IMPERIAL FUND ASSET MANAGEMENT | STABILITY & SUCCESS

Monthly Newsletter

07/2026

We hope this letter finds you well!

As summer is in full swing, we are pleased to share several recent updates. In July, Imperial Fund returned to the securitization market with its 33rd transaction. The $432 million ADMT 2026-NQM5 issuance had 1,008 loans and was rated by Fitch Ratings and KBRA. The underlying pool had a weighted average borrower credit score of 754 and a weighted average combined loan-to-value ratio of 69.10%. In line with our continued focus on geographic diversification, Florida concentration remained below 25%, at 24.89%. The transaction marked the 13th securitization completed under Atlas A&D Opportunity Fund III, Imperial Fund's latest investment vehicle.

ADMT 2026-NQM5
33th platform securitization
Priced a $432M of loans

News

Our Managing Director, Victor Kuznetsov, recently spoke with HousingWire (Non-agency is Not Subprime: Why Stigma Persists) about the lingering stigma surrounding non-QM lending since the 2008 financial crisis. In the interview, Victor outlined how non-QM product was created to specifically address the needs of borrowers who were excluded from do eligibility the agency credit guidelines. He further noted that these borrowers are in a strong position to purchase homes, but their specific financial circumstances did not neatly comply with standardized borrower agency guidelines. He also highlighted the significant improvement in borrower credit quality. According to Nomura's 2026 Securitized Products Outlook, non-QM loans originated in the second quarter of 2025 had the highest credit scores ever recorded in the sector. Since the fourth quarter of 2022, lenders have also reduced the share of low-FICO and high-LTV loans by approximately 50%.

Market Update

In contrast to last month, softer data initially offered relief: June CPI fell 0.4% month-over-month, the largest monthly drop since April 2020, as a US-Iran ceasefire pushed energy prices lower and dragged year-over-year headline inflation down to 3.5% from 4.2% in May.

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Fixed income nonetheless continued to sell off. The 10-year yield rose roughly 24bps over the month to around 4.745%, its highest since January 2025, while the 30-year bond breached 5.2% — a level unseen since 2007 — after a divided Fed left rates on hold. At its July 28-29 meeting, the FOMC voted 9-3 to keep the funds rate at 3.5-3.75% for a fifth consecutive meeting, with three dissents (Hammack, Kashkari, and Logan) favoring a 25bp hike to combat above-target inflation. Fed Chair Kevin Warsh, in what he termed a "family fight," offered minimal forward guidance and reiterated the Fed has "no tolerance" for persistently elevated inflation, appearing to hope that rising long-term rates deliver the tightening for him. With the Iran conflict re-escalating and oil back above $100/barrel, markets are pricing roughly a 63% probability of a hike at the September 15-16 meeting; Warsh's Jackson Hole remarks in late August will be the next signpost.

In non-QM, secondary spreads were broadly unchanged across the stack over the month, leaving the non-QM AAA/agency MBS nominal basis at roughly 32bp — only marginally wider than its 26bp long-term average — with the credit curve still at historically tight levels (a BBB/AAA basis of ~50bp versus 55bp at the 2019 tights). Primary supply stayed heavy: about $20bn of RMBS priced in July, keeping non-QM the single largest driver of non-agency issuance and a scalable way for institutional investors to diversify away from tighter-trading agency MBS and IG corporates. Redemption activity remained elevated, with 17 deals totaling $2.6bn called during the month, concentrated in the 2022-2023 non-QM vintages. Deal calls have been a significant talking point this year as high-GWAC deals from late '22 and early '23 are entering call and step-up eligibility.

Recent discussion has also centered on the housing market, with inventory growth in the USA continuing to decelerate (4% YoY as of April). As noted in recent research by Bank of America, Florida especially has experienced a slowdown in inventory growth even during the seasonally supply-heavy spring. In the same report, BofA also noted that Florida's average escrow cost growth has decelerated meaningfully, largely due to legislative efforts in the state to reduce costs for insurers by inhibiting Assignment of Benefit abuse and lowering the hurdle for private insurers to assume policies from the state-sponsored Citizens. Despite an improving picture in Florida, the lock-in effect continues to be a point of concern, with the average GWAC of outstanding US Mortgages at 4.3%.

Sources:
Bank of America Research
Federal Reserve
Nomura Research

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