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11/15/2021 10:56:32 [FFM] Functions for the Market

## Zillow RMBS in Focus After Stock Plunges on Flipping Writedown

By Michael Goolsby

(Bloomberg) — Zillow Group Inc.'s shares plunged almost 40% this month as the online real estate giant decided to wind down its house-flipping business. The impact on the \$1.15 billion in residential mortgage-backed securities Zillow issued to support the business will take longer to unfold.

While the private label RMBS aren't publicly quoted, projected and historic payments are available on the Bloomberg. Zillow's second-series RMBS, the larger of the two, are scheduled to make their first coupon payments this month.

Use Bloomberg to track the coupon payments and accelerated or delayed principal payments of individual RMBS. Run NI BON FFM for function-focused stories on the bond market.



Run Zillo 2021-1 < Mtge> < GO> to See Deal Structure.

On Nov. 2, Zillow predicted writedowns of as much as \$569 million to wind down the Zillow Offers business. The homes it bought and expected to sell at a profit were used as collateral for private-label, whole-loan RMBS it settled in August and October. Zillow Offers stumbled in recent months as it tweaked its algorithms to make more aggressive offers, causing it to overpay for houses just as the market began to cool.

The size of the discount Zillow takes when it sells these homes could impact the subordinated bonds, said John Kerschner, head of securitized investing at Janus Henderson. "It's not ideal."

To view the structure of each bond:

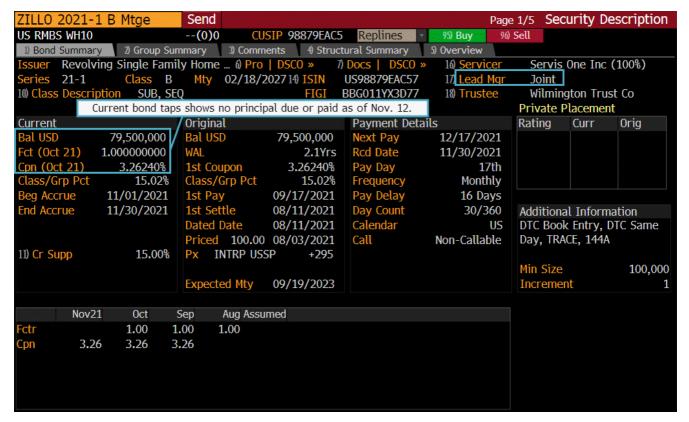
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Type "Zillo 2021-1" in the command line, and select Zillo 2021-1 Mtge from autocomplete.

The screen shows the deal includes a \$370.5 million senior tranche that has priority for cashflows and a subordinated B tranche that would be first to take any potential losses. The C tranche was retained by Zillow. The deal has an original weighted average life (OWAL) of 2.1 years, and a hard stop maturity of Feb. 18, 2027.

Click the \$79.5 million B tranche on the View All Classes screen for more details (the shortcut is ZILLO 2021-1 B <Mtge> DES <GO>):



To See Details on the Subordinated Tranche, Run ZILLO 2021-1 B < Mtge > DES < GO >.

The Current table at top left shows the bond tape: The Factor of 1 shows no principal has come due or been prepaid.

Click Lead Mgr at top right to see Citigroup, Credit Suisse and Goldman Sachs acted as Lead Managers.

To see how lead manager Credit Suisse models projected payments for each RMBS:

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Manipulate Credit Suisse's Model Cash flows for the Senior Tranche of Zillow's first RMBS at ZILLO 2021-1 B <Mtge> CFT <GO>.

Type "cash flow table" in the command line and select CFT - Cash Flow Table from the menu. The shortcut is ZILLO 2021-1 B <Mtge> CFT <GO>.

While privately placed deals such as Zillow's RMBS are more opaque than publicly-offered bonds, the screen shows modeled schedules of cashflows contributed by co-lead Credit Suisse.

Scroll down in the default view to see principal payments are scheduled to begin in August 2024.

In the left hand menu, users may click the amber Scenario 1 dropdown menu to select from a range of prepayment speeds provided by Credit Suisse's model.

Click Deal Level Controls, then Call Controls to change the Calls dropdown from the default of N for Call to Maturity to W for Call to Worst. Note the spread calculation shown below will change to reflect how you choose to model your call preference.

Use the options below to change additional inputs to model the security's behavior under different market conditions.

Credit Suisse models are available for A and B tranches of Zillow's 2021-1 and 2021-2 RMBS deals.

To see line-by-line payments already made:

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Run ZILLO 2021-1 B < Mtge > CPD < GO > for Paydown Information.

Type "paydown information" in the command line and select PDI PAY. The shortcut is ZILLO 2021–1 B <Mtge> CPD <GO>.

The screen shows the two interest payments made to date. Scroll to the right to see additional columns that would provide information on any shortfalls or accrued interest reported by the servicer, if any occurs. This is the screen to watch as Zillow sells its portfolio of homes. The company announced Nov. 10 that it sold 2,000 of the homes it bought under its home-flipping business. It has about 18,000 houses to unload in the coming months.

Run ZILLO 2021–2 B <Mtge> CPD <GO> to monitor payments made to holders of the \$123.2 million subordinated tranche of Zillow's second RMBS that settled in October. It is scheduled to make its first coupon payment to bond holders on November 18. The screen will remain blank until the first payment date.

-- With assistance from Adam Tempkin.

Related ticker:

ZG US (Zillow Group Inc)

To contact the author of this FFM article:

Michael Goolsby, MBS market specialist: +1-212-617-5656 or mgoolsby4@bloomberg.net

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