respectively.

The securitization's collateral consists entirely of non-agency, non-prime mortgages. There is a difference, however, between the subprime products issued prior to the financial crisis and the non-prime mortgages within the security.

"The loans originated by our affiliates strictly adhere to the eight pillars of the 'ability-to-repay' regulation and require no less than a 20 percent down payment," said Sreeni Prabhu, the firm's co-CEO and chief investment officer. "As a result, average credit scores are much higher for these loans. In fact, the weighted average FICO score for the 555 loans in the pool is over 680, which is 100 points higher than the average credit score of pre-crisis subprime loans."

The securitization is structured as approximately $135,318,000 of senior- and mezzanine-class offered certificates and $15,034,997 of subordinate-class non-offered certificates for a total deal size of $150,352,997.

"Angel Oak has engaged a variety of external institutions throughout the lengthy and complicated process of developing this securitization," said Head of Capital Markets, John Hsu. "Without the help of our trusted partners, this enormous task would not have come to fruition."

These partners include:

- Nomura Securities International, Inc. – Initial purchaser and sole bookrunner of the securitization.
- Select Portfolio Servicing, Inc. – Servicer for the securitization's portfolio of loans.
- Clayton Services, LLC – Representation and warranty reviewer.
- American Mortgage Consultants, Inc. – Securitization due diligence provider.
- U.S. Bank National Association – Trustee and custodian.
- Katten Muchin Rosenman, LLP – Angel Oak Capital's legal counsel.

Angel Oak
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ABOUT ANGEL OAK CAPITAL ADVISORS, LLC

Angel Oak Capital Advisors is an investment management firm focused on providing compelling fixed income investment solutions for its clients. Backed by a value-driven approach, Angel Oak Capital Advisors seeks to deliver attractive risk-adjusted returns through a combination of stable current income and price appreciation. Our experienced investment team seeks the best opportunities in fixed income with a specialization in mortgage-backed securities and other areas of structured credit.

As of 12/31/15, Angel Oak Capital has approximately $6.0 billion in assets under management across its mutual funds, private funds and separately managed accounts.