

】 MIZUHO GAINS FOOTING IN US MORTGAGE MARKET

MIZUHO is making strides in its expansion in the US mortgage market despite high interest rates and stricter regulations causing other banks to pull back from the sector.

One of the critical components for Mizuho's entry into the mortgage market is the creation of a team of mortgage specialists. It began last year when Mizuho hired Joseph O'Doherty from **BARCLAYS** where he had spent nearly two decades and oversaw the bank's mortgage financing and securitisation business. O'Doherty has since built out his group with seven additional professionals. The group size could possibly double next year.

A second key driver for the expansion is capital. The Japanese lender committed a portion of its sizable US\$1.73trn (¥254.3trn) balance sheet for this long-term strategy to become a go-to dealer and funding source in two years, O'Doherty said.

"This business is not exciting if you don't commit long-term capital to it. It won't get really interesting until 2025 most likely," he told IFR.

For now, Mizuho is homing in on pockets of the mortgage sector, such as funding fix-and-flip loans and mortgage servicing rights, where bank funding has dwindled. In the current high rate environments, these types of mortgage assets have lost their appeal among banks because of their perceived riskiness or hefty capital required to set aside to fund them.

"It's been a challenging environment for originators. Most of the guys still operating are adjusting to the new environment," O'Doherty said. "I want to find the collateral type with the greatest need for financing, not the easiest ones to finance."

Unfavourable funding conditions have resulted in a significant decline in loans to be securitised this year. There have been only US\$22.01bn in new private label mortgage securities printed so far this year, which is a 62% drop from a year ago, Refinitiv data show.

Even though securitisation volume has tumbled, Mizuho sees opportunities to profit from offering financing to mortgage originators.

"The majority of the revenues for mortgage business come from financing

versus from underwriting fees," O'Doherty said.

The bank's efforts appear to be paying off. Mizuho has achieved several milestones in the first half this year.

In March, it closed on its first non-QM warehousing line. A month later, it debuted as a right lead bank on the US\$353.8bn non-QM RMBS offering from **A&D MORTGAGE**. Then in May, it co-managed for the second time, a US\$536.59m **FANNIE MAE** multifamily GeMs securitisation.

Despite its recent accomplishments, Mizuho is currently ranked 17th in Refinitiv's RMBS league table with a 1.2% market share. This is behind **GOLDMAN SACHS** at No 1 with a 15.3% share and its Japanese rival **NOMURA** in seventh place with a 6.0% share.

O'Doherty expects Mizuho's placement in the league table would climb steadily with more mandates and its eventual appointments as left leads on deals in the coming months.

"From zero exposure to get to 5% market share, that is a substantial increase," he said.