

Brookfield Buys Majority Stake in Mortgage Specialist Angel Oak

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Brookfield Asset Management Ltd. has agreed to buy a majority stake in Angel Oak Companies, a mortgage lender and investor that manages over \$18 billion, as the New York-based firm continues efforts to grow its private credit business.

The asset manager will take a 50.1% stake in Angel Oak, offering its own investors access to the firm's residential mortgage credit business, according to an emailed statement. Angel Oak will still operate independently, with co-founders Sreeni Prabhu and Mike Fierman staying on as co-chief executive officers.

Angel Oak, founded in 2008, focuses on non-qualified residential mortgages as well as other consumer products. The firm has two main platforms, mortgage originator Angel Oak Mortgage Solutions and Angel Oak Capital Advisors, its asset management arm.

Its mortgage-origination business focuses on home loans for borrowers who don't typically qualify for traditional mortgages from banks or government agencies. For example, Angel Oak provides bank statement loans for self-employed borrowers and mortgages for those with

assets but no employment income, according to its website.

Brookfield is working to expand its credit arm, now its largest driver of growth with \$317 billion of managed assets. About half of that comes through partnerships Brookfield formed with other credit firms, such as Angel Oak, with the rest its own deployed capital.

"Large investors want to do business with fewer managers who can offer everything, allowing them to be more strategic," Craig Noble, the CEO of Brookfield's credit platform, said in an interview. "That has been true in the alternative asset management business and it'll be more so for private credit firms."

Firms such as Brookfield, Blackstone Inc. and Apollo Global Management Inc. have been betting on credit for growth, as private lending has started infiltrating areas beyond traditional buyouts. Brookfield raised \$29 billion in the fourth quarter, with \$20 billion of that collected through its credit business.

Brookfield is also making a push into syndicating the private debt it underwrites and set up a US broker-dealer last year.

The firm has also partnered with

private debt investor Castlelake LP, Oaktree Capital Management – in which it acquired a stake in 2019 – as well as European credit manager LCM Partners, Primary Wave and 17Capital.

Brookfield's credit business is still in expansion-mode, Noble said, with a focus on asset-based finance. That can include a variety of debt backed by streams of contractual cash flows tied to a defined pool of assets such as mortgages.

Angel Oak originated \$30 billion of residential mortgages over the past decade, according to the statement, and has bundled much of that debt into bonds of varying risk and size. Just this year, the firm has issued at least three residential mortgage bonds tied to the non-qualified mortgages it originates, according to data compiled by Bloomberg.

"We expect rapid growth in mortgage and consumer products with this interest rate environment," Fierman said in an interview, adding that the firm is looking to hire.

The average mortgage rate for 30-year loans was 6.65% last week, down from 6.67% the week prior, according to Freddie Mac. Still, high mortgage rates remain a sticking point for a large number of would-be borrowers.

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