Her Majesty's Government, UK

Income Contingent Student Loans 2 (2007 – 2009)

Case Study

The Client

Her Majesty's Government ("HMG") is committed to making education affordable to students and oversees a student loan program providing loans to the students in the universities of the UK.

The Challenge

Income Contingent Student Loans 2 (ICSL2) is the second UK income-contingent repayment (ICR) student loan public securitisation by Her Majesty's Government.

The pool consisted of English ICR student loans for which borrowers became liable for repayment between 2007 and 2009. The underlying assets were income-contingent in nature, because a borrower was only liable for repayment if their earnings were above a certain threshold.

The rational behind the transaction was HMG's aim to reduce Public Sector Net Debt and risk exposure without affecting borrowers and achieve reasonable value for money for the taxpayer.

The Solution

The transaction was the second offering of UK ICR student loans and involved the structuring, subsequent marketing and placement of the full capital structure. Citi acted as Sole Arranger and Joint Lead Manager.

The transaction offered four classes of notes while HMG (as Originator) retained 5% economic exposure to the transaction (via an eligible vertical interest Retention Note).

The Result

Despite the combination of the weakening in the Sterling ABS market since the termination of the Bank of England purchase programmes and the uncertainty surrounding Brexit during the marketing phase of the transaction, the books were oversubscribed with notes pricing at the tight end of Initial Price Talks and Price Guidance.

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